Notes and Observations in International Commodity Markets

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USDA WASDE Supportive of Wheat, Neutral for Corn and Oilseeds

GHA – Thursday’s USDA monthly World Agricultural Supply and Demand Estimates (WASDE) December report came in few surprises as underlying early strength in the markets faded after its release. However, the number do set the stage for volatility in the next January report.

Data lent some supportive to wheat as stocks numbers were below trade expectations. Global wheat ending stocks were cut by 4 mmts to 316.5 mmts. U.S. ending stocks for all wheat were lowered by 15 mbus, to 882 mbus, due to an increase in exports of 10 mbus, and a 5 mbus reduction in imports.

Production was unchanged in Argentina at 18 mmts, United States at 49.7 mmts and Ukraine at 25.5 mmts. Larger crops in Australia of 30 mmts (+1.5 mmts) and Russia 84 mmts (+0.5 mmts) were partially offset by a 0.5 mmts increase in imports by China at 8.5 mmts. Chinese imports are pegged at the highest level since 1995/95.

There were some minor changes to U.S. ending stocks for various classes highlighted by a 20 mbus reduction in carry-out for White wheat, while HRW carry-out was increased by 10 mbus.

There were no surprises in corn as ending stocks for the U.S. remained unchanged at 1.70 bbus. Changes to some country numbers were somewhat noteworthy with China corn imports increased by 3.5 mmts to 16.4 mmts. The Ukraine’s corn crop was increased 1 mmts with a corresponding increase in exports of 1.5 mmts. Argentina’s corn crop was scaled back 1 mmts, to 49 mmts, on dry weather concerns. World corn ending stocks have been cut by 2.5 mmts to 288.9 mmts. South American weather and further Chinese buying will be the market focus in coming weeks.

Numbers for U.S. Sorghum are largely unchanged, with domestic usage cut and exports increased by the same amount.

For soybeans and the oilseed complex, the USDA took the world soybean carry-out down 1 mmts to 85.64 mmts. Argentina’s soybean production estimate was lowered 1 mmts to 50.0 mmts, with exports unchanged at 7.0 mmts. There was no change to China’s import forecast of 100 mmts. US soybean area and yield are unchanged, with the crush figure lifted and the carry-out cut by the same amount.

The USDA does expect better demand for products with U.S meal exports up 0.5 million short tons, to 14.0 million short tons; with soybean oil exports 150 million pounds higher at 2.75 billion pounds.
Further interest by the Chinese and development of the South American crop will be driving prices going forward.

- **US Agricultural Exports to China Hit Near-Record of $4.8bn in October**

  *Reuters* - US agriculture exports to China hit a near-all-time high of $4.83 billion in October as soybean exports doubled on the month to a near-record while corn and ethanol shipments also surged to near-all-time highs, US census data showed Friday. Agriculture trade from the world’s largest to the world’s second-largest economy, as detailed in the trade agreement set out between the two of them earlier this year, surged 60% on the month and nearly quadrupled on the year.

  At $4.83 billion, the October trade of the 216 agricultural goods covered by the Phase One trade deal was a record for the month beating the previous one set in 2013 when $4.56 billion were exported.

  This was the second-highest ever recorded monthly trade between the US and China, only surpassed by the $5.04 billion exported in November 2013.

  Soybean exports jumped to $3.5 billion in October, equivalent to 73% of the total month’s trade and highlighting the importance of the oilseed within the agreement. US bean exports in October were a record for the month and beat the combined exports of the oilseed for the first nine months of 2020.

  US corn exports to China rose to $191 million in October, also a record for the month and the third-highest recorded following November and December exports in 2011. Ethanol trade hit $2.26 million nearly double on the month and an all-time high, while meat exports climbed 26% on the month to $275 million.

  The data means that cumulative US agriculture exports to China reached $17.45 billion by the end of October, extending its lead on the export pace in 2017 – the baseline figure against with the trade deal is measured – which reached $15.33 billion during the 10-month period.

  Under the trade deal, China has committed to beating the 2017 total trade figure by an additional $12.5 billion in agricultural exports during the first year, meaning the year-one target for the deal is $33.3 billion.

  Despite the near record US agriculture exports to China, the US trade deficit with all its trading partners rose 1.7% on the month to $63.1 billion.

- **A Level of Dependence Binds China and U.S. Farmers**

  By Bloomberg News 8 Dec 2020 - Measured by the bushel, the U.S.-China relationship has never been stronger. Through the trade disputes and open hostilities at the highest political levels, pig farmers in China and crop farmers in the U.S. have become increasingly interdependent. Already America’s biggest customer of soybeans and sorghum, for this season China bought an unprecedented 11.2 mmts of corn, up nearly 1,300% compared with pre-trade-war purchases. For the moment, both sides seem happy. The American imports have helped China feed its hog herd, which is recovering faster than expected after the African Swine Fever (ASF) outbreak created a shortage of the country’s most staple protein. Meanwhile, U.S. farm profits are at a seven-year high, riding China’s demand and additional support from federal aid to agriculture.

  China has bought nearly 30 mmts of U.S. soybeans, the most for this point in the season since 1991 and 57% of America’s export sales. For sorghum, which is also a substitute for corn, China accounts for 80% of sales. Corn purchases, once negligible, rocketed to almost 30%.

  But the deeper reliance is tenuous. As the trade war showed, that market can quickly evaporate, and experts warn that any number of geopolitical events, an incident in the South China Sea, for example, or further activity in Hong Kong, could end with another chill on Chinese imports.

  “American agriculture has to be careful of putting too many eggs in the China basket,” said Tom Vilsack, who served as Agriculture Secretary from 2009 to 2017 and has emerged as a leading candidate for the position under Joe Biden. “I think the lesson that should be learned from the last couple of years is the need for American agriculture to continue to diversify so there’s always somewhere else the products can go, other than the storage bins.”

  For now, purchases are so big that traders are even drawing parallels with the Soviet era’s “Great Grain Robbery,” another huge agricultural trade at a time of tensions between superpowers. Overall, the U.S. has nearly exhausted its export capacity.

  “We are loading boats as fast as we can,” Gregg Doud, the U.S. Trade Representative’s chief negotiator for agriculture, said in an interview with Bloomberg at the end of October. “North of 95% of what can possibly be done in 2020 is already booked, and a huge chunk of that is soybeans to China.”

  The farm belt, which voted overwhelmingly for the re-election of Donald Trump, is waiting to see how Biden will approach trade negotiations with China. Trump’s North American and Chinese trade deals, plus Covid-linked farm aid, have sustained the agricultural economy, said Jim Putnam, who grows corn and soy in Minnesota. “I was never a big Trump fan but he did get the Chinese attention with Phase 1,” he said. “I hope that the Biden administration can keep things going.”

  China’s appetite for American crops reflects a combination of factors that won’t remain static: the strength of China’s post-Covid economy, the unanticipated consequences of the ASF recovery, and the limitations on the country’s own corn production. When the disease killed roughly half the country’s herd after China first reported outbreaks in
2018, traders projected a five-year timeline for recovery. It’s been far faster. The herd is now at 80% of its pre-disease levels. But the industry is changing. Multi-story “hog hotels” and large industrial producers have replaced the backyard farms where pigs grew fat on table scraps. The more professional operations mean hogs are eating more corn, soybean meal and other feed grains.

“Everybody focuses on soybean trade, but as the Chinese livestock industry is professionalizing their feeding practices, it means not only the soybean meal demand will grow, but it also means the corn demand grow as well too,” Greg Morris, president of Archer-Daniels-Midland Co.’s Ag Services and Oilseeds unit, said at a recent investment conference.

US President Trump has taken credit for the deal that resolved the two-year long trade war and required China to increase purchases of agricultural goods by 52% from 2017. As of the end of October, China had met 71% of the $36.5 billion target based on exports through August and sales scheduled for import by December 31st, according to the USTR.

“The recent increase in grain exports to China, and tighter grain supply and demand has driven commodity prices higher,” Pat Bowe, chief executive officer of grain handler Andersons Inc. said Tuesday at the company’s investor day. “A demand-led rally is stronger than a supply shortage as it usually has lasting clock power.”

Agriculture Secretary Sonny Perdue, at a separate industry event Tuesday, credited the rally in crop prices to a functioning trade policy with China achieved by the Trump administration. Still, he added that while China may not reach the target for purchases, U.S. shipments are well on their way to showing a significant increase in the first quarter of 2021.

Others are skeptical about the influence of the trade deal. “China doesn’t adhere to trade policies because they would like to, it only happens when there is a need,” said Dan Basse, president of Chicago-based consulting firm AgResource. “I think China would have bought the same amount of grain relative to having a phase one agreement or not.”

China has already bought so much corn from the U.S. and Ukraine, (traditionally its biggest supplier), that imports this year exceeded for the first time the 7.2 mmmts TRQ quota established by the World Trade Organization. The USDA’s Foreign Agriculture Services expects China’s purchases to triple to 22 mmmts this season.

These are the projections that will inform U.S. farmers as they decide how to allocate their land use for the 2021 growing season. Behind closed doors, business executives and international commodity traders worry that they are at a disadvantage. The amount of corn subject to lower tariffs into China is opaque. China closely guards the status of its state reserves, and only its state-owned enterprises understand the full scale of the country’s demand. Typhoons in the northeast could have done serious damage to the country’s harvest or, as its agriculture minister said, this year could see a bumper crop.

Les Finemore, chief investment officer at commodity hedge fund Imbue, drew a parallel with what’s known as the Great Grain Robbery of the 1970s. Hiding a severe domestic crop failure, Soviets bought millions of tons of American wheat in a frenzied spree, driving global prices higher and heavily contributing to inflation in the U.S.

In China, the goal is self-sufficiency. President Xi Jinping visited a corn farm in Jilin in July, urging local authorities to protect the fertile soil in the region. If the country can improve its yield by 2.5% per year, it could meet domestic demand by 2029, according to Xu Weiping, a chief analyst with the agriculture ministry. The country is reallocating land from non-grain crops to corn. ChemChina also acquired Syngenta in 2017, and plans to use genetically modified crops and other technologies to help get the country to 90% self-sufficiency.

The Trump administration sought to add pressure on Beijing over its crackdown on dissent in Hong Kong, announcing sanctions Monday against 14 members of China’s National People’s Congress. Biden has said he expects to keep up pressure on Beijing over Hong Kong, but he’s unlikely to resort to unilateral sanctions to the extent that Trump has.

Even if the political relationship sours, China has been developing its global supply chain. As part of its Belt-and-Road Initiative, it has heavily invested in Brazil, the world’s top producer of soybeans, and in the Black Sea region. It has also developed its own commodity-trading powerhouse, with the acquisition of Noble Group’s agriculture arm and Dutch grain trader Nidera BV, now merged and renamed Cofo International Ltd. (a Chinese state owned company). Despite the jumps in purchases, the scars of the trade war remain. Tariffs are still in place, a challenge a Biden administration will eventually have to deal with, said Joseph Glauber, a former USDA chief economist. The next president will also have to tackle issues such as intellectual property and business practices, which remain on the table. Any sticking points over any of those issues could stress agricultural trade, as China’s tension with Australia is once again making clear. What began in 2018, when Canberra barred Huawei Technologies Co. from building its 5G network on national security concerns, has snowballed; this year, China moved to block imports of barley, wine, sugar, lobster, coal and copper ore.

“The issue has never really been about agricultural trade,” said Glauber. “The bigger issues have been outside of agriculture, and I think those are going to be the tough ones.”

Grain output forecast to rise in EU in 2021

Brussels - In its first forecast for 2021, COCERAL sees the total grain crop in the EU-27+UK at 307.4 mmmts, a significant increase over the 295.7 mmmts harvested in 2020.

The report released on December 9th projects wheat production (excluding durum) will recover from 127.9 mmmts to 143 mmmts, driven by higher expected plantings and yields in France, Germany, the UK, and the Balkan countries where adverse weather had affected the last crop.

COCERAL forecasts EU-27+UK 2021 barley production at 61.5 mmmts, down from 63.1 mmmts last year. While Germany and France are forecast to see much better crops...
than in 2020, production is seen down in Spain, where weather during the most critical crop development stage has been excellent in 2020, and in the UK, where spring barley planting should decrease substantially as the country has planted more winter grains this year than last year.

The EU-27+UK 2021 corn crop is seen by COCERAL at 63.1 mmts, up from last year’s 62.8 mmts crop, with much higher crops in the Balkan countries and small reductions in several other EU member states.

The EU-27+UK rapeseed crop is forecast to recover slightly from 16.9 mmts to 17.8 mmts because of slightly higher crops in several countries, including Germany, France, the UK, Romania, Bulgaria and Hungary.

US DOLLAR & FOREIGN EXCHANGE

US Dollar Index

The dollar index on Friday posted moderate gains. Reduced hope for additional U.S. pandemic stimulus undercut stocks on Friday and boosted the liquidity demand for the dollar. Meanwhile, fear about a no-deal Brexit hammered GBP/USD and benefitted the dollar. EUR/USD moved lower after ECB comments on Friday signaled the ECB is concerned with recent euro strength. USD/JPY retreated as a slump in stocks has spurred some safe-haven buying of the yen.

U.S. stock index futures on Friday posted moderate losses amid reduced hopes for a U.S. pandemic stimulus deal, which provided some liquidity demand for the dollar. Bipartisan talks on a $908 billion pandemic relief package have stalled and are hung up on differences between Republicans and Democrats over shielding companies from Covid-related lawsuits.

Friday’s U.S. economic data was mixed for the dollar. The University of Michigan U.S. Dec consumer sentiment unexpectedly rose +4.5 to 81.4, stronger than expectations of -0.9 to 76.0. Conversely, Nov core PPI rose +0.1% m/m and +1.4% y/y, weaker than expectations of +0.2% m/m and +1.5% y/y, which was dovish for Fed policy and slightly negative for the dollar.

The dollar also garnered a slight boost Friday when the Senate passed a one-week stopgap spending bill to avert a government shutdown.

The worsening Covid pandemic has prompted many states and countries to impose more restrictions, which will undercut economic activity and is dovish for central bank policies and negative for the dollar. The U.S. reported a record 3,141 Covid deaths on Wednesday, and the 7-day average of new Covid infections has risen to a record of 209,399 per day. The Covid virus has infected 70.899 million persons globally, with deaths exceeding 1.591 million.

EUR/USD on Friday moved lower on jawboning from ECB Governing Council member and Bank of France Governor Villeroy, who said on Friday that the ECB is "very vigilant" regarding the euro exchange rate with the dollar. His comments suggest the ECB is not pleased with the recent strength in EUR/USD, which climbed to a 2½ year high last Friday. A supportive factor for EUR/USD was Friday’s news that Italy’s Oct industrial production rose +1.3% m/m, stronger than expectations of +1.0% m/m.

The surge in Covid infections in Germany may lead to stricter lockdown measures, which boosted safe-haven buying of German bunds and is negative for EUR/USD. Germany reported a record 32,734 Covid infections on Thursday and a record 604 Covid deaths. German Chancellor Merkel said she would meet with the heads of Germany’s 16 states on Sunday to discuss tighter lockdown measures. The 10-year German bund yield fell to a 1-month low Friday of -0.642%, which weakened the euro's interest rate differentials.

USD/JPY on Friday posted moderate losses as no-deal Brexit concerns, along with the ongoing stalemate in U.S. pandemic stimulus talks, have undercut stocks and boosted the safe-haven demand for the yen. Losses in USD/JPY were limited; however, as rising Covid infections in Japan have boosted safe-haven buying of Japanese government bonds. The 10-year Japan JGB bond yield fell to a 2-½ month low Friday of 0.009% after Tokyo reported a record 602 Covid infections on Thursday.

GBP/USD on Friday fell -0.56% and posted a 4-week low. The likelihood of a no-deal Brexit looks more likely, which undercut sterling. U.K. Prime Minister Johnson on Friday said that a no-deal Brexit at the end of the year now looks "very, very likely." Also, European Commission President von der Leyen warned that a no-deal Brexit is the likeliest outcome on December 31 unless last-ditch talks succeed. Both leaders agreed that the talks would continue until Sunday when "a firm decision" will need to be taken on the future of the negotiations.

Big Picture Dollar Factors: Bullish factors for the dollar index include (1) safe-haven demand for dollar liquidity as the stress in the global financial system encourages flight
into the world's reserve currency, and (2) the influx of capital from overseas investors fleeing from over $10 trillion of negative-yielding debt. Bearish factors include (1) the Fed's new average inflation targeting scheme that is dovish for Fed policy, (2) the outlook for the Fed to keep the Fed funds rate near zero at least through 2022, (3) the Fed's extraordinary blast of monetary stimulus in response to the pandemic, (4) the severe U.S. and global economic damage caused by the Covid pandemic, which is dovish for Fed policy, (5) trade tensions and Washington political uncertainty, and (6) the wide U.S. budget and current account deficits.

Bearish factors for EUR/USD include (1) the ECB's very low -0.50% deposit rate, (2) the ECB's 1.85 trillion-euro Pandemic Emergency Purchase Program and its regular 20 billion euro/month QE program, (3) the severe economic damage done to the Eurozone economy by the pandemic, and (4) the extremely low 10-year bund yield, which illustrates the euro's poor interest rate differentials.

**WHEAT & GRAINS COMPLEX**

An explosive wheat trading day to finish off the week driven by rumors of upcoming Russian taxes on wheat exports. Rumors of the Russian export tax have been building this week, but picked up steam with comments from President Putin on rampant food inflation. Even with the second largest Russian grain crop in history, Support was also provided by tightening supplies from the E.U. and Ukraine, generating the overall concerns about supplies.

Since the start of the 2020/21 marketing year, Russian wheat exports have already totaled 23.5 mmits, verse a marketing forecast total estimate of 40 mmits in Thursday’s USDA WASDE Report. If achieved the 40 mmits is achieved it will be the 2nd largest export total in recent history, while leaving a comfortable carryout of 10.7 mmits, compared to 7.2 mmits last year.

If rumors are confirmed, Russia will impose a US$27/mt (75¢/bu) export tax on wheat exports effective the 15th of February through the 30th of June 2021. This has prompted offers in the market to be removed until further clarity on the situation is received. Over recent years Russian March through June wheat exports have been around 7.5 mmits (275 mbus). While Russia has been on a near record export pace this year, the rest of the world has seen some of the slowest recorded months for exports.

In addition, suggestions that Chinese wheat feeding will increase, along with dryness across the North American wheat belt, the market has responded quickly to increasing supply concerns.

The balance sheets would suggest that Russian supplies are there, but until spring weather confirms no issues, the market is likely to keep wheat out of feed rations to maintain comfortable stocks.

- **CME Wheat Futures**

From Tuesday’s lows March futures gained 55 cents to Friday’s highs in Chicago. Friday’s close did fade a bit from session highs.

**CBOT March 2021 Wheat Futures** settled on Friday at $6.16¾/bu, up 16¾ cents on the day, and gaining 40 cents for the week.

With basis values near DVE, spreads will do the work to pull the bushels away from warehouse space.

From Tuesday's lows, March futures gained ~55¢ to today's highs in Chicago and KC.

**Kansas HRW Crop Condition Second-Worst Ever Going into Dormancy**

GroIntelligence - The US hard red winter wheat (HRW) crop is entering dormancy, and this season's dry conditions brought on by La Niña are expected to hurt yields. The analyst's US Hard Red Winter Wheat Yield Model, as of December 7th, currently estimates average yield at 39.22 bushels/acre, down from 42.83 bushels/acre last year, and more than 4.5 bus/acre lower than projections at the beginning of the season.

For Kansas, which produces 40% of the US hard red winter wheat crop, forecast yield of 37.35 bushels/acre compares with last year's 40.38 bushel/acre.

USDA crop condition data, which is widely used in the industry as a barometer for crop health, shows the condition of the Kansas HRW crop is the second-worst ever heading into dormancy with just 33% of the crop is rated good-to-excellent, compared with a 5-year average of nearly 50%. The next USDA winter wheat crop conditions report won’t be released until April, after the crop breaks dormancy.

**Kansas March 2021 HRW Wheat Futures** settled on Friday at $5.81¼ $5.42½/bu, on Friday, up 17¾ on the day, and 49 cents higher for the week.
MGE March 2021 HRS Wheat Futures settled at $5.70/bu on Friday, up 7½ on the day, and 17¼ cents higher for the week.

Statscan pegged the all-wheat harvest at 35.2 mmts, the biggest crop in seven years and larger than traders and analysts expected. Production of durum, used to make pasta, was the largest in four years, while spring wheat output was down slightly from 2019, but still the second biggest harvest in seven years.

➢ **China Likely to Increase Wheat Imports in 2020-21**

ABARE - High domestic grain prices could push China’s 2020-21 wheat imports to their highest level in 25 years, according to a December 7th report from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).

However, Australia wheat growers will likely not benefit from the situation due to ongoing trade tensions between the two countries, ABARES said.

China is reportedly considering adding wheat to the list of banned commodities from Australia. China has already banned barley and a host of other products from Australia, which earlier this year called for investigation into the origins of the COVID-19 virus, which became a global pandemic after spreading from China. Tensions also are centered on Australia’s claim of a growing Chinese influence on its domestic affairs, which China has denied.

ABARES noted that Australia typically accounts for only about 10% of China’s wheat imports, adding that the US and the Black Sea region would likely pick up Australia’s import share if a ban is imposed. In recent years, Australia has been China’s largest barley supplier. ABARES said Australian barley growers have been able to offset the loss of the Chinese market somewhat by diverting to other markets.

➢ **CBOT Corn March 2021**

Spring Wheat Mar ’21 (MWH21) - Barchart.com
It was a quiet week for corn as the market traded side-ways in a narrow range. The new lead CME Corn March21 contract settled Friday at $4.23¾, closing up 2½ cents on the day, and up 3 cents on the week. Corn was supported by wheat. Outside of the wheat headlines, the market was relatively quiet.

GHA - October Census data indicates DDGs exports for the first months of the marketing year were up 304 kmts, while production was 900 kmts smaller, suggesting domestic use was down 1.2 mmts.

Will Mexico Export Grain Sorghum to China...?
GHA – There has been talk this week of the possibility of grain sorghum exports from Mexico as the FOB Gulf basis values are greater than $3.00/bu over March corn futures.

Currently FOB Texas Gulf Grain Sorghum values are indicated between $285mt to $290/mt. Most likely, Mexican grain sorghum will find its way to export channels by way of truck deliveries from Mexico into south Texas ports. We have yet to see reports of a vessel loading directly out of Mexico.

While historically Mexico is a large net importer of feed grains, both corn and grain sorghum; current price relationships and the large premium of grain sorghum over corn, could see Mexico export grain sorghum, while importing a larger volumes of corn from the U.S. This would be a 1:1 substitution rate.

On the 29th of October the governments of China and Mexico officially signed phytosanitary protocols that will allow Mexico to export sorghum to China for human consumption. The signing was was carried out by Mexican Secretary of Agriculture and Rural Development Víctor Villalobos Arámbula and Chinese Ambassador to Mexico Zhu Qingqiao on behalf of their respective governments.

Mexico had previously been exporting sorghum to China for animal consumption, but different phytosanitary protocols are required to export sorghum for human consumption. The successful signing of the new protocols thus marks official Chinese market access for Mexican sorghum as a food product.

One Week Until Brazil Ethanol Talk Deadline
Next Monday is the deadline for the U.S. and Brazil to reach an agreement on ethanol, sugar and trade or risk the South American giant hiking tariffs on shipments of the American biofuel.

Brazil's tariff-free treatment for U.S. ethanol expired in September, but Brasilia said it would extend duty-free access for 90 days to allow for discussion on the broader market access issues.

That puts the deadline for talks around Dec. 14, but neither side has given any indication of progress. The two sides did sign a “mini-deal” in October, before the U.S. presidential election, covering anti-corruption, trade facilitation and best regulatory practices. But agricultural trade is a notoriously sensitive issue for both sides.

OILSEEDS COMPLEX

CBOT Soybeans January 2021
The lead CME January 2021 Soybean Futures contract was mostly steady in sideways trade through the week, settling on Friday at $11.61½/bu, up 8½ cents on the day, and unchanged cents for the week.

Analysts still hashing over Thursday’s USDA WASDE Report pointing out that the USDA increased both U.S. soybean meal and oil exports, along with lower expected crush in Argentina. The US carry out decreased by 15 mbus, but was offset by an increased in the “crush”.

During the week China purchased 4-5 US cargos, mostly for October shipment out of the PNW, along with 7 to 9 cargoes out of Brazil. China’s crush was again lower last week, off 3% to 1.65 mmts with the 4-wk avg slowing year on year increases of 10%, compared to 25-30% a month ago. The current crushing pace is near to below levels seen in 2016 and 2017.

As we approach the January delivery period the Goldman Sachs rolling of positions is pushing the F/H out to nearly 6 cents, the widest level of 2020, but finished on Friday at $.05 ½ cents carry. Weakness in barge freight converge FOB values to DVE, putting tightening pressure on the spread.
South American weather remains the markets largest concern, and Argentina’s weather is a greater concern than Brazil. On Thursday the USDA lowered the Argentine crop by 200,000 mts to 48.8 mmts. Looking forward to 2021, competition between corn and soybeans is going to be interesting. Analysts are currently plugging in 6 to 7 million more acres in for U.S. plantings, but still forecasting a tight level of 2024 ending stocks of less than 200 mbus. With corn ending stocks less than 2.0 bbus this year, the soybean/corn ratio promises to be dynamic.

**China's November Soybean Imports Soar to 9.59 mmts on U.S. Trade**

*Reuters*- China's soybean imports in November jumped from the previous year, customs data showed on Monday, as cargoes booked from the U.S. following the Phase 1 trade deal cleared customs.

China, the world's top soybean buyer, brought in 9.59 mmts, up from 8.28 mmts in the same month a year earlier, data from the General Administration of Customs showed, as more American cargoes arrived in the fourth quarter. November imports were also up from 8.7 mmts in October.

Chinese buyers stepped up purchases of U.S. farm produce including soybeans to fulfill China's pledge in the initial trade deal it signed with the United States in January this year. Crushers also ramped up on imports of Brazilian beans earlier in the year amid steadily recovering pig herds.

Soybean arrivals, combining both Brazilian and U.S. cargoes, have been large, while crush margins weakened on rising American soybean prices, forcing some crushers to cancel U.S. cargoes.

Recently, some crushers in southern and eastern China have suspended operations due to bulging inventories, according to Cofeed, an agriculture consultancy.

The market is also closely watching whether there would be more cancellations of U.S. bean deals, as crush margins looked to remain weak.

**Indonesia to Put Restrictions on Soybean Imports**

*JAKARTA*- Indonesia is working to boost domestic soybean production as officials suggest new import restrictions, according to a Global Agricultural Information Network report from the USDA.

During a November 18th meeting, Indonesia’s Ministry of Agriculture officials recommended increasing soybean import duties, requiring importers to form partnerships with local producers to stimulate domestic production and make imports conditional upon import permits. The country’s 2020-21 soybean production is forecast at 470,000 mts and imports are anticipated to reach 2.65 mmts.

The USDA expects Indonesia’s soybean consumption to total 3.16 mmts in the 2020-21 marketing year based on increased demand from restaurants and hotels facing fewer social-distancing restrictions.

Feed production in Indonesia is expected to decrease by 9% in 2020 due to weakening COVID-19-related broiler meat demand. However, 2020-21 marketing year soybean meal use for feed in the poultry sector is expected to total 4.6 mmts due to an expected uptick in tourism. The USDA anticipates soybean meal imports to slip to 4.65 mmts in the 2020-21 marketing year, compared with 5 mmts in the previous year.

**Despite Drought, Brazil Poised To Harvest Record Soybean Crop**

Reuters - Brazil's soybean production in the 2020/2021 cycle is expected to jump to a record of 131.79 mmts as high prices drove farmers to increase plantings, according to the average of 13 analysts' estimates polled by Reuters on Friday.

This represents a 5.6% rise from what the government says farmers collected last season, which was an estimated 124.8 mmts.

The poll also shows a drought reduced expectations for an even bigger crop, as in October the average of analysts’ forecasts showed estimated output this season at 132.25 mmts.

**Brazil Soybean Exports to China Hit 4-year low in November**

Brazilian soybean exports to China hit a four-year low in November as just 1.15 mmnts of beans were shipped by world’s largest grower to the world’s largest buyer, Brazilian customs data showed on Friday.

This marks the smallest bean trade between the two nations since 2016 after a surge in exports earlier in the year caused available supplies in Brazil to shrink.

Brazil exported a total of 1.47 mmnts of soybeans last month with China taking a 78.6% share of that volume, down from the 81.6% it took in October and the 93.9% which was exported during November last year.

A total of 64.15 mmnts of Brazilian soybeans have now been exported to China since the Brazilian marketing year began this February, a record-high and nearly 8 mmnts ahead of last year’s pace. The data means that 73.4% of all exports this season were shipped to China, behind the five-year average of 77.6%, thanks to Brazil's record bean harvest earlier this year.

Imports - Despite Brazil's record 2020 bean crop, supplies have dried up following the surge in exports, causing it to turn to imports of the oilseed.

Brazil imported another 122,000 mt in November, with 50,000 mt supplied by Uruguay and the rest by Paraguay, with no US beans recorded yet in the Brazilian census. A total of 748,000 mt of soybeans have been imported so far this calendar year, compared to the 2019 total of 124,000 mt.

At the same time, soyoil imports have soared with another 46,000 mt imported in November, mainly supplied by Argentina, Paraguay, and Bolivia. Imports during the first 11 months of the year stand at 142,000 mt, compared to the 46,000 mt imported in 2019.
Brazil December Soybean Exports to Fall to 7-Year Low

Soybean exports from Brazil are set to hit the lowest level for the month of December since 2013, according to market sources, as the country has run dry of available supply.

According to the nation’s association of exporters, under 100,000 mt of soybeans are set to leave port next month after the country exported 87 mmts so far this year, with more than 64 mmts sold to China.

Data confirms that the figure will be the lowest export month for December since 2013.

EU, UK Soybean Imports 6.22 mmts, Rapeseed 3.01 mmts by Dec. 6th

Reuters - Soybean imports into the European Union and Britain in the 2020/21 season that started on July 1st totaled 6.22 mmts by the 6th of December, official EU data showed on Monday. This is 1% below the volume imported in the previous 2019/20 season.

EU rapeseed imports in 2020/21 reached 3.01 mmts, down 14% versus 2019/20.

Soymeal imports in 2020/21 came to 7.95 mmts, down 7%, while palm oil imports stood at 2.65 mmts, up 7%.

The Commission's figures, based on customs data submitted by EU member countries, can be revised in subsequent weeks.

The European Commission has continued to include Britain in its 2020/21 grain export and import data following Britain's exit from the bloc at the end of January.

EU, UK 2021 Rapeseed Crop May Recover to 18.2 mmts

Reuters - Rapeseed production in the European Union and Britain could reach 18.2 mmts in 2021/22 in a slight rebound from a very low 17.2 mmts this year, said consultancy Strategie Grains.

A recovery in production would be limited by another difficult sowing campaign, which is expected to keep the rapeseed crop area stable compared with the last harvest at around 5.5 million hectares, it said in an oilseed report. Strong yields could push next year's output higher, but even if the harvest matched record yields from 2014/15 rapeseed production would still be shy of 20 mmts, it added.

Russian to Approve 30% Export Duty on Sunflower Seed

Interfax - The Russian government will soon approve the decision to introduce export duties of 30% on sunflower seed, according to First Deputy Prime Minister Andrei Belousov. According to Belousov, this will contribute to the stabilization of the situation with prices on the markets owing to various factors.

"We have outlined specific measures. In particular, literally, I think tomorrow or the day after tomorrow, upon the signature of the prime minister, an export duty will be introduced on certain types of sunflower products. This is to protect the domestic market, so that products are not exported. There will be a prohibitive duty of 30%. This will create a sufficient resource to stabilize [the situation]," Belousov said.

The Russian Economic Development Ministry told Interfax that "in order to stabilize the domestic market for sunflower seeds, there are plans to impose a customs excise duty of 30% on this commodity, but not less than 165 Euros/mt in the period January 1st to June 30th, 2021."

As previously reported, the subcommittee on customs and tariff regulation and non-tariff regulation, and protective measures in foreign trade of the government commission on economic development and integration during a meeting in November discussed the issue on increasing the export duty on sunflower seed to 30% from the current 6.5%. The new duty is recommended to come into force as of January 1, 2021.

Russia's Agriculture Ministry has forecast a decline in this year's sunflower harvest to 13 mmts from a record of 15.4 mmts last year. The Russian Grain Union estimates the harvest at 12 to 13 mmts. Private analyst SovEcon are more pessimistic with an outlook of 11.8 mmts.

CBOT Soybean Meal January 2021

CME January 2021 Soybean Meal Futures traded lower this week The January contract settled on Friday at $380.60/short ton, up $3.40 cents on the day, but off $4.30 for the week.
➢ Soybean oil values traded mostly sideways through the week as CME January 2021 Soybean Oil Futures settling on Friday at $38.29 $38.43/cwt, up 23 cents on the day, and off 14 cents for the week.

➢ CME Crude Palm Oil January 2021 – (in US$/mt)

Palm oil continues to lend support to the oilseed complex as CME January 2021 Crude Palm Oil Futures trading near 8 year highs set last week. On Friday the nearby contract settled at $802.25/mt, of $6.50 from last week’s close of 808.75/mt.

➢ Palm Oil Prices Hit 8 Year Highs

GroIntelligence - Crude palm oil prices are at eight-year highs at a time when supplies of other vegetable oils are also under threat worldwide. Palm oil futures are trading at the highest level since 2012 on tight stocks, lower yields, and low production. Data from the Malaysian Palm Oil Board shows inventories remain nearly 30% below last year’s levels. Palm oil output in Malaysia in October appeared to be below the 10-year average of 1.90 million tonnes.

The crude palm oil futures contract traded on Bursa Malaysia Derivatives Exchange has rallied nearly 50% over the period from July to December. January crude palm oil futures (CPO) are now trading at 3,485 ringgit ($856/mts).

Pandemic-driven border closures this year have also created a shortage of workers to harvest the perishable palm fruit, further hurting output. Further price support came last week when Indonesia, the largest producer, changed its palm oil export levy from $55/mt to a variable levy. Beginning on Dec. 10, the tax will range between $55-255/mt depending on price. The increase will allow Malaysia, the No. 2 producer, to be more price competitive. Malaysia has a zero-export duty until the end of the year.

In the medium term, demand for palm oil will depend on fresh demand from key buyers like India and China, and the magnitude of any impending COVID-19 related lockdowns, which will hit global vegetable oil demand. India and China are the largest importers of palm oil worldwide, accounting for one-third of imported demand. Palm oil is most commonly used as a cooking oil as well as an ingredient in a wide range of consumer goods.

Palm oil and soybean oil are the most consumed vegetable oils in the world, together accounting for over 50% of global production of vegetable oils. The price of the two oils directly impacts input costs for a wide range of consumer food products.

Palm oil has been the price leader of late, but soy oil prices have also advanced sharply amid subdued availability in South America and significant import demand from China and India. Soybean oil is a substitute for palm oil in some products, which translates into a close correlation between prices of the two commodities.

China is the largest consumer of vegetable oils in the world at nearly 40 mmts. Their enormous oilseed crushing industry provides the bulk of the supply, but a significant portion needs to be imported, particularly palm oil.

Dry conditions caused by La Niña in South America, a major area for soybean production, threatens to hurt yields of the oilseeds. That would support soybean oil prices, which are highly correlated to palm oil prices, due to easy substitution in the global vegetable oils market.
Russia May Impose Export Tax on Sunflower Oil

Reuters - Russia is considering imposing an export tax on sunflower oil if domestic prices do not fall this month, two sources familiar with discussions at the government told Reuters.

Prime Minister Mikhail Mishustin said earlier on Thursday Russia would prepare measures to stabilize domestic food prices, a day after President Vladimir Putin criticized officials and market players over rising prices for bread, flour, sugar and sunflower oil.

Argentina's Crushing Saddled with Thin Margins, Logistical Issues

New Delhi – Argentina’s soybean crushing industry, one of the world’s biggest, has been struggling with tight profit margins and logistical issues, which have negatively impacted the industry, Bruno Ferrari and Tomás Rodríguez Zurro, economists at the Rosario Stock Exchange, or BCR, told S&P Global Platts.

“The crushing industry’s main problem is tight profit margins, which even went negative during most of the current marketing year (April 2020–March 2021), making exports of the raw soybeans more profitable than crushing them into meal and oil,” Ferrari said.

According to general consensus amongst agricultural analysts, soybean crushing in Argentina, world's largest exporter of soybean meal and oil, has remained well below its potential in 2020 because of high taxes, foreign exchange volatility and lower supply of the oilseed.

The Argentinian government had recently revised its foreign currency transaction policy, under which it has become more difficult for the soybean farmers to receive dollars for their soybean sales. So, the farmers have become more reluctant to sell their stocks in recent months.

With limited raw soybeans supply and low crush margins, the Argentinian crushers are operating below capacity for the most part of 2020 and are struggling to meet rising global demand for soybean meal and oil.

Transportation – The Argentinian crushing industry has a heavy dependence on the Parana River. Shipping drafts were restricted earlier in 2020 when record low water levels impacted the overall logisitics. As the Parana water level abated, the vulnerability of Argentinian crushing industry was exposed as transportation costs skyrocketed, impeding the inflow of raw soybeans, as well as the outflow of processed soy products, thereby severely affecting the crush operations.

“The Parana River, where the crushing cluster is concentrated, near the city of Rosario, and 95% of Argentinian soybean meal and oil is shipped every year, has recorded the lowest water level in the last 50 years in 2020, making logistics very expensive.” Zurro said. In addition, “the production of biodiesel, that is made out of soybean oil in Argentina was hit hard by the pandemic, causing oil stocks and inventories to accumulate during a large part of the year.”

Lower biodiesel demand, coupled with high oil stocks meant a decline in 2020 crushing. But 2021 crush outlook is seen positive, albeit marginal.

"With regards to crushing, we are projecting a volume of 39.5 mmtS for marketing year 2020-21 (April 2021–March 2022), a small increase from the 39.2 mmts estimate for the current season." Ferrari said.

Challenges for Argentine Soybean Producers - On the question of challenges faced by the Argentinian soybean farmers, apart from high taxes and foreign exchange volatility, the BCR economists noted multiple issues. There is great uncertainty regarding Argentina’s economic conditions, especially in the context of the coronavirus pandemic, as well as the weather conditions in the coming months.

According to Zurro, dry weather conditions are a major concern among Argentinian soybeans farmers as the crucial phase of planting and crop development take place until February. “Currently, farmers are mostly worried about the prospect of poor rainfall in the upcoming months,” Zurro said. Weather variability creates a risky environment that affects investments and the decision-making process of the farmers, he added. “Soil moisture is far from optimal over the vast areas, and medium-term weather forecasts are not particularly optimistic on the possibility of sufficient rains,” Zurro said.

“Another issue the farmers face is the uncertainty generated by the macro-scenario in a pandemic year that as we all know is still unsettling international markets and that makes it particularly difficult to figure out where to invest their sales revenue, in order to maintain their value until next crop year,” Ferrari said. "Many inputs farmers need are valued in US dollars, and inflation, global uncertainty and the gap between what we call ‘soybean exchange rate’ (that is, what farmers actually get for selling their product once export tax has been deducted) and the ‘financial exchange rate’ (the exchange rate one can access to in the financial markets) contribute to make farmers choose the most conservative investment alternatives.”

On a more structural level, transportation is an important issue, as it accounts for a large portion of the farmers’ cost, especially for those farms that are located far from the ports, Ferrari said.

La Nina Concerns - This summer La Niña has taken place and it is usually related to below normal rainfall for the Pampa Húmeda region, country’ top soybeans producer. Argentinian soybeans production for the 2020-21 crop year (November–October) is expected to decline due to La Nina, and if the dry weather persists in coming weeks during the crop's critical development stage, the output forecast could be revised further down.

Compared with the early season forecast of over 50 mmits for Argentinian soybeans in 2020-21 crop year, the latest general consensus amongst the agricultural analysts peg the volume down to 46 mmits on the La Nina-led drought concerns.
**Related News**

**Chinese Hog Producer Builds World's Largest Pig Farm**

_Reuters - Behind the walls of a hulking industrial compound in rural China, top pig producer Muyuan Foods is trying to raise more hogs on a single site than any company in the world - a risky investment with deadly African Swine Fever (ASF) lingering. The new farm, which began construction in March and started operations at the first of its 21 buildings in September, epitomizes the breakneck pace at which huge, industrialized hog breeding facilities are replacing small, traditional farms, many of which were wiped out by the worst animal disease outbreak in recent history.

The shift, now under way for years, has accelerated sharply, fueled by huge profits at corporate producers since ASF ravaged the country's herd and sent pig prices soaring to double the previous record.

Corporate farms were not spared by the epidemic, but as prices jumped, they quickly recouped their losses. Muyuan's profits grew 1,413% in the first nine months of 2020 to 21 billion yuan ($3.21 billion).

"We have hit a very favorable period for development. Pig prices are very high, our profits are really good, and cash flow is really ample," Qin Jun, Muyuan's vice general manager, told Reuters at the company's headquarters in Nanyang city in central China.

In the race to take share, companies like Muyuan are designing higher-density automated farms, betting they can keep disease out while increasing efficiency to satisfy the country's huge appetite for pork.

Muyuan's new mega farm near Nanyang, which will eventually house 84,000 sows and their offspring, is by far the largest in the world, roughly 10 times the size of a typical breeding facility in the United States. If it works as planned, and other producers follow suit, the world's top pork consumer could reduce purchases from the global market, upending a booming meat trade that has supported farmers across the world.

**BIGGER IS BETTER** - With piles of cash, Muyuan and others are building bigger and faster, aiming to grab market share while the sector rebuilds. Muyuan will spend about 40 billion yuan this year on new pig farms, Qin said, about eight times what it spent two years ago, and roughly double the capital automaker Tesla is projected to spend. Meanwhile, small farmers are struggling to get back on their feet amid costly new disease-prevention requirements.

China's hog herd, the world's largest, shrank by around half in 2019, causing an 11-mmt pork shortfall that far exceeded global supplies. Imports of all proteins have since surged, sending prices from Brazil to Denmark to record highs.

"It has an experimental element," Qin said of the 3 billion yuan farm. "We will employ fewer people and use more technology," he said, pointing to "intelligent" feeding systems, manure cleaning robots, and infrared cameras to detect when pigs have a fever.

High-rise facilities are increasingly popular in China amid a scarcity of suitable land. Though corporate producers have an edge in winning land deals with local governments thanks to their clout and promises to create jobs by building slaughterhouses too, Muyuan recently attracted controversy for planning 55 pig farms on 1,000 hectares of Henan's cropland. Qin says the issue is resolved and the firm has already leased land to produce 80 million hogs.

The mega farm can house five times as many pigs as a regular farm on the same area. Its density carries huge risk, however, with diseases including the swine fever virus still circulating in China, and no vaccine or cure available.

"Large farrow-to-finish projects with high animal density are a long-term concern because once a pathogen enters, it's very difficult to control or eliminate," said Gordon Spronk, chairman of Pipestone Holdings, a Minnesota-based pig producer and veterinary services company.

Muyuan says it has overhauled its production process since the swine fever outbreak. Grain for feed is sterilized before being piped into the on-site feed mill from outside, avoiding possible contamination of the farm by trucks. Inside the pig housing, air is filtered, and thermal imaging cameras are being trialed to check pigs' body temperatures. To protect the farm's biosecurity, Reuters was not given access to the farm.

The new measures are impressive as long as they are managed properly, said Michael Ellerman, vice general manager at Aspire, a Suzhou-based pig farm consultancy.

Ellerman and Qin both said staffing the high-tech facility could be tricky. Many of Muyuan's more than 50,000 new hires are inexperienced, Qin added. That will be a growing worry as pig prices fall. Production costs across the industry are still much higher than before the swine fever outbreak, but output is lower because of a shortage of breeding pigs.

"The risk is that prices could fall below cost. If prices fall below 20 yuan per kilogram next year, some big companies are going face losses," said Xiao Lin, an analyst at Shenzhen-based Win & Fun Investment.

Muyuan's costs are lower than most, at just over 14 yuan per kilogram in the third quarter, it says. More automation could lower costs further. But a disease outbreak would undo any gains.

"At the moment they're okay if there's some losses in the herd, because of the high prices," said Pan Chenjun, senior analyst at Rabobank. "But the risks are rising."

_GHA – It is this type of growth in livestock production in China, as mentioned in the previous article, that continues to support my "bullish" outlook for Chinese demand for both US corn and soybeans. I would continue to suggest that China is currently in a situation, with increasing corn and feed grains demand, similar to where they were with soybeans 25 years ago when they became an emerging market. This situation has been brought about by competing land use and limited resources within China._
Transportation & Logistics

➢ Export Sales: For the week ending November 26th unshipped balances of wheat, corn, and soybeans totaled 59.3 mmts. This was 3% lower than last week, but still represented a significant increase in outstanding sales from the same time last year. Net corn export sales were 1.372 mmts, down 18% from the past week. Net soybean export sales were 0.407 mmts, down 47% from the previous week. Net wheat export sales were 0.446 mmts, down 44% from the previous week.

Rail: U.S. Class I railroads originated 25,099 grain carloads during the week ending November 28. This was unchanged from the previous week, 23 percent more than last year, and 22 percent more than the 3-year average. Average December shuttle secondary railcar bids/offers (per car) were $42 above tariff for the week ending December 3. This was $13 less than last week and $679 more than this week last year. There were no non-shuttle bids/offers this week.

Barge: For the week ending December 5th barge grain movements totaled 825,395 tons. This was 26% less than the previous week and 25% less than the same period last year.

For the week ending December 5th, 522 grain barges moved down river, 185 barges fewer than the previous week. There were 902 grain barges unloaded in New Orleans, 8% lower than the previous week.

Ocean: For the week ending December 3, 35 oceangoing grain vessels were loaded in the Gulf—13 percent more than the same period last year. Within the next 10 days (starting December 4), 62 vessels were expected to be loaded—44 percent more than the same period last year. As of December 3, the rate for shipping a metric ton (mt) of grain from the U.S. Gulf to Japan was $41.50. This was unchanged from the last available rate on November 19. The rate from PNW to Japan was $23.25 per mt, 1 percent more than the rate on November 19.

➢ Diesel Fuel Prices
For the week ending December 7th the U.S. average diesel fuel price increased 2.4 cents from the previous week to $2.526 per gallon, 52.3 cents below the same week last year.

In terms of sheer volume, trucking moves more grain than any other mode, often providing the first and last mile of service. From 2010 to 2016, trucks moved more than 60% of all U.S. major grain and oilseeds from farms to domestic or export destinations. Because trucking is central to grain transportation, safe, well-maintained rural and urban roadways are critical to maintaining a competitive grain industry.

➢ Argentina’s Grains Port Workers’ Unions Launch New Wage Strike
Reuters - Argentine grains inspectors and oilseeds workers started a new wage strike on Wednesday, organizers said in a joint statement, as stalling contract negotiations threatened to interrupt exports from one of the world’s main bread baskets.

Argentina, a top global supplier of corn, soybeans and wheat, is prone to work stoppages as employers are hard pressed to increase wages faster than the country’s high inflation rate. Argentina is the world’s top exporter of soymeal livestock feed, used to fatten hogs and poultry from Europe to Southeast Asia.

“Given the persistent lack of willingness on the part of export companies to reach a wage contract,” a statement from the country’s oilseed workers federation said, “the struggle continues.”

Gustavo Idigoras, head of Argentina’s CIIARA-CEC export companies’ chamber, said the labor organizations were asking for excessive salary increases. “We are still in conflict,” he told Reuters. “We reiterate that we need to reach a mutual agreement but we need the unions to change their request and to accept that salary increases must be at the same level of inflation during the year.”

The URGARA union, representing workers who inspect grains at port, also issued a statement announcing the strike. “Initially the work stoppage is for 24 hours. We will later evaluate whether to extend it for another 24 hours,” it said.

Argentina’s grains sector has been hit by a spate of strikes and contract stand-offs with unions throughout the production and export chain. Corn and soybeans, the country’s main cash crops, are currently being planted. With wheat harvesting just having started, December is not peak export season.

With the local peso currency weakening, farmers have said they would rather hold onto their crops. They report only as much selling as necessary to pay debts and production costs.

Government

➢ U.S., Ecuador Sign New Trade Agreement
U.S. Trade Representative Robert Lighthizer and Ecuador’s Minister of Production, Foreign Trade, Investment, and Fisheries, Iván Ontaneda, signed a protocol on trade rules and transparency on Tuesday. The pact updates an earlier agreement with new provisions on customs, regulation, anti-corruption and small and medium-sized companies.

“This Protocol is an important step in establishing closer economic ties between our countries,” Lighthizer said in a statement.

The U.S. is one of Ecuador’s largest suppliers of imported soymeal and wheat. The soymeal is especially important to Ecuador’s economy because it is primarily fed to the country’s growing shrimp and tilapia industry. Ecuador imported $469 million worth of U.S. ag commodities last year, up from $386 million in 2018.

➢ Grain Standards Reauthorization Headed to President’s Desk
The US House on Wednesday passed by voice vote a five-year extension of the law that authorizes inspections of grain and oilseeds, facilitating a major amount of U.S. agriculture exports.
The bill, which now goes to President Donald Trump for his signature, includes some minor changes to the existing law, including requiring state inspection agencies to notify users at least 72 hours in advance of suspending services.

Another provision is intended to ensure user fees paid to USDA’s Federal Grain Inspection Service are used solely for inspection and weighing services.

The bill was approved by the Senate Agriculture Committee in June but didn’t pass the full Senate until November. It was set to expire on December 11th.

Farm Groups Push Back on U.S.-Mexico Produce Dispute

The American Feed Industry Association, American Soybean Association, National Association of Wheat Growers and the North American Meat Institute sent U.S. Trade Representative Robert Lighthizer a letter this week expressing concerns with the Trump administration’s review of the alleged harm that imported blueberries, strawberries, bell peppers, squash, and cucumbers from Mexico do to U.S. farmers.

The groups argue that such actions could result in harm to the U.S.-Mexico-Canada Agreement (USMCA) and eventually result in retaliatory tariffs.

“As our industry continues to recover from COVID-19-related market shocks and supply chain disruptions the last thing we can afford at this point is additional uncertainty and higher tariffs,” the letter said.

Biden to nominate ex-Iowa Governor Vilsack for USDA secretary

Reuters – Presumed US President-elect Joe Biden plans to nominate former Iowa Governor Tom Vilsack for agriculture secretary, according to two sources.

Vilsack, who led the U.S. Department of Agriculture (USDA) under former President Barack Obama, has a long relationship with Biden and served as a trusted adviser on rural issues during his campaign.

Vilsack's return to the USDA is likely to be applauded by Midwestern states that produce the bulk of commodity crops like corn, soybeans and wheat, and prefer him to someone from another region of the country.

His spokeswoman, Regina Black, declined to comment "as an official announcement hasn't been made." The Biden transition office did not respond to a requests for comment on the choice.

The Farm Belt was battered by President Donald Trump’s trade war with China and waivers that exempted oil refiners from obligations to use corn-based ethanol. But Midwestern farmers also received an unprecedented amount of direct farm subsidies under Trump even as coronavirus stimulus for millions of other Americans stalled in Congress.

Vilsack is currently the chief executive of the U.S. Dairy Export Council and actively campaigned for Biden in farm states. He was the Iowa governor from 1999 to 2007. He is seen by establishment Democrats as a politically safe choice, largely because of his moderate politics, previous experience, and long-standing, friendly relationships with large-scale farmers.

A coalition of progressive food, farming and environmental advocacy groups promoted rival candidates. Top among them was Democratic U.S. Representative Marcia Fudge of Ohio, who would have been the first Black woman to fill the role and had been expected to increase the department’s focus on small farmers, global environmental changes, and racial and economic diversity. Biden has selected Fudge to be secretary of housing and urban development, Politico reported.

"Vilsack is not what the USDA and our country needs to help make U.S. agriculture more sustainable and resilient in the time of climate crisis," said Jaydee Hanson, policy director for the Center for Food Safety.

GHA - Vilsack was Obama's longest serving cabinet secretary (2009-2017) and the longest serving USDA Sec in a half-century. Vilsack would need 8 more years as USDA Sec to tie fellow Iowan James Wilson (1897-1913) as longest serving Ag Sec in American history. This would seem to indicate the transition team is looking for a USDA leader with deep management and policy experience who is close with the "Biden-world".
International Crop & Weather Highlights

➢ USDA/WAOB Joint Agricultural Weather Facility – 8th December 2020

▪ EUROPE – Highlight: Increasingly Stormy, Winter Crops Are Now Mostly Dormant
Cold weather further eased winter crops toward or into dormancy from France into eastern Europe.
Increasingly stormy weather brought rain and mountain snow to much of western and southern Europe, with very heavy precipitation from central and northern Italy into the western Balkans.

▪ MIDDLE EAST – Highlight: Drought In Central Turkey Contrasted With Rain And Snow In Iran
Persistent drought in central Turkey maintained poor winter grain establishment prospects.
Moderate to heavy rain from the Persian Gulf to the Caspian Sea boosted moisture reserves for winter wheat and barley in Iran and Iraq but likely caused localized flooding.

▪ NORTHWESTERNAFRICA – Highlight: Additional Much-Needed Rain In Morocco
Another round of much-needed rain in Morocco and western Algeria alleviated severe long-term drought and improved soil moisture for winter wheat and barley planting.
Additional moderate to heavy rain in eastern Algeria and northern Tunisia maintained good moisture supplies for winter grain establishment.

▪ SOUTH ASIA – Highlight: Tropical Cyclone Burevi
Another tropical cyclone (Burevi) brought more locally heavy showers to southeastern India, slowing or delaying rabi crop planting.

▪ EAST ASIA – Highlight: Colder Weather
Colder-than-average weather spread across eastern China, ushering rapeseed in northern sections of the Yangtze Valley into dormancy and cold hardening already-dormant wheat.

▪ SOUTHEAST ASIA – Highlight: Wet Weather Benefits Rice In Indonesia
Continued heavy showers in southern Indonesia (Java) maintained abundant moisture supplies for rice and remained in stark contrast to last year’s drought.
Drier weather in the northern Philippines eased excessive wetness for winter corn and rice, while waves of tropical moisture produced heavy showers in central growing areas.

▪ AUSTRALIA – Highlight: Stressful Heat Then More Favorable
In the northeast, hot, dry weather stressed some vegetative summer crops before showers and somewhat cooler weather returned.
In the south and west, winter crop harvesting was making good progress despite passing showers.

▪ SOUTH AMERICA – Highlight: Timely Showers Overspread Northern Argentina And Southern Brazil
Locally heavy rainfall covered a broad swath of northern Argentina and southern Brazil, providing a much-needed increase in moisture for emerging to reproductive summer grains, oilseeds, and cotton. In contrast, unfavorably dry conditions dominated soybean areas of central and northeastern Brazil.

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

- END -
December Crop Calendar

United States
Winter Wheat & Rapeseed: Dormant

Europe
Winter Wheat & Rapeseed: Dormant

China & East Asia
Winter Wheat & Rapeseed: Dormant

NW Africa & Egypt
Wheat: Planting

Turkey, Middle East & Afghanistan
Wheat (Highlands): Dormant

FSU
Winter Wheat & Rapeseed: Dormant

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

West Africa
Sahel: Cotton: Harvesting

East Africa
Kenya: Corn (Minor): Silking*

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

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

Brazil
Center West: Soybeans: Flowering*
South: Corn & Soybeans: Flowering*
Groundnuts, Sorghum, Cotton,
Sunflower, Rice & Millet: Vegetative

Argentina
Late Corn & Cotton: Flowering*
Early Corn: Filling
1st Soybeans, Sunflower, Rice,
Sorghum & Millet: Vegetative
Wheat: Harvesting

Australia:
Wheat & Rapeseed: Harvesting
Cotton, Corn, Groundnuts, Sunflower,
Sorghum & Millet: Vegetative

*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/dec_calendar.gif