Notes and Observations in International Commodity Markets

18th December 2020
by Guy H. Allen – Senior Economist, International Grains Program, Kansas State University

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Soybeans at New Highs, Corn Stronger as Wheat Lags

GHA – Soybeans rallied to new highs this week supported by strong crushing demand and caution over South American harvest prospects. Corn showed good strength coming within a penny of highs set three weeks ago. Wheat lagged in a mixed performance this week assessed the consequences of an export tax decreed by top supplier Russia.

There is still concern surrounding the soybean and corn crops in South America. Much of the data presented this week demonstrated continuing strong demand. Despite forecasts for further showers in the week ahead, there were still doubts about the potential for South American soybean and corn crops after dry weather at the start of the growing season.

Additional support came for the oilseed complex as US soybean processors crushed 181.018 million bushels of soybeans in November, their third-largest monthly crush on record, the National Oilseed Processors Association.

The wheat market has been grappling with uncertainty caused by a planned Russian export tax. The measure, adopted on Tuesday as part of a Russian effort to stabilize food prices was seen by traders as leading to less competitive offers of Russian wheat in a recent tender held by Egypt.

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There is still concern surrounding the soybean and corn crops in South America. Much of the data presented this week demonstrated continuing strong demand. Despite forecasts for further showers in the week ahead, there were still doubts about the potential for South American soybean and corn crops after dry weather at the start of the growing season.

Additional support came for the oilseed complex as US soybean processors crushed 181.018 million bushels of soybeans in November, their third-largest monthly crush on record, the National Oilseed Processors Association.

The wheat market has been grappling with uncertainty caused by a planned Russian export tax. The measure, adopted on Tuesday as part of a Russian effort to stabilize food prices was seen by traders as leading to less competitive offers of Russian wheat in a recent tender held by Egypt.
This week's export reports were supportive of prices even as inspections were lower, news sales were strong. China was again featured as a buyer across all commodities. Underpinning all export values has been a sharp drop in the relative value of the U.S. Dollar, which supports export competitiveness across the board.

US DOLLAR & FOREIGN EXCHANGE

➢ US Dollar Index

The U.S. Dollar Index on Friday morning fell for the fourth day and posted a new 2-1/2 year low. However, strength in stocks later in the day is curbing liquidity demand for the dollar. The dollar has also been under pressure from Wednesday's post-FOMC statement that said the Fed would maintain its asset purchases until they see "substantial further progress" in reducing unemployment and increasing inflation. EUR/USD climbed to a fresh 2-1/2 year high today on dollar weakness and positive Covid vaccine news. USD/JPY tumbled to a 9-1/4 month low on expectations the BOJ will extend its special funding measures at its 2-day policy meeting that ends Friday.

The dollar index on Friday posted moderate gains as it consolidates above new 2-1/2 year lows. A slide in stock prices on Friday boosted liquidity demand for the dollar. Ramped-up U.S./China tensions also prompted some safe-haven buying of the dollar after the U.S. on Friday blacklisted more than 60 Chinese companies in the name of national security. In addition, the dollar garnered support on a smaller-than-expected U.S Q3 current account deficit. EUR/USD fell back as it consolidates below Thursday's 2-1/2 year high. USD/JPY rose modestly as the yen weakened on slack Japanese consumer prices.

U.S. stock indexes on Friday moved lower and sparked some liquidity demand for the dollar as U.S. lawmakers continued to wrangle over the passage of a pandemic relief package. Senate Majority leader McConnell on Friday said that a bipartisan U.S. stimulus deal "appears to be close at hand," but will probably require work over the weekend to get it through Congress. Lawmakers are facing a midnight deadline Friday night to pass a pandemic relief package as part of a government spending bill, or they may have to rush through another stopgap to keep the government funded through at least the weekend while negotiations on pandemic stimulus continue. Lawmakers plan to attach the pandemic relief plan to a $1.4 trillion bill that will fund the government through the end of the fiscal year on September 30.

The dollar on Friday garnered support from heightened U.S./China tensions after the U.S. Commerce Department announced that it was blacklisting more than 60 Chinese companies "to protect U.S. national security." Companies that are blacklisted are prohibited from acquiring U.S technology.

Friday's U.S. economic data was slightly supportive for the dollar after the U.S. Q3 current account deficit of -$178.5 billion was narrower than expectations of - $187.0 billion. Also, Nov leading indicators rose +0.6% m/m, slightly stronger than expectations of +0.5% m/m.

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. 7-day average of new Covid infections rose to a record 226,794 on Thursday. Also, Tokyo raised its warning on the city's medical system to "under strain," the highest of four levels, after the city reported a record 822 new Covid cases on Thursday. Also, Tokyo raised its warning on the city's medical system to "under strain," the highest of four levels, after the city reported a record 822 new Covid cases on Thursday. The Covid virus has infected 75.435 million persons globally, with deaths exceeding 1.671 million.

Going forward supportive factors for the US Dollar include a number of issues, including; (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.

Negative 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 2023, (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.

➢ Grain Export Inspections Continue To Fall, While Sales Strong

For the week ending December 10, total inspections of grain (corn, wheat, and soybeans) for export from all major U.S. export regions totaled 3.6 mmts. Total grain inspections were down 10% from the previous week, up 37% from last year, and up 34% from the 3-year average.

Inspections of wheat dropped notably from the previous week as shipments to Asia and Latin America decreased. Soybean inspections decreased 8% from week to week.
week, but inspections of corn increased 18%, as shipments to Asia increased significantly.

Pacific Northwest (PNW) grain inspections decreased 31% from the previous week, while Mississippi Gulf inspections increased 15%. Despite the drop in grain inspections, total rail deliveries of grain to U.S. ports remained strong; increasing 122% from last year and increasing 64% from the 3-year average in the last 4 weeks.

Currently, U.S. export sales commitments of corn are more than double the same time last year because of increased demand from China. China’s domestic price of corn are the highest since 2015, resulting in imports for and other feed grains to meet its rising demand for feed from the range of livestock sectors. In 2020/21, U.S. corn exports are projected to increase 49% from last year.

Total US soybean export commitments are 96% above last year, also driven by Chinese demand and strong soybean import prices, the highest since 2014 and above US$22.00/bu. In 2020/21 US soybean exports are expected to increase by 31%.

Year to date total wheat commitments for 2020/21 are up 13% from 2019/20. The demand for US wheat has remained strong as it is garnering support from corn. As a result, the 2020/21 wheat import forecast for China is the largest in 25 years. U.S. wheat export commitments to China are more than 10 times those of the same period last year. In 2020/21 US wheat exports are expected to increase by 2%.

As such, the demand for bulk freight and transportation in the US in the coming months is expected to increase.

**WHEAT & GRAINS COMPLEX**

**WHEAT**

Wheat market traded both sides closing the week out lower in two out of three classes. Decent volume traded across the board, would expect to see a fairly light week next week as we enter two weeks of shortened Holiday weeks. Cash markets were extremely quiet. Quiet export news in wheat, no new tenders announced.

Russia to announce an export tariff on wheat commencing the 15th of February through the 30th of June 2021. The 30 Euros mt measure is intended to stabilize domestic prices.

Russia's July through December exports for all grains are estimated to be 27,979 mmts. The February through June quota is 17.5 mmts. The summation of these two is 45,479 mmts. This does not include January shipments. November shipments were 4.7 mmts and December at 3.9 mmts. So if January comes in at 4 mmts, they can more than achieve the WASDE all grains estimate of 48.68 mmts. The caveat to this would be the farmer looking up and holding onto his wheat.

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. However, the jump in flat price will take away any of the wheat feeding talk that's been circulating.

Russia’s Sovecon agriculture consultancy downgraded its 2021 wheat crop forecast last week, citing the worst crop conditions in a decade. Russian '21 wheat production was estimated at 76.8 mmts, down 4.3 mmts, vs 84 mmts last year.

Russian grain traders are reporting some delays in getting the proper export documents from Russia's country customs service department and possibly an attempt by the Russian government to drag their feet in order to prevent a surge in wheat exports prior to the February 15th date when the tax goes into effect?...

Ukraine's stats bureau updated their 2020 wheat production estimate raising their number slightly at 25.28 mmts vs 25.1 mmts in last month's projection, and compared to 28.33 mmts last year. The bureau also pegged Ukraine wheat exports to date this crop year at 12.21 mmts.

The Rosario Board of Trade estimated Argentina’s 2020/21 wheat production at 16.5 mmts, down 200,000 mmts from November, while the USDA estimate is at 18.0 mmts vs 19.8 mmts in 2019/20. This is the 2nd lowest total in a decade due to drought.

**Consumption Lifts on Improved Wheat Feeding Prospects**

USDA – The USDA last week increased global wheat by 5.1 mmts to 757.8 mmts on higher feed and residual, principally on an increase for China. Feed and residual use for China is raised 3 mmts from the November forecast to 24 mmts.

![Graph](Image)

China’s government auction activity over the last several months suggests efforts to liquidate stocks of old-crop wheat. An uptick in auction sales and a corresponding weakening of the wheat price, relative to corn, point strongly towards increased use of old-crop stocks wheat for feed use. Multiple industry reports note that feed...
compounders are seeking to increase the proportion of barley, sorghum, and wheat in feed mixes following a lower-than-expected domestic corn harvest. Increasing imports of corn, priced below domestic production, further suggest that China’s corn stocks are tight and are increasingly favorable for wheat incorporation into feed rations.

Government auctions of corn have been held to bridge the gap in demand, as have increased corn imports; however, corn prices continue to remain high. Overall feed use in China is expected to recover through the balance of the marketing year as the swine herd rebounds following a period of contraction brought about by the ASF, continuing a trend started in early 2020.

➢ **Global Wheat Trade Raised on Export Surge and Brisk Import Pace**

USDA - Bolstered exports for Australia, Canada, Russia, and the United States combine to lift global trade an additional 2.9 mmts to 193.7 mmts.

Month-to-month increases in production help to expand exportable supplies whereas on the demand side, increased imports for China and Pakistan help to pull production into global trade markets.

China’s share of global stocks have steadily risen in recent years, 2010-20

![Graph showing China's share of global wheat stocks](image)

Sources: USDA Foreign Agricultural Service; Production, Supply, and Distribution database and USDA Economic Research Service calculations based on USDA National Agricultural Statistics Service data.

China’s demand for high-quality imported wheat is particularly notable. This month the nation’s 2020/21 wheat import forecast is raised 0.5 mmts to 8.5 mmts, up from 5.38 mmts the prior year, and the highest since 1995/96 when 12.5 mmts were imported.

While some of the recent demand increase is attributable to the implementation of the Phase One Trade Agreement with China, demand has also been stimulated by a smaller than expected, and the relatively lower quality of the 2020/21 domestic wheat harvest. China’s rising demand for imported wheat and the current pace of purchases from Canada, are significant factors in this month’s 1 mmts increase in Canada wheat exports. Imports for Pakistan are raised 0.5 mmts on government efforts to replenish grain stocks and to temper escalating food price inflation.

Turkey continues to demand wheat imports, pushing the 2020/21 forecast to 8 mmts, but below the 2019/20 record.

The USDA lowered global ending stocks to 3.9 mmts this month to 316.5 mmts, as increased use more than offsets supply gains. Recent auction activity notwithstanding, China is estimated to hold the majority, 51%, of global wheat ending stocks.

➢ **CME Wheat Futures**

CBOT March 2021 Wheat Futures settled on Friday at $6.08/bu, off ¾ of a cent on the day, and losing 8¾ cents for the week.

SRW CIF-NOLA values, along with domestic markets were both steady.

The Commitment of Traders Report (COT) this afternoon indicated managed money flipped their SRW wheat position from short, just shy of 6K contracts, to now long, just under 7K contracts. In HRW, funds added almost 8K contracts to their length, now long almost 53K contracts.

Kansas March 2021 HRW Wheat Futures settled on Friday at $5.69¼/bu on Friday, off ¾ on the day, and down 12 cents for the week.
HRW basis has been steady as well. Board spreads did widen ¼ to a ½ cents, with H/K closing at 4¼ cents carry. Protein premiums for HRW were 1 to 2 cents weaker for 11.4 to 11.8’s, while 12’s were 4 cents firmer – unchanged otherwise.

➢ Global Wheat Exports Raised To Record Highs 194 mmts
USDA – In last week’s USDA WASDE Report world production increases for key exporting nations of Australia, Russia, and Canada lifted the 2020/21 global wheat harvest by nearly 1.3 mmts and bolster exportable supplies. Expanded availability and strong import demand helps to lift global consumption and contributes to a more than 2.8 mmts increase in global exports. With global exports record high at 193.6 mmts, the U.S. is expected to benefit modestly from the uptick in demand for wheat. The U.S. all-wheat export forecast is raised 0.3 mmts this month to 26.8 mmts, largely on the strength of demand for white wheat from markets in Asia. Following the change, the U.S. remains the second-largest exporter of wheat, behind only Russia.

➢ Russia’s Wheat Export Quota, Tax Could Tighten US Grain Stocks
GroIntelligence - In an effort to steady domestic grain prices, the Russian government announced two measures that are expected to reduce wheat exports, a move that would likely shift demand to the United States.
An export quota, first discussed in November, would limit exports of grains (including wheat, corn, rye, and barley) to 17.5 mmts between the 15th of February and the 30th of June 2021.
In addition, an export tax on wheat of 25 Euros/mt (US$30.32/mt) in effect during the same period.
The reduced exports from one of the world’s largest wheat exporters would increase demand on U.S. grain stocks. An additional 3 mmts of US wheat demand could push U.S. ending stocks, as of May 2021, to their lowest level since 2014/15, when producer prices for wheat were US$6.00/bus. The USDA recently estimated average producer wheat prices for the current year would be US$4.70/bus.
The USDA estimates Russia will ship 40 mmts of wheat for the full 2020/21 marketing year that started on July 1st. The new measures, which come as Russia battles rising domestic food inflation, may push the USDA to reduce its estimate.
Still, Russia’s wheat exports look to be higher than last year, even with limits imposed. The just announced a 17.5 mmts quota for the February-June 2021 period is well above Russia’s grain exports in the same period of 2020, which came to about 13.5 mmts. In addition, Russian wheat exports may have been front-loaded for December and January in anticipation of the quota.
CBOT wheat prices are down on Monday in response to the Russian announcement, as the government intervention was in line with market expectations. Still, the USDA’s December WASDE report, released last week, provided additional support to wheat prices with increases in global feed wheat demand. The USDA raised its estimate of Chinese domestic wheat feed use to 24 mmts in 2020/21, the highest since 1995/96. China continues to be an avid buyer of wheat worldwide. High corn prices have driven a global shift to cheaper alternative feedstocks, and wheat has risen as a result.

MGE March 2021 HRS Wheat Futures settled at $5.68½/bu on Friday, up 1½ on the day, but off 1 cents for the week.
Philippine Wheat Imports Lowered to 6.8 mmts
USDA - The USDA Attaché has lowered 2020/21 wheat imports for the Philippines by 200,000 mts to 6.8 mmts, on expectations of weaker demand for feed wheat offsetting the growth in milling wheat. The COVID-19 pandemic and African Swine Fever (ASF) continue to dampen feed demand in the Philippines, while recent typhoons were damaging to rice and corn but not enough to offset strong production in the first quarter of MY20/21.

With 1 mmts shipped from July to September, the Philippines is currently the largest destination for U.S. wheat. Moreover, USDA/FAS export sales are setting a record pace, building on what was already a record in MY19/20 for U.S. wheat to the Philippines. Trade for the first quarter of 20/21 has reached 2.3 mmts, 9% higher than the same period last year.

Milling wheat from the U.S. has driven this growth, as contacts report the bakery and noodle sectors doing well during the pandemic. Other wheat-based products such as cakes and cookies, however, have fared poorly due to restrictions on gatherings dampening demand.

Meanwhile, feed wheat faces significant headwinds that are expected to offset the growth in milling wheat. ASF continues to challenge the Philippine hog sector, especially in key producing areas of Luzon. While over 400,000 hogs have been culled to date, representing 3.6% of the hog herd, more significant is that hog raisers have downsized their operations due to the continued threat of ASF, with contacts indicating pork production is on track for further losses in 2021.

Another factor limiting feed wheat trade are restrictions on the issuance of Sanitary and Phytosanitary (SPS) Import Clearances. Importers have reported unpredictability in the issuance of import clearances during the last three months.

Estimates for 2020/21 corn imports were raised 20% to 600,000 mts due to increased trade through September. Corn imports are affected by the same new policy as feed wheat, however, and industry has raised concerns of feed availability in 2021.

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Rising Chinese imports of corn, priced below domestic production, further suggest that China’s corn stocks are tight and are increasingly favorable for wheat incorporation into feed rations. Government auctions of corn have been held to bridge the gap in demand, as have increased corn imports; however, corn prices continue to remain high. Overall feed use in China is expected to recover through the balance of the marketing year as the swine herd rebounds following a period of contraction brought about by the ASF, continuing a trend started in early 2020.

COARSE GRAINS

CBOT Corn March 2021
A bullish week for corn as we came within a penny of contract highs set on the 30th of November when the March contract topped at $4.39½ /bu. Soybeans continued to march higher today which pulled corn along for the ride.

The CME Corn March21 contract settled Friday at $4.37 closing up 4½ cents cent on the day, and up 13½ cents on the week.

Higher prices have prompted some farmer selling, as the weather is nice, along with the need for some holiday spending money. This has allowed some end users to back off nearby basis bids.

River values continued to firm this week as CIF-NOLA basis remains well over DVE. This has firmed the H/K by 1½ cents and the K/N by a penny.

Buenos Aires Grains Exchange pegs 2020/21 Argentina corn production at 47.0 mmts.

World Coarse Grain Production Higher, Corn Production Reduced
USDA – Last week’s USDA’s WASDE Report said coarse grain production in 2020/21 is expected to be fractionally higher than previously forecast. Global coarse grain
production is projected to be 1,447.8 mmts in this report, unchanged from the previous month. There are no changes made to U.S. production, with all changes due to the outlook for non-US production. The changes made for each feed grain commodity are mostly offsetting, as summer crops for the Northern Hemisphere conclude their harvest and the Southern Hemisphere is going through its summer planting season in November and December.

World corn production is projected to total 1,143.6 mmts for 2020/21, down 1.1 mmts from the November forecast. Argentina production is reduced 1.0 mmts to 49.0 mmts, accounting for the largest production decrease in this report. The reduction is based on domestic sources reporting area lower than previously expected. Dry conditions heading into the country’s summer planting season have resulted in a slow planting progress, particularly in the regions of Santa Fe, Cordoba, and southern Buenos Aires. Additionally, domestic inflation and policies affecting trade and currency have reportedly been weighing on growers, as higher input costs and depressed domestic returns mitigate the strong prices for corn in the global market. Some corn area is expected to move into sorghum, which also has strong prices due to demand from China, and sorghum is less input-intensive than corn. Projected corn yield in Argentina is effectively unchanged from the previous month. Recent precipitation in many of the key growing regions has alleviated some of the concern over dry conditions heading into the planting season. Weather conditions heading into the new calendar year will be important determinants for this year’s crop, though, as rising summer temperatures heighten the need for the rainfall that is essential to achieve good crop development.

Corn production in the European Union (EU) is reduced 0.5 mmts, while production in Canada is reduced by 0.4 mmts from the previous month’s projection—totaling 63.7 mmts and 13.6 mmts, respectively. Both are lowered based on post-harvest production reports where lower-than-previous-forecast yields more than enough offset slightly higher harvested area. Both countries experienced dry conditions during key parts of the crop development cycle, particularly in Bulgaria for the European Union and in Canada’s Eastern Provinces.

Corn production for 2020/21 in Ukraine is raised 1.0 mmts from the previous month, offsetting some of the global reductions. As the country’s harvest comes to an end, late-season reports show an improving outlook for yields, which have been heavily impacted by dry conditions, particularly in the country’s southern- and eastern-producing regions. Production is still projected to be 5.9 mmts lower than the previous year, however, highlighting the impact of the weather on this year’s crop.

Increased Imports from China Raise Global Coarse Grain Trade

USDA – Last week’s USDA WASDE Report left U.S. corn production unchanged from the previous month at 14,506.8 mbus, based on a national average yield of 175.8 bush/acre. Domestic use, exports, and ending stocks are also unchanged for 2020/21. The projected season-average farm price is unchanged at $4.00 per bushel. Sorghum, barley, and oat production are also unchanged. Sorghum and barley exports were increased this month based on less domestic food, seed, and industrial use, freeing up additional supplies for the export market.

China’s coarse grain imports for 2020/21 are raised 4.8 mmts this month, based on continued strong domestic demand for livestock feed. China total imports of corn are raised 3.5 mmts to 16.5 mmts this month, while imports of sorghum and barley are increased as well.

Global coarse grain production remains effectively unchanged this month, while exports are raised 1.2 mmts. The increased global exports are predominantly due to Ukrainian and Brazilian corn, Australia and Canada barley, and Argentine sorghum—all of which saw increased production for 2020/21.

China’s Swine Herd Nears Normal Levels, But Hog Prices Still Rising

Reuters - China’s pig and sow herds, ravaged by African Swine Fever (ASF) over the past two years, recovered to more than 90% of normal levels by the end of November, the official news agency Xinhua said on Tuesday. Production capacity should fully recover by the first half of next year, said Xinhua, citing the Ministry of Agriculture and Rural Affairs.

Just over a year ago, China’s pig herd had shrunk by 40% ministry data showed, after ASF devastated farms across the nation. Strong policy support and subsidies launched last year have helped drive a rapid recovery, with the building and stocking of new farms outpacing most expectations. But hog and pork prices are still much higher than usual, and analysts say that although capacity has recovered rapidly, output is still far short of demand.

Live hog prices have been rising since late November, supported by a seasonal demand increase and strict inspections for the novel coronavirus on imported meat, which has slowed the flow of supplies to the market.

Hog prices reached 33.6 yuan ($5.13) a kilogram on Monday and could break past 35 yuan before the upcoming Lunar New Year holiday, he said, similar to last year’s level around the time of the holiday.

Schools in China are breaking earlier for the Lunar New Year holiday this year to reduce the chances of coronavirus infections during winter, which could also stimulate demand for fresh meat, said Cofo Futures analyst Xiong Kuan in a note on Tuesday.

Global Corn Trade Raised, Driven by Strong Demand for Feed in China

USDA - Projected world coarse grain trade for 2020/21 is raised in December. Changes in trade flows of most coarse grain commodity markets are primarily driven by increasing imports to China to meet its domestic feed needs.

Total coarse grain imports for China are raised 4.8 mmts from the previous month, totaling 30.9 mmts, based on an October-to-September international trade year. This is a substantial increase from the 2019/20 import total of 17.5 mmts of imports.

China corn imports for 2020/21 are raised 3.0 mmts to 16.0 mmts, and account for much of the increased grain imports. High domestic corn prices in China have led to increased shipments and sales from several export markets, mainly the U.S. and Ukraine, and have contributed to steadily rising global grain prices since the summer
of 2020. China has also seen additional shipments of soybeans, which are crushed domestically, and the meal used as a major component of livestock feed. The increased demand for feed is at least partially attributed to China’s recovering swine herd, which was severely impacted by African Swine Fever (ASF) in recent years that resulted in steep culls of the domestic inventory.

Globally, the increased corn imports in China are partially offset by lower imports from several other major import markets. The EU corn import projections are lowered 1.0 mmts. These lowered projections are based on higher global corn prices, the ability to substitute wheat into feed rations, and the reduced availability and slow shipment pace of exports from Ukraine, the European Union’s main foreign supplier of corn. Projected imports are also reduced for Iran (0.5 mmts lower), Egypt (0.5 mmts), Morocco (0.2 mmts), and Tunisia (0.2 mmts), all of which are markets that are reliant upon Ukrainian exports.

Corn export projections are raised for Ukraine by 1.5 mmts to 24.0 mmts for 2020/21, as increased production, higher carry-in, and lower ending stocks allow for more supplies to be shipped overseas. Although increased from the previous month, the current 2020/21 export projection is still substantially lower than 2019/20 totals of 28.9 mmts, due to the drought-impacted production issues seen in this year’s crop. The EU export projections are reduced by 0.3 mmts compared with the previous month, based on the lower production outlook. Projected EU exports of 2.2 mmts for 2020/21 also represent a significant decline from the previous year’s exports of 4.8 mmts. For the Southern Hemisphere exporters, offsetting changes relative to the previous month are made for Argentina (reduced by 1.0 mmts) and Brazil (increased by 1.0 mmts), based on recent month’s trade data from each respective country.

➢ World Sorghum Production Slightly Higher

USDA - World sorghum production in 2020/21 is projected a slight 0.1 mmts higher than the previous month, totaling 61.9 mmts. The raised production outlook is primarily due to raised projections for Argentina, a 0.4 mmts increase to 3.2 mmts, as weather and market conditions push farmers slightly away from corn and soybean production. Like corn, weather conditions in late-December through February will be important in determining yields. The increase more than offsets the reduction of sorghum production in India, which is lowered 0.3 mmts, based on lower area.

➢ World Sorghum Trade Increase for 2020/21

USDA - World sorghum trade for 2020/21 is also raised from the previous month. China sorghum imports are raised 0.8 mmts to 7.0 mmts. As with corn, this is a substantial increase from 2019/20 sorghum imports of 3.7 mmts, due to higher domestic feed demand. Sorghum exports for 2020/21 are raised for Argentina (by 0.4 mmts), based on increased projected production, and the United States (by 0.4 mmts), due to less sorghum being used in domestic industrial use, freeing additional supplies.

GHA – Last week the monthly USDA WASDE Report estimated China’s corn imports for 2020/21 to be 16.5 mmts, up 3.5 mmts from November.

This week’s USDA’s Export Shipment and Sales Reports show that China has already shipped 3.982 mmts of corn with current purchases on the books of 7.692 mmts; bring China’s total current commitments to 11.674 mmts.

USDA Reports also showed 7.008 mmts of corn ales to yet Unknown destinations, (as these are most likely C&F sales). Conservatively it is estimated that 50% (3.504 mmts) of these sale are to China, with trade estimates closer to 65% (4.555 mmts).

This would bring the China total for U.S. corn alone conservatively to 15.178 mmts, and more generously to 16.229 mmts; almost to the current USDA total estimate for the 2020/21 marketing year (1st Sept. – 30th Aug.). At the moment we are just coming to the end of the first quarter of the marketing year.

The numbers would suggest a number of points:
- The recovery / growth in China’s swine and livestock sector is real. This is further supported by strong soybean import numbers.
- Current trade estimates have China 2020/21 corn imports well above 20 mmts, with a few closer to the 30 mmts level.
- The USDA is very likely to revise these number even higher in coming months.

There is also strong corn demand coming from other regions, driven by strong demand for feed across a number of livestock sectors.

As such, it is likely that the US export number for corn, as well as the global trade number for all origins, is likely to be increased in coming. These events will be catalyst to drive not only corn, but all commodity prices higher.

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Top U.S. Corn Export Markets To Date Outstanding Sales And Shipments, MY 2020/2021

- China: 7,007,700
- Mexico: 6,146,000
- Japan: 3,646,700
- Colombia: 2,623,000
- South Korea: 2,182,300
- Unknown Destination: 3,982,400
- Argentina: 1,961,700
- Brazil: 1,699,100
- Mexico: 1,169,000
- China: 983,300
- Mexico: 509,300
- China: 495,000
- Mexico: 165,700
- Mexico: 74,100

➢ **U.S. Sorghum Export Projections in 2020/21 Increase**

USDA - Total U.S. sorghum supplies for 2020/21 are projected at 400.3 mbus, including no monthly change to production. FSI (Food, Seed, and Industrial) use is down 15.0 mbus to 25.0 mbus., primarily based lower fuel ethanol use.

NASS’s monthly report implies very little sorghum has been used to produce ethanol over the past few months, with margins likely discouraging production, as gasoline demand remains reduced and cash sorghum prices remain relatively high.

Offsetting this change is an increase of 15.0 mbus for export, largely contributed to the increased demand for feed grains from China.

Strong cash prices for U.S. sorghum have been largely attributed to the pull from export markets. The November average cash price for sorghum at Gulf ports was $11.16 dollars per hundredweight, as reported by the Agricultural Market Service (AMS), compared with $7.89 in November 2019.

Due to market conditions and prices of substitutes, the season average price is revised up $0.35, to $4.40 per bushel.

➢ **World Barley Production Higher**

USDA - World barley production is also raised for 2020/21, compared with the previous month’s projection. This month, production is raised 0.8 mmts to 157.2 mmts.

Australia barley production is raised 0.5 mmts to 11.0 mmts, due to improved weather conditions and initial post-harvest reports from domestic reporting agencies for the country’s winter crops. Production in Canada is also raised 0.3 mmts from the previous month, based on higher area and yields from the country’s official post-harvest production reports.

➢ **U.S. Barley Domestic Consumption Down Fractionally, More Exports**

USDA - U.S. total barley supply remains unchanged at 252.6 mbus. Revised feed, seed, and industrial use results in a marginal reduction of 2.0 mbus; with FSI use projected to be 141.0 mbus for the year. This projection is down from the 2019/20 revised estimate of 141.5 mbus. The monthly reduction is fully offset in a 2.0 mbus increase in the projected exports, now at 8.0 mbus for 2020/21.

➢ **World Barley Trade Increase for 2020/21**

USDA - World barley trade is raised for 2020/21 compared with the November report, with imports on an October-to-September trade year 1.1 mmts higher. Barley import projections are raised for China (0.5 mmts higher) and Saudi Arabia (0.3 mmts), which are expected to be used predominantly for feed use.

Export projections are raised for Australia (0.6 mmts) and Canada (0.3 mmts), based on higher production projections allowing for additional supplies to be exported.

Projected exports for Syria are also raised 0.2 mmts in 2020/21, from virtually zero, as the country is exporting barley to Jordan and North African countries.

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**OILSEEDS COMPLEX**

➢ **CBOT Soybeans January 2021**

Bullish session to finish off a bullish week in the oilseed complex. Soybeans hit 6½ years’ highs on the continuous charts. Futures hit contract highs all along the curve, even into 2022. The lead CME January 2021 Soybean Futures contract made new highs this week settling above $12.00 for the first time. Technical buying accelerated as futures plowed through key resistance at 1200¢. On Friday, the lead contract settled at $12.17¾/bu, up 16 cents on the day, and 55¢ cents for the week.

CIF-NOLA soybeans continue to strengthen, and spreads have been narrowing, in response approaching January delivery window. The F21/N21 narrowed 3 cents/bu to close at an inverse for the first time in two weeks.

Soy products rallied in tandem with beans, as nearby meal closed up $7.60 a ton at $405.50, and bean oil closed up 14 points at $40.07/cwt. Board crush was slightly firmer on the day as well.

Tightening soybean supplies and weather uncertainty in South America continue to be the main market drivers as the U.S. and world balance sheets can handle very little room for error. Rainfall coverage has been scattered in Brazil. Parana’s soybean crop is currently estimated at 20.38 mmts, previously 20.47 mmts. Argentina is expecting rain this weekend before a dry pattern unfolds in the 7 to 10 day forecast. Argentine planting has been slowed substantially by the dryness. Market support was also...
garnered from the ongoing labor strike in Argentina frustrating export logistics. The local grain industry has now declared force majeure as the strike continues to disrupt supply chains & exports.

We saw renewed buying as China is reporting that the swine herd is back to levels of 90% of the pre-ASF levels. A strong recovery is supported by good feed grains demand, along with crushing activity. This week was noted a sharp 9% week on week increase in China’s weekly soybean crush, rising to 1.95 mmt, 17% larger than in the year ago. Crush since October 1st has been running 22+% ahead of the 2019 pace with the USDA projecting an 8+% increase.

- **Dryness Further Discourages Argentine Soybean Sowing**

  USDA - Global soybean production for 2020/21 was forecast down this month by 586,000 mts to 362.1 mmt. Expected crop reductions in Argentina, Mexico, and the EU are only partly offset by increases for Canada and Uruguay. The coupling of production changes with higher use is anticipated to trim 2020/21 global soybean stocks by another 880,000 mts to 85.6 mmt.

  Soybean planting is now well advanced in Argentina. The country’s Ministry of Agriculture reports that 54% of the 2020/21 crop was sown as of December 3rd. Dimmer prospects for sown soybean area are seen, partly due to dry soil conditions. Despite some recent improvement, September–November rainfall for the country’s core soybean-producing region was no better than 40% to 50% of normal.

  The USDA lowered its estimate of 2020/21 Argentine soybean area this month by 200,000 hectares to 16.7 million, which may now only equal last year’s level. The lower area estimate leads to a reduction for the 2020/21 Argentine crop this month by 1 mmt to 50 mmt.

  In October, an inability to obtain old-crop soybean supplies caused the Argentine crush to slump to an 8-year low for the month. An influx of soybean imports from Paraguay has been insufficient to counter the lack of domestic deliveries.

  Another contributor to the lagging processing pace are recent walkouts of unionized workers at the country’s crushing plants, who are demanding bonuses for working through the pandemic.

  The poor crushing rate for Argentine soybeans motivated USDA to lower its forecast for 2020/21 use by 1 mmt this month to 39 mmt. Argentine production of soybean meal is then expected down by 800,000 mts for the year. In October 2020, a lower supply slashed Argentine soybean meal exports by 30% versus a year earlier. Full-season shipments are expected to be 800,000 mts lower this month to 26.7 mmt. If realized, it would be a 3-year low for Argentine trade in soybean meal.

  An accompanying loss of soybean oil supplies for the Argentine market may exacerbate the plight of domestic biodiesel producers. Demand for Argentine biodiesel has been sharply curtailed by losses of export markets in the EU and the US. The Argentine domestic market for biodiesel has been unable to absorb the excess. But those supplies might be easily taken off by eager foreign markets, which may sustain a modest increase for Argentine soybean oil exports to 5.65 mmt.

- **World’s Top Soybean Producer, Brazil Relying On Imports in New Year**

  Reuters - Brazil, the world’s largest soybean producer, will likely import larger-than-usual volumes of the oilseeds next year to cater to domestic demand, oilseeds crushers’ association Abiove told a news conference on Monday.

  At the same time, internal demand is heated, Brazil will continue supplying its most prized export commodity to global clients, leaving little to crush internally. Brazil’s 2021 soybean imports will be 800,000 mts, up from 500,000 mts projected in November, according to Abiove data. This year, Brazil will likely import 1 mmt, an all-time record.

  Brazil’s soy suppliers are mainly in South America, but this year the country made a rare purchase from the United States.

  Brazil has emerged as a significant soybean producer and competitive global exporter over the past few years, but demand from buyers like China depleted local stocks in recent months.

  This year, Brazil’s end stocks are estimated at 219,000 mts and next year are forecast to be 419,000 mts, according to the association.

  Brazil’s farmers will reap a forecast 132.6 mmts of soybeans in 2021, up from an estimated 127 mmts in the previous year, Abiove said. On export markets, Brazil’s sales are forecast to reach 83.5 mmts in 2021, 1.2 mmts more than this year.

- **China Soybean Crush Jumps to 3-Week High, Stocks Pressure Eases**

  China’s weekly soybean crush volume rebounded to a three-week high last week, as crushers ramped up operations after recent stock pressures eased.

  Soybean crush volume across the country rose 160,000 mts to 1.95 mmt, up 280,000 mts y-o-y, according to data published by China’s National Grain and Oil Information Centre (CNGOIC) on Thursday.

  “As the situation of bloated soymeal stocks eased, crushers raised operations as expected. Soybean crush volume stopped falling and started rising,” said CNGOIC.

  As a result, soybean stocks dipped 10,000 mts to 6.36 mmt, down 610,000 mts from the same week last month, but up 1.87 mmt y-o-y.

  Higher soybean crush pushed overall soymeal stocks across the country 50,000 mts higher to 910,000 mts, up 20,000 mts on the month and 510,000 mts higher y-o-y. In contrast, soybean oil stocks fell 40,000 mt to 1.05 million mt, down 140,000 on the month but still 90,000 higher y-o-y.

- **China Switches from Brazil to US for February Soybean Loadings**

  Chinese crushers are looking to switch their February buying to U.S. soybeans and switch away from the more price competitive option of Brazilian beans, as fears over potential loading delays dampens buying confidence. Active price-checking enquiries...
were reported this week for Q1 2021 shipments of U.S. soybeans during a quarter when Brazilian soybeans are typically cheaper due new crop harvest supply.

“There had been some big problems back in February this year. Normally February shipments of Brazilian beans could only load out in the second half of the month. If delayed, it will become March shipment,” said one market source.

At least one January/February shipment was traded out of the Gulf at +199 SH21 futures on CFR China basis Wednesday overnight, prompting reports that prudent buyers are looking to diversify their supply options. And other crushers were said to be price checking levels for January and February shipments out of the Gulf and PNW both on a CFR and FOB basis.

Brazil is expected to have a record harvest of roughly 130 mmts for 2020/21 marketing year, with the volume expected to enter the market in early February, making its beans more price competitive than the U.S. But some crushers are still keen to book from the U.S. instead of Brazil due to concerns of a logistics crunch.

March shipment of Brazilian soybeans was last offered at +153 SH21 futures on CFR China basis, more than 40 cents/bu less than the same shipment out of the US Gulf.

China appears to have sufficiently covered its soybean demand for the first quarter of 2021 so far with more than 90% of January shipment booked and over 75% of February and March shipments secured.

Chinese soybean importers normally buy from Brazil for shipments between February and August each year, and buy from the US for September to January shipments due to different harvest seasons.

**China Booking New Crop Brazilian Soybeans for March Shipment**

Brazil has exported soybeans at a record pace in 2020 and now the available soybean supplies in Brazil are down to very low levels. This can be seen in the amount of soybeans being exported in December. According to the Brazilian Foreign Trade Secretariat (Secex), Brazil exported 120,400 mts of soybeans during the first four days of December and that amount is expected to continue declining as the month progresses. In December of 2019, Brazil exported 3.27 mmts of soybeans.

Thus far in 2020, Brazil has exported 89 mmts of soybeans compared to 72 mmts during the same period in 2019.

With current supplies of soybeans nearly exhausted, there are reports that China is now booking Brazilian soybeans for March of 2021 shipment. The consulting firm Patra Negocios, reported earlier this week of China’s interest in new crop soybeans from Brazil.

Dry weather earlier in September and October delayed the soybean planting in Brazil and as a result, the start of the soybean exports will be delayed as well. The first few soybeans in Brazil may start to be harvested beginning about January 15th. These are irrigated soybeans that were planted September 10th in the state of Parana or September 15th in the state of Mato Grosso. For the non-irrigated soybeans, the harvest will not enter full swing until probably the beginning of February.

As an example of how the harvest will be delayed this growing season, by the end of January 2020, farmers in the state of Mato Grosso had harvested approximately 11 mmts of soybeans. It is estimated that by the end of January 2021, farmers in the state will have harvested approximately 4 mmts of soybeans. In fact, there are reports that some farmers in Mato Grosso are in the process of renegotiating their contracts with the grain companies because they will not be able to deliver the soybeans at the predetermined date such as January 15th.

Many of the domestic crushers in Brazil have suspended operations due to a lack of available soybeans. Therefore, it is expected that the crushers will outbid the exporters for the first available soybeans from the 2020/21 crop.

**IMEA: Mato Grosso Soybean Demand to Outstrip Supply Increases**

IMEA - Demand for soybeans in Brazil’s largest producing state of Mato Grosso will exceed any increase in supply, as rising prices for byproducts such as soybean oil will buoy demand from the domestic crush, the state’s agricultural statistics agency IMEA said in its weekly bulletin on Monday.

Total production for 2020/21 will increase by a marginal 0.2% on the previous campaign to hit 35.49 mmts. However, domestic demand will rise by 4.3% to hit 10.91 mmts, with exports also rising by 1.5%.

The reasons for the rise in domestic demand involve the attractive prices of the crushing products of oil and meal. As for exports, Mato Grosso grain still remains competitive in the market.

Last week, the agency reported that around two-thirds of the crop had been sold on a forward basis, while recent rains have allayed concerns that the crop will be negatively impacted by drier weather earlier in the campaign. The agency estimates that around 2.51% of the total area will need to be replanted compared with 5.75% at the beginning of the month.

For corn, despite earlier concerns around delays to the core safrahina crop, expectations are for 2020/21 production to increase by 2.4% year-on-year to hit 36.29 mmts, with domestic demand growing by a steep 18% amid feed and corn-for ethanol demand.

**EU + UK 2020/21 soybean imports 6.63 mmts by December 13th**

Reuters - Soybean imports into the European Union and Britain in the 2020/21 season that started in July totaled 6.63 mmts by December 13th, up 3% compared with the same last week last year, official EU data showed on Monday.

EU and UK 2020/21 rapeseed imports had reached 3.17 mmts, down 11%, while soymeal imports stood at 8.30 mmts, down 6%.

Palm oil imports were at 2.74 mmts, up 7%.
Soybean oil values made new highs and traded above the $40.00 mark on Friday as CME January 2021 Soybean Oil Futures settled on Friday at $40.00/cwt, up 7 cents on the day, and gaining $1.71 cents for the week.

India Trade Body Seeks To Treat Vegetable Oils As Restricted Imports
MUMBAI – A trade body of vegetable oil refiners said this week, India should treat refined oils derived from soybean, sunflower and mustard as restricted imports at par with that of refined palm oil, while it sought New Delhi to announce an export incentive scheme for oil mills in the next fiscal year’s budget.

“The government has rightly placed under the restricted category the import of refined palm oils,” the Solvent Extractors’ Association of India said in a letter to the federal finance, food and the trade ministry. “This needs to be extended to refined soybean oil, refined sunflower oil and refined rapeseed/ mustard oil to encourage value addition in the country.”

The trade body in its pre-budget memorandum said any potential export incentive will encourage value addition and aid the domestic oilseed crushing and refining industry. In order to help the rice bran processing industry, the trade body also sought to impose a 5% Goods and Services Tax rate on de-oiled rice bran, which is mainly used in poultry and cattle feed industry.

The association said that Indian oilseed meals, a value added product derived by grinding vegetable oil cakes and fed to livestock or used as fertilizer, are priced out in the international market and needs government support to uphold parity in crushing and exports.

“With MEIS (Merchandise Exports From India Scheme) being suspended with effect from 1st April 2020 and expiring on 31st December, 2020, (this) will hit the exports of oilseed meals…the industry should be encouraged through suitable incentive schemes.” the trade body said.

The association has also asked New Delhi to reverse its recent decision to cut import tax on crude palm oil and restore it back to 37.5%.

In a bid to contain surging edible oil prices in the country, on the 26th of November the government announced slashing import duty to 27.5% on crude palm oil from 37.5%. Additionally, in order to restrict imports of soap noodles, the association has sought imposition of basic custom duty of 27.5% or place the key ingredient used in making soap bars to the restricted lists of imports.

India, the world’s largest vegetable oil buyer, imports about 70% of its edible oil requirements. Import bill of edible oil could be as high as 900 billion rupees ($12.21 billion) in the current fiscal year to March 31st, rising from around 700 billion rupees in the last financial year, according to the trade body.

Palm oil continues to lead support across the oilseed complex as CME January 2021 Crude Palm Oil Futures made new 8-year highs gain on Friday. The nearby contract settled at $840.25 802.25/mt, up $38.00 from last weeks close of 802.55/mt.
Rising Vegetable Oil Prices Spur Policy Changes

International vegetable oil prices are climbing again

USDA - Soaring prices for palm oil are having an acute impact on global trade. Malaysian palm oil stocks have continued to tighten as production is heading toward a seasonal low. Despite sustained improvement in Malaysian rainfall throughout 2020, palm oil output is still encumbered there by past reductions in fertilizer use as well as pandemic-related labor shortages. Compared with a year ago, the benchmark price for crude palm oil in Malaysia has climbed by $237/mt and is approaching an 8-year high. Growth in Indonesian palm oil production is sluggish. Development of a widening price spread between crude palm oil and diesel (approximately US$400/mt) has made Indonesian mandatory targets for blending biodiesel less tenable. The Indonesian government’s cost to subsidize the difference has swelled, making fulfillment of its 30% blending rate for biodiesel unrealistic. A recent step that the Government has taken to narrow the fund’s deficit is to raise the export tax on crude palm oil. Its effect is to lower the cost of crude palm oil for domestic users, including those that produce biodiesel. Formerly, a flat US$55/mt export tax was collected. The new tax is now a variable rate with a minimum of $55/mt rising incrementally to $255 depending on the domestic price. By itself, a sustaining of palm oil supplies for Indonesia’s domestic market would deny exports to the international market. Yet, the overall impact on the competitive status of Indonesian exporters may be minimal due to changes elsewhere.

A recent reduction for the Indian import duty on crude palm oil, the top import market, is of major importance for Indonesian exports. At the same time, Malaysia is scheduled to remove its own tax exemption on crude palm oil by the end of December. Indonesian palm oil exports for 2020/21 are expected to edge 100,000 mts higher this month to 28.85 mmts.

India is highly dependent on imports of palm oil from Indonesia and Malaysia, soybean oil from Argentina and Brazil, and Ukrainian sunflower seed oil. In 2020/21, these imports would comprise up to 65% of all Indian vegetable oil consumption. Yet, soaring import costs for each of these vegetable oils has forced the Indian Government into lowering import duties, at least for now. To ease the economic impact on domestic consumers for a basic food staple, India’s import tariff for crude palm oil is lowered as of November 27th to 27.5% from 37.5% previously. The duty reduction for palm oil will also reverse incentives for importing the commodity relative to soybean oil.

The USDA forecasts Indian palm oil imports for 2020/21 up by 200,000 mts this month to 8.7 mmts. Nevertheless, India is committed to balancing the interests of consumers with oilseed farmers. Subsequent adjustments to duties are likely in order to encourage domestic oilseed production by the next growing season.

NOPA November US Soy Crush at 181.018 mbus, 3rd Largest Ever

Reuters - U.S. soybean processors notched their third largest monthly crush on record in November, while soymeal exports surged to the highest for any month in nearly eight years, according to data released by the National Oilseed Processors Association (NOPA) on Tuesday.

NOPA said its members, which handle about 95% of all soybeans processed in the U.S., crushed 181.018 mbus of soybeans last month, down from a record 185.245 mbus in October, but up from 164.909 mbus in November 2019. It was the largest November crush on record, eclipsing the previous mark of 166.959 mbus set in November 2018. It was also the third largest monthly crush ever, behind only October 2020 and March 2020.

Analysts, on average, had been expecting a November crush of 180.025 mbus, according to estimates from 10 analysts. Estimates ranged from 172.000 mbus to 192.000 mbus, with a median of 179.182 mbus.

NOPA pegged soybean oil supplies among its members at the end of November at a record 1.487 billion lbs at the end of October and 1.448 billion lbs at the end of November 2019. The oil stocks were slightly above the average trade forecast of 1.458 billion lbs, based on estimates gathered from eight analysts. Estimates ranged from 1.401 billion to 1.685 billion lbs, with a median of 1.550 billion.

Soymeal exports in November jumped to 1,081,653 tons, the most for a single month since January 2013, according to NOPA data. That was up from 945,835 tons in October and 868,769 tons in November last year.

CBOT Soybean Meal January 2021

CME January 2021 Soybean Meal Futures also traded to new highs on Friday as the January contract settled at $404.20/short ton, up $6.30 cents on the day, and $23.60 for the week.
Not only was this week’s NOPA crush number this week of 181.6 a record for November, but shipments of 1.08 million short tons, were at an all-time high, surpassing the previous record of March 2017’s 1.06 million short tons and raising the Oct-Nov y-o-y gain to a sizable 15%.

Turkey Drops Import Tariffs On Some Grains To Zero

Reuters - Turkey has lowered tariffs on some grain imports, including wheat, barley, and corn, to zero through the 30th of April 2021. Turkish President Tayyip Erdogan approved the measure to lower the tariff, which had stood at 20%, the report said. The measure requires the imported materials be used for production.

Turkey is the world’s largest flour exporter and last year imported nearly 11 mmnts of wheat. An extended drought has raised concerns about Turkey’s grain crops for the 2020-21 marketing year as farmers have reported difficulty planting in the extremely dry soil. However, the latest forecast from the USDA FAS still projects wheat, corn and barley production to rise in 2020-21 over the previous year and for exports to decline.

Cargill Makes First Investments in Pakistan

ISLAMABAD - Cargill and Fauji Foundation have entered a long term strategic partnership in Pakistan to strengthen agricultural supply chain in the country.

With this investment, Cargill has taken a minority equity stake in Fauji Akbar Portia Marine Terminal Limited (FAP), Pakistan’s leading bulk terminal, and will handle grains, cereals, rice, oilseeds and fertilizers at Port Qasim. Fauji Foundation, through this partnership with the world’s leading agriculture company, will transform FAP’s supply chain to enhance overall value for all stakeholders including suppliers, customers, employees and shareholders.

This is Cargill’s first investment into Pakistan, after the strategic intent announced in January 2019 and reflects its long-term commitment to the country. Cargill made an announcement in 2019 regarding investing US$200 million in the country. Cargill is already a leading soybean and palm supplier in Pakistan and will further strengthen its presence as a significant agri-importer, while enabling FAP to leverage Cargill’s extensive experience in bulk handling, port operations and its technical know-how. Combining Cargill’s customer centric approach with FAP’s operational excellence will help support customers better. Going forward, both partners aim to build a safety culture that will create a world class, safe and sustainable environment for FAP’s employees and customers.

FAP is the only modern grain terminal in the country and handles around 2.5 mmnts of imports annually. These imports are expected to further grow in tandem with the demands of a large population. A large portion of these imports include soybeans, which are crushed locally and have resulted in a large domestic oilseeds processing industry. It is therefore imperative that the port runs its operations as efficiently and effectively as possible.

Cargill has been operating in Pakistan since 1984 and has been involved in trading commodities such as wheat and cotton. Today Cargill’s operations comprise of refined oils, trading and handling of animal feed, grains & oilseeds, cotton, sugar and metals. Animal health business is based in Lahore, which is involved in selling specialty

Related News

Avian Influenza - South Korea Culls 6.1 mln Birds

Yonhap - South Korea has completed the culling of 6.1 million poultry birds nationwide to curb the nationwide spread of highly pathogenic bird flu, as the total farm-related caseload reached 18. The destroyed poultry included 4 million chickens and 1.2 million quails, according to the Ministry of Agriculture, Food and Rural Affairs.

Under the local law, poultry within a 3-kilometer radius of farms infected with highly pathogenic bird flu must be culled.

South Korea has reported 18 bird flu cases at farms since November. The virus has especially spread at a faster pace in South Jeolla Province, which accounted for six infections. Four were from North Jeolla Province. Local authorities have been vigilant as the virus is expected to haunt local poultry farms down the road, with migratory birds set to continue flying into the country through early next year.

South Korea reported this year’s first highly pathogenic avian influenza case from wild birds in late October. A total of 29 cases were confirmed from wild bird habitats across the country.
Transportation & Logistics

Grain movements have been a relative bright spot for freight in a year of significant supply-chain and market challenges. According to a Department of Transportation index, freight volume was lower for every month of 2020 (through October 2020, the latest available) than in the same month of 2019. However, following sizable harvests of 14.5 bbs of corn and 4.2 bbs of soybeans and robust export demand, grain shipments by rail, barge, and ocean have all been strong. All are above last year’s levels year to date, with rail and barge both reaching historically high levels.

Export Sales: For the week ending December 3, unshipped balances of wheat, corn, and soybeans totaled 57.8 mmts. This was 2% lower than last week, but still represented a significant increase in outstanding sales from the same time last year. Net corn export sales were 1.362 mmts, down 1% from the past week. Net soybean export sales were 0.569 mmts, up 40% from the previous week. Net wheat export sales were 0.617 mmts, up 38% from the previous week.

Rail: U.S. Class I railroads originated 27,950 grain carloads during the week ending December 5. This was an 11% increase from the previous week, 21% more than last year, and 16% more than the 3-year average. Average December shuttle secondary railcar bids/offers (per car) were $299 above tariff for the week ending December 10th. This was $257 more than last week and $730 more than this week last year. There were 0.617 mmts, up 38% from the previous week.

Barge: For the week ending December 12th, barge grain movements totaled 1,120,459 tons. This was 36% more than the previous week and 58% more than the same period last year. For the week ending December 12, 703 grain barges moved down river—181 barges more than the previous week. There were 1,022 grain barges unloaded in New Orleans, 13% higher than the previous week.

Ocean: For the week ending the 10th of December, 45 oceangoing grain vessels were loaded in the Gulf, 41% more than the same period last year. Within the next 10 days (starting December 11th), 66 vessels were expected to be loaded, 50% more than the same period last year. As of the 10th of December, the rate for shipping grain from the U.S. Gulf to Japan was $41.50/mt. This was unchanged from the last available rate on December 3rd. The rate from PNW to Japan was $23.25/mt, unchanged from the last available rate on December 3rd.

Fuel: For the week ending December 14, the U.S. average diesel fuel price increased 3.3 cents from the previous week to $2.559 per gallon, 48.7 cents below the same week last year.

Australia To Take China To WTO Over Barley Tariff

Grain Central – Australian Trade Minister, Simon Birmingham, has announced that Australia will refer China to the World Trade Organisation (WTO) over its imposition of an 80.5 per cent tax on Australian barley imports in May.

The Minister said Australia would proceed with the action to challenge the claim by China that Australia was dumping barley into the Chinese market and that Australian farmers were being subsidised.

“We’ve applied at every step of this journey all the appropriate processes, procedures and courtesies to the manner in which Australia and Australian industries have
engaged with the Chinese Government and their Chinese counterparts. This is the logical and appropriate next step for Australia to take,” he said. Senator Birmingham said Australia had been a long-standing defender of international rules-based systems, and of the important of multi-lateral co-operation and engagement.

- **Brazil Senate Clears Hurdle for Foreign Ownership of Rural Land**

  Reuters - The Brazilian Senate unexpectedly approved a bill late on Tuesday to facilitate the purchase and leasing of rural properties in Brazil by foreign nationals or foreign companies. The legislation must be approved by the lower house of Congress before the president can sign it into law.

  If passed, the legislation could attract investments in agriculture and other sectors such as wind and solar energy farms, along with mining.

  According to the bill, foreign ownership can account for no more than 25% of the territory in a municipality, and foreign owners must use the land to “fulfill a social function.”

  The senator who proposed it has publicly said he hopes the law would attract some 50 billion reais (US$9.8 billion) in new investments per year to Brazil. Its approval in the upper house comes as the government of right-wing President Jair Bolsonaro pushes to further open the economy to private investment.

  In the case of intended land purchases in the Amazon region, the new law would require final clearance from the National Defense Council.

- **U.S. Corn and Ethanol Groups Irate Over Brazil Tariff**

  AgriPulse - A breakdown in talks between the U.S. and Brazil has resulted in the issuance of a 20% tariff on American ethanol.

  “Brazil’s decision to impose a 20% tariff on all U.S. ethanol imports is devastating for the U.S. ethanol industry, the future of cooperation and coordination between our nations,” the U.S. Grains Council, Growth Energy, Renewable Fuels Association and National Corn Growers Association, said in a statement released Wednesday. “Not only does this decision risk destroying the great progress our two nations have made as global leaders in ethanol production, it marks a dramatic turn in our bilateral trade relationship.”

  Brazil first imposed the 20% tax on August 31st after the expiration of its tariff rate quota that allowed 198 million gallons of U.S. ethanol annually to enter Brazil duty-free. U.S. and Brazilian negotiators tried, but failed to reach a deal that would have prevented that expiration. The two sides then reached a temporary agreement in September to suspend the tariff for 90 days while they resumed talks for a more permanent solution.

  No resolution has since been announced and the tariffs have gone back in place.

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**International Crop & Weather Highlights**

- **USDA/WAOB Joint Agricultural Weather Facility – 15th December 2020**

  - **EUROPE** – Highlight: Additional Rain In The South And West, Dry In The Northeast

    Periods of rain in western and southern Europe — locally heavy in Italy and the western Balkans — maintained good moisture supplies for dormant (north) to vegetative (south) winter grains and oilseeds.

    Dry weather lingered over northeastern Europe, but winter crops are dormant; impacts are minimal.

  - **MIDDLE EAST** – Highlight: Some Showers In Central Turkey, More Rain And Snow In Iran

    Much-needed showers in central Turkey eased drought but arrived too late to aid winter grain establishment prospects, with crops now dormant.

    Moderate to heavy rain and mountain snow in Iran and Iraq boosted moisture reserves for winter wheat and barley but likely caused localized flooding.

  - **NORTHWESTERNAFRICA** – Highlight: Dry Weather Returned To Morocco

    After recent beneficial rain, the return of sunny skies to much of Morocco facilitated winter wheat and barley establishment.

    Additional moderate to heavy showers in eastern Algeria and northern Tunisia maintained abundant moisture supplies for winter grain establishment.

  - **SOUTH ASIA** – Highlight: Seasonably Dry In Most Areas

    Seasonably dry weather prevailed across much of the region, aiding rabi crop sowing, while showers continued in southern India, maintaining excessive wetness following a pair of tropical cyclones.

  - **EAST ASIA** – Highlight: Light Showers For Rapeseed

    Light showers in portions of southern China maintained good soil moisture for rapeseed, as seasonably cold weather in northern sections of the Yangtze Valley slowed development.

  - **SOUTHEAST ASIA** – Highlight: Widespread Showers

    Widespread showers from the Philippines to Malaysia and Indonesia maintained abundant moisture supplies for rice and oil palm.

  - **AUSTRALIA** – Highlight: Somewhat Better For Summer Crops

    Scattered showers and cooler weather improved growing conditions for cotton and sorghum in the east.

    Mostly dry weather in southern and western portions of the wheat belt favored wheat, barley, and canola dry down and harvesting.

  - **SOUTH AMERICA** – Highlight: Showers Intensified Over Brazil’s Northern Soybean Areas
Following weeks of sporadic rainfall, widespread rain benefited soybeans in central and northeastern Brazil. Farther south, dryness and warmth spurred growth of soybeans and first-crop corn.

In Argentina, sunshine and warmth spurred rapid growth of summer grains, oilseeds, and cotton.

- **SOUTH AFRICA** – Highlight: Showers Maintained Favorable Summer Crop Prospects
  Warm, showery weather continued to benefit corn, sugarcane, and other rain-fed summer crops.


**Historical Wet vs Dry Tendencies with La Nina**

![La Niña and rainfall](image)

**Southern Oscillation Index:** Oceanic and atmospheric indicators reflect a mature La Niña with little variation over last fortnight. Model outlooks suggest the event will peak at moderate levels during December, returning to a neutral phase during March or April. The 30-day Southern Oscillation Index (SOI) for the 30 days ending the 6th of December was +10.4. The SOI has returned to values more consistent with La Niña. The MJO is over the Maritime Continent and may be contributing to increased values. The 90-day SOI value was +7.9.

Chances of La Nina conditions are greater than 95% January through March 2021, with a -65% chance of continuing through March to May 2021.
December Crop Calendar

United States
- Winter Wheat & Rapeseed: Dormant

Europe
- Winter Wheat & Rapeseed: Dormant

China & East Asia
- Winter Wheat & Rapeseed: Dormant

FSU
- Winter Wheat & Rapeseed: Dormant

NW Africa & Egypt
- Wheat: Planting

Turkey, Middle East & Afghanistan
- Wheat (Highlands): 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.

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International Production Assessment Division (IPAD)

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