



Notes and Observations in International Commodity Markets

8th October 2021

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

KSU Agriculture Today Link - Grain market update, World grain supply and demand report: <https://agtodayksu.libsyn.com/grain-market-update-world-grain-supply-and-demand-report>

GHA - News and information noted below are articles of Interest and gathered from numerous sources. This news and information do not reflect the opinions of KSU-IGP, but are provided as matter of interest.

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AG COMMODITIES LOWER ON THE WEEK AS OATS AND PALM OIL MAKE NEW HISTORIC HIGHS

GHA – All the active grain futures contracts were higher earlier Friday, but most fell back by the close, leaving only spring wheat and oats with higher closes and new contract highs.

Oats and Palm Oil; all at all-time highs! Cotton rallying to a 10-year high. Export supply chain costs continue to increase as bulk ocean freight hits 13 year highs. Container freight beginning to level off at historic highs.

Weaker than expected export demand seems to prevail. China remains conspicuously absent from the market for this time of year, and talk is that only half the workers needed for their local harvest are available.

NOLA Gulf issues aside; rail grain shipments to U.S. export points are running at an 8-year seasonal low of about 3,500 cars per week. The PNW is bearing the brunt of this, receipts are off more than 50% vs LY. September world corn trade from the 5 major exporters was down 25% year to year with the U.S. accounting for 1.3 of the 3.1 MMT decline. Ida/Gulf issues certainly played a role but demand concerns aren't fading away

Higher energy prices as Crude Oil hit fresh highs following OPEC's decision to not raise production despite crude at 7yr highs. WTI crude oil futures topped \$80 on Friday for the first time since 2014. Oil is up more than 60% for 2021 as demand rebounds while supply remains tight. Benchmark U.S. crude oil for November delivery rose \$1.05 to \$79.35 a barrel Friday. Brent crude oil for December delivery rose 44 cents to \$82.39 a barrel.

Wholesale gasoline for November delivery rose 4 cents to \$2.37 a gallon. November heating oil rose 1 cent to \$2.47 a gallon. November natural gas fell 11 cents to \$5.57 per 1,000 cubic feet.

Gold for December delivery fell \$1.80 to \$1,757.40 an ounce. Silver for December delivery rose 5 cents to \$22.71 an ounce and December copper rose 4 cents to \$4.28 a pound.

India is the latest country to face a power crisis. Trade reporting, India has only 5 days of coal supply with stocks at 8 mmts vs 37 mmts this time last year. According to their power ministry, the 135 plants had an avg of just four days of coal stocks. A multitude

of things led to this. As coal prices started rising this year, India cut back on imports to save money and rely on domestic supplies. However, monsoon rains hit last month in their coal mining regions which slowed production and delivery of coal. Coal from Indonesia is up from 140/ton to \$200/ton from earlier this year, but India is going to need to bite the bullet & likely curtail electricity usage.

Meanwhile, as China returns to work from their national holidays, Evergrande's shares are still frozen with no updates from the company. Evergrande suspended its shares from trading in Hong Kong on Monday as they look to possibly sell its property management unit. Hopson Development, a Hong Kong developer, also had its shares suspended as they are rumored to be purchasing a majority stake in the unit.

Fantasia Holdings, a mid-sized Chinese developer, that just two weeks ago said it had "no liquidity issues", said in a stock filing today that it did not make payment on a \$206M bond that matured yesterday. This triggered a formal default for the company.

Sen Warren asked for the SEC to investigate transactions by three Fed officials last year. A few hours later, the Fed said its asked the Office of Inspector General to conduct an independent review.

Have a good weekend! ☺

US DOLLAR & FOREIGN EXCHANGE

➤ US Dollar Index- Slips On U.S. Weaker-Than-Expected U.S. Sep Payrolls



payrolls weighed on the dollar Friday due to the report's dovish implications for Fed policy. Losses in the dollar were limited after the 10-year T-note yield climbed to a 4-month high, which strengthens the dollar's interest rate differentials.

The dollar index on Friday fell -0.148 (-0.16%). EUR/USD rise +0.0024 (+0.21%). USD/JPY rose +0.59 (+0.53%).

EUR/USD (^EURUSD) on Friday rose moderately on dollar weakness. The euro also found support Friday on comments from ECB Governing Council member Wunsch who said it is time for the ECB to think about a stimulus exit. Gains in the euro were limited after ECB President Lagarde said the ECB shouldn't "overreact" to the current inflation spike and that "a premature tightening of monetary policy at this point could harm the economic recovery in the Eurozone and cost jobs."

USD/JPY on Friday rallied moderately and climbed to a 1-1/2 year high. The yen weakened Friday on reduced safe-haven demand after Chinese stocks settled higher after reopening from a 1-week holiday and after Japan's Nikkei Stock Index closed up +1.34%. The yen also fell back Friday after Japan Aug household spending fell -3.0% y/y, weaker than expectations of -1.2% y/y.

Friday's U.S. economic data was mixed for the dollar. On the negative side, U.S. September nonfarm payrolls rose by only +194,000, much weaker than expectations of +500,000 and the smallest increase in 9 months. Conversely, the U.S. Sep unemployment rate fell -0.4 to a 1-1/2 year low of 4.8%, stronger than expectations of 5.1%.

Signs of wage pressures are hawkish for Fed policy and supportive for the dollar after U.S. Sep avg hourly earnings rose +0.6% m/m and +4.6% y/y, slightly stronger than expectations of +0.4% m/m and +4.6% y/y. The +4.6% y/y gain was the largest in 7 months.

December gold on Friday closed down -1.80 (-0.10%), and Dec silver closed up +0.047 (+0.21%). Precious metals on Friday settled mixed. A weaker dollar and a decline in stocks on Friday were supportive of metals. Gold gave up its gains and fell back from a 2-week high Friday after the 10-year T-note yield jumped to a 4-month high of 1.615%.

The dollar and gold have continued safe-haven support from concern the worldwide spread of the delta Covid variant will crimp the global economic recovery. However, the pandemic in the U.S. has improved after the 7-day average of new U.S. Covid infections on Thursday fell to a 2-month low of 99,804.

WHEAT

➤ **New Russia Wheat Export Restrictions Feared**

8 Oct 2021 *Gro Intelligence* - Russia's worsening food inflation is fueling concerns that the world's largest wheat exporter could introduce a wheat export quota for its current crop, further squeezing global wheat supplies.

That could push up already high wheat prices for bread manufacturers and baked goods makers, and risk fanning further global food inflation for the staple food item.

In the past year, export prices for wheat from major origins have increased between 12% and 47%. Prices of Black Sea milling wheat, which includes Russian wheat, have jumped 42%.

In response to spiraling domestic food inflation, Russia introduced a permanent floating-rate tax on wheat exports this summer. The tax, together with adverse growing conditions earlier this year, may push Russia's 2021/22 wheat exports for the February-June period to well below the USDA's latest WASDE estimate of 35 million tonnes. Last year Russia exported 38.5 million tonnes of wheat.

Additionally, Russian exporters are likely to frontload exports, which can be followed in this chart, in anticipation of a possible new wheat export quota in February. Russia's last wheat export quota expired in June. Gro's webinar from earlier this year, "Will Trade Restrictions and Crop Prospects Curtail Wheat Supplies?," examined in depth the relationship between trade and supplies.

Global wheat supplies also are tight due to drought conditions in the US and Canada. Southern Hemisphere harvests may be needed to relieve the pressure.

Australia is currently on course for another bumper crop, according to Gro's recently launched Australia Wheat Yield Forecast Model, which provides users with daily updates on the important Australian crop weeks ahead of official government estimates.

Argentina, another top producer, is expected to reach record levels of production in 2021/22 along with record wheat exports. Gro's Navigator for Agriculture - Growing Conditions App, weighted to Argentina's wheat area, shows above-normal NDVI, a key determinant of yields.

India, following a bumper crop in 2020/21 as reflected in Gro's India Wheat Yield Forecast Model, may also benefit from higher export volumes.

➤ **Russia may plant less winter wheat for 2022 than expected**

4 Oct 2021 *Reuters* - Russia may sow less winter wheat this autumn than previously expected due to dry weather, analysts said, further dimming prospects for the 2022 crop of the world's largest wheat exporter.

Russia, which supplies its wheat mainly to the Middle East and Africa, has been hit by dry weather which at first reduced its 2021 wheat crop and then complicated sowing for the 2022 crop.

Winter wheat sowings have fallen further behind the normal pace in recent days after initial delays when the campaign started this autumn.

Russia's total winter wheat sowing area could fall by 0.7-1.2 million hectares from a year ago, Sovecon consultancy said. IKAR, another consultancy, currently sees the reduction at 0.5-1.0 million hectares from 17.8 million hectares sown a year ago.

Sovecon and IKAR expected the reduction of 0.5-1.0 million and 0.5 million hectares, respectively, in mid-September.

Winter wheat, sown in autumn for harvesting in summer, typically accounts for 70% of Russia's crop, brings a higher yield than the spring planted crop and is less vulnerable to adverse weather. Farmers had sown winter grains on 10.8 million hectares as of Sept 30, down from 12.3 million hectares at the same date a year ago, according to the agriculture ministry. There is no publicly available data just for winter wheat.

Preliminary data from Russian regions show that farmers would be able to sow about 19 million hectares of winter grains, the ministry told Reuters. The area totalled 19.3 million hectares last year.

It did not provide an estimate for winter wheat alone, but added that the results of the sowing would become clear in December.

"There is a quite strong reduction in sowing in the Volga and Central regions (of Russia) mainly due to weather problems," IKAR said, adding that southern regions could still compensate part of the fall.

Another variable is Russia's grain export tax, Sovecon said. Moscow has set the tax on a weekly basis since June as part of measures it hopes will help to stabilise inflation, a sensitive issue in Russia. Russia's inflation is at 5-year high. (Reporting by Polina Devitt; editing by Louise Heavens)

➤ CME CBOT Wheat Futures



CBOT December 2021 Wheat Futures settled on Friday at \$7.34/bu, down 7¼ cents on the day, and losing 21½ cents for the week. Chicago wheat closed 6 1/4 to 7 1/2 cents in the red, extending December's loss for the week to 2.8%. This was the first week in nearly a month that we closed lower for the week.

Chicago board spreads continue to widen, but still below the needed number to expand the VSR on the Z/H. We would have to average over 15½ cents for the balance of the time to expand them.

The weekly Commitment of Traders report showed that Chicago wheat spec traders flipped back to net long after their 3-week net short. The net new buying in SRW moved the groups net position from 9.8k short to 5.2k long.

Paris MATIF wheat futures were higher to start the day but closed lower on the day. We have seen Paris December futures up 14% over the past month. Concerns over Russian prices/export tax, world demand and tighter world stocks keep prices firm.

Trade is looking for all wheat planting to be 63% complete on Monday vs. 66% last year and 60% the average. Some good rain is forecasted for much of the northern Plains over the next 7 days and should help improve the wheat planting prospects. There are some concerns that parts of the ECB might plant a bit less wheat than originally thought with the recent rains and limited harvest progress. Higher fertilizer cost is also part of the conversation despite prices being at the highest SRW levels since the fall of 2012.

Prices on the protein wheats are also hovering at new highs; the best since 2014 for hard red winter and best since 2012 for dark northern spring.

Weekly Sales - USDA reported modest week-to-week improvement in U.S. wheat export demand, coming in at 12.2 mb to put the year-to-date total at 419 mbus, which stands 21% behind a year ago and 17% below the 5-year average pace.

Top seller for the week was hard red spring which booked 3.9 mb in new business to put sales at 113 mb, setting 28% behind last year and 22% below average. Hard red winter registered 3.6 mbus in sales and with 160 mbus in commitments, sets 19% behind a year ago and 15% off the average pace. White wheat secured 2.9 mbus to put sales 34% behind a year ago and 28% behind average at 76 mbus.

Top Buyers for the week were Mexico was the top U.S. wheat buyer last week with 3.3 mbus, followed by South Korea with 3 mbus and the Philippines with 2.5 mbus. Rounding out the top 5 were Indonesia at 2.2 mbus and Nigeria at 1.1 mbus.

All eyes will be on the USDA report on Tuesday. With the September 30th Stocks Report supportive, and the trade will be looking for this report to continue to confirm tighter stocks. World production estimates will be important.

➤ U.S. Export SRW Wheat Values – Friday 8th October 2021

SRW Wheat Gulf barge quotes, in cents per bushel basis CBOT futures:

Changes are from the AM Barge basis report. Source: USDA

CIF SRW WHEAT	10/7/2021	10/8/2021		
OCT	45 / 55	45 / 55	Z	UNC
NOV	60 / 68	60 / 68	Z	UNC
DEC	70 / 80	70 / 80	Z	UNC

➤ CME KC HRW Wheat Futures

Symbol: @KWZ1 [Future Symbol Search](#)

Last: 737'4 | Chg: -36 | Open: 740'2s | High: 747'6 | Low: 735'2

Current Month: @KWZ1



Kansas December 2021 HRW Wheat Futures settled on Friday at \$7.37½/bu, down 3¼ cent on the day, and losing 22 cents on the week.

The weekly Commitment of Traders report showed spec funds were also net buyers in KC wheat from Tuesday to Tuesday, adding 3,819 contracts to their net long, now at 49,946.

➤ U.S. Export HRW Wheat Values – Friday 8th October 2021

HRW Wheat Texas Gulf Rail quotes, in cents per bushel basis KCBT futures:

Changes are from the AM Barge basis report. Source: USDA

TX GULF HRW

12% Protein	10/7/2021	10/8/2021		
OCT	168 / -	168 / -	Z	UNC
NOV	170 / -	170 / -	Z	UNC
DEC	170 / -	170 / -	Z	UNC
JAN	178 / -	178 / -	H	UNC
FEB	178 / -	178 / -	H	UNC
MAR	178 / -	178 / -	H	UNC

➤ MGE HRS Wheat Futures

Symbol: @MWZ1 [Future Symbol Search](#)

Last: 946'4 | Chg: +4'2 | Open: 941'2s | High: 953'0 | Low: 940'0

Current Month: @MWZ1



MGE December 2021 HRS Wheat Futures settled on Friday at \$9.46 ½ 9.29/bu, up 4¼ cents on the day, and gaining 27½ cents for the week.

The mixed winter/spring wheat directionality left spring wheat in the black and winter wheats weaker for the weekend. HRS prices ended Friday with 2 3/4 to 4 1/2 cent gains. From Friday to Friday, December Minneapolis was 1.88% stronger.

The weekly Commitment of Traders report showed managed money funds were 15,337 contracts net long in MPLS, up by 549 on net new buying.

➤ U.S. Export PNW Wheat Values – Thursday 7th October 2021

Portland Price Trends

	10-01-20	01-01-20	09-01-21	09-30-21	10-07-21
#1 SWW (bu)	5.70	6.65	10.85	9.75	10.50
White Club	6.05	6.65	12.85	11.75	12.50
DNS 14%	6.53	7.14	10.34	10.47	10.69
HRW 11.5%	6.46	7.38	8.64	8.92	9.04
#2 Corn (ton)	168.00	211.00	242.00	253.00	250.00
#2 Barley	130.00	145.00	240.00	240.00	240.00

West coast white wheat markets saw a mid-week resurgence in price levels, climbing 75 cents from the setback last week. Soft white export demand remains sporadic but has been enough to generate exporter interest in finding replacement offers at the farm level.

COARSE GRAINS

CORN

➤ Brazil's corn imports up

6 Oct 2021- Brazil September corn exports dropped sharply, with southern states importing large volumes from Argentina and Paraguay, official customs data shows.

The virtual absence of corn export volumes directed to the seaborne market is potentially freeing up logistics capacity to take in beans from those states. Corn imports were slashed due to the massive crop loss.

The country exported only 2.8 mmts of corn in September, 55% lower on the year. Most volumes were originated from Mato Grosso which, besides being the main producer in the country, had its second corn crop safrinha less affected by adverse weather conditions than other states, especially those in the south. Mato Grosso was responsible for 64% of Brazil's corn exports in September compared with 57% year-ago. The remainder of corn exports came from São Paulo and states in the northeast and centre west, with very modest volumes sourced from southern states where the crop loss was more severe.

Meanwhile, Brazil's corn imports were just shy of 410,000 mt in September, all volumes bound to southern states. Two-thirds of September's corn imports came from Argentina and the remainder from Paraguay as the geographical proximity makes imports from those markets more competitive into the southern states of Paraná, Rio Grande do Sul and Santa Catarina. Through the first nine months of the year Brazil imported 1.6 mmts of corn and might be on track for an all-time record as import volumes tend to spike during the last few months of the year.

➤ CME CBOT Corn Futures



CME Corn December 2021 new crop contract settled on Friday at \$5.30½/bu, down 3½ cents on the day, and losing 11 cents for the week.

CFTC's weekly Commitment of Traders report showed managed money was 250,596 contracts net long in corn as of the 5th of October. That compared to their 244,741 contract net long last week, driven by an increase to managed money.

US corn harvest should come in around 40% on Monday, up from 29% last week and 31% on average. The grower continues to sell more soybeans than corn, as expected, although there are plenty of regions where we are seeing good corn movement as well.

On Monday the USDA reported a flash sale by private exporters of 426,800 mts of corn for delivery to Mexico during the 2021/2022 marketing year. On Thursday Mexico bought another 314,256 mts of corn.

Thanks to an aggressive early buying program, unshipped corn sales to Western Hemisphere markets are record large at 312 mbus; Mexico's up 27% yr to yr; Canada at 29 is also record high as are sales to other western markets.

September world corn trade from the 5 major exporters was down 25% year to year with the U.S. accounting for 1.3 of the 3.1 MMT decline. Ida/Gulf issues certainly played a role but demand concerns aren't fading away

Weakening export demand for soybeans and rising fertilizer costs have helped generate a near 7% drop in the SX22/CZ22 ratio the past week, from 2.52 to 2.32 currently as market concerns over corn acres escalates.

Barge freight continues to weaken on the front end and is taking all of the carry out of the river. CIF NOLA has dropped, but barge freight is certainly dropping more to pre-Ida levels with the fleet now freeing up.

With the ethanol margin very strong and YTD corn export sales the best in 20 years basis remains strong. CIF NOLA values remain right on top of DVE for LH Nov/Dec-Feb and is over DVE 1 to 5 cents into springtime.

U.S. Gulf vs PNW spread remains very firm as the inverse rolls forward. Safe to say the PNW has enormous buying power. Rail Car values in the secondary markets a touch firmer as the BNSF returns to tariff bid, and UP returns offered +\$250/car, and CP MP Oct offered +\$300/car.

China's Dalian Corn Prices trading began the first trade session following the Fall holiday with open strength in the Jan contract, which gapped from 2,497 yuan/mt to 2,510 (~ \$9.89/bu), before fading to 2,489/mt into the weekend.

Argentina's Buenos Aires Grains Exchange reported corn planting at 21.1% of expected area as of the 7th of October. That is up from 16.8% last week. Brazil's CONAB put their preliminary new crop corn estimates at 116.3 MMT. USDA was initially at 118 MMT. CONAB expects that area will increase by 933.7 kha from 2020/21's area. Adjustments in their monthly forecast to the old crop output left 2020/21 corn production 1.25 mmts higher at 86.998 mmts.

Tuesday will be the October WASDE and the trade is calling for a 1.418 carry out.

➤ **U.S. Export Corn Values – Friday 8th October 2021**

Corn CIF NOLA Gulf barge/rail quotes, in cents per bushel basis CBOT futures:
USDA (U.S. No. 2, 14.5% moisture, CIF New Orleans, La)

Changes are from the AM Barge basis report. Source: USDA

CIF CORN	10/7/2021	10/8/2021	Del. Mo.	
OCT	71 / 76	70 / -	Z	
NOV	72 / 76	71 / 74	Z	
OCT/NOV	-	71 / 74	Z	
DEC	72 / 75	70 / 74	Z	
JAN	65 / 69	65 / 69	H	UNC
FEB	70 / 74	70 / 73	H	
MAR	68 / 72	68 / 71	H	
APR/MAY	64 / 68	64 / 68	K	UNC

BARLEY

➤ **Turkey gets offers in 310,000 tonne barley purchase tender**

8 Oct 2021 Reuters - The lowest price offered in the first round of the tender from Turkey's state grain board TMO to buy 310,000 mts of animal feed barley on Friday was believed to be \$316.50/mt C&F, traders said in initial assessments.

No purchase has yet been reported, they said. The TMO traditionally undertakes several rounds of negotiations in tenders seeking lower offers each round.

The offer was said to have been submitted by trading house VA Intertrading for 25,000 tonnes for shipment to the port of Bandirma.

This was followed by offers for shipment to other ports including \$317.70, \$318.59, \$319.40 and \$319.80 all per tonne C&F.

Shipment in the tender is sought between Nov. 5th and Nov. 25th.

Both imports and supplies already in Turkey can be offered in the tender.

A series of consignments are sought for unloading in the Turkish ports of Derince, Iskenderun, Mersin, Izmir, Bandirma, Tekirdag, Samsun, Trabzon and Karasu.

The TMO reserves the right to buy up to 5% more or less than the tender volume at its own discretion, the traders said.

The tenders continue recent brisk grain import demand from Turkey to ensure good domestic supplies, with traders saying the country's crops suffered drought damage.

➤ **U.S. Barley production shrinks under drought; Idaho still No. 1**

1 Oct 2021 Capital Press - Hot, dry weather took its toll on this year's Northwest barley crop, the USDA National Agricultural Statistics Service reported, but Idaho managed to retain the top spot as the nation's leading producer.

The September 30th NASS Small Grain Annual Summary said production dropped from last year in Idaho, Washington and Oregon as well as nationwide.

In the Northwest, production was down 21% in Idaho, 58% in Washington and 72% in Oregon.

"Between harsh spring winds, early hot weather and then extended severe drought through the summer, 2021 was an unusual and especially tough year across the primary U.S. barley growing regions," Idaho Barley Commission Executive Director Laura Wilder said.

She said the Idaho's water availability and substantial irrigation infrastructure helped the state outperform other major production states.

The country's top barley producers this year were Idaho at 43.6 mbus, Montana at 23.7 mbus and North Dakota at 21.9 mbus, NASS reported.

Idaho's 21% drop in production was better than the 36% decrease USDA had predicted earlier in the summer, Wilder said.

"Although water was tight in some areas of Idaho for 2021 and required extra efforts to manage for most growers, our water situation put the state in much better shape than most, she said.

Idaho planted 520,000 acres of barley, down 10,000 acres from 2020. Harvested acres, at 490,000 acres, also were down 10,000. NASS estimated the average yield at 89 bus/acre, down 21 bushels.

Washington planted 83,000 acres, down 7,000 acres from 2020. Harvested acres, at 70,000 acres were down by 1,000 acres. The estimated yield of 38 bus/acre is down 52 bushels from last year. Statewide production was 2.6 mbus.

Oregon planted 37,000 acres of barley, down 8,000 acres. Harvested acres, at 19,000, were down 11,000. The estimated yield of 32 bus/acre is down 40 bushels from last year. Statewide production was 608,000 bushels.

Nationwide from 2020 to 2021, production dropped from 170.8 mbus to 117.6 mbus.

Planted acres decreased from 2.7 million acres to 2.6 million, and harvested acres fell from 2.2 million to 1.9 million.

GRAIN SORGHUM

➤ **U.S. Export Grain Sorghum Values – Friday 8th October 2021**

Quotes, in cents per bushel basis CBOT futures:

CIF MILO	10/7/2021	10/8/2021	
October	na	na	UNC

TX FOB VESSEL MILO (USc/MT)	10/7/2021	10/8/2021	
October	220	230	Z
November	220	225	Z
December	220	220	Z UNC

OATS

➤ CME CBOT Oat Futures



CBOT December Oats set new historical highs again on Friday touching \$6.59/bu., 64 cents higher than last week's new high. CME December 2021 Oats Futures settled on Friday at \$6.53½/bu, up 31 cents on the day, and gaining 62½ cents for the week.

➤ Will Canada have enough oats to cover miller's needs?

4 Oct 2021 DTN - The Canadian oat situation will prove challenging for both buyers and sellers for the 2021/22 crop year, at a time when demand is growing.

The 2020/21 crop year saw Canadian crop year supplies of 5.018 mmts (325.4 mbus), the largest supplies in 12 years. This allowed for record exports of 2.928 mmts (oats plus oat products) (189.9 mbus), in addition to domestic use of 1.431 mmts (92.8 mbus). Official data shows 1.5 mmts (97.3 mbus) was shipped to the U.S., down from the previous year, while the next largest buyer was Chile at 201,500 mts (13.1 mbus).

Despite this disappearance, Statistics Canada's ending stocks estimate of 658,500 mts (42.7 mbus) was up from the previous year and slightly higher than the five-year average.

Even though the demand and processing capacity for oats is growing, seeded acres fell by 11% to 3.423 million acres in 2021, the first drop in acres in three years. Price signals failed to support acres when compared to more profitable crop choices this spring.

The 2021 prairie drought took a further toll. Canada's average yield has been estimated at 60 bus/acre, down 34.3% from the previous year and 38.8% below the 20-year trend. Estimated production of 2.5787 mmts (167.2 mbus) is down 2 mmts or 43.6% from 2020.

This is the third-lowest production seen in official estimates going back to 1908.

Crop-year supplies are estimated at 3.252 mmts (210.9 mbus), down 35.2%, while 2021/22 exports are forecast at 1.8 mmts (116.7 mbus) (oats plus products) for the world's largest exporter of oats, down 39% from the previous year and would be the smallest exports since 2004/05. July 31st, 2022, stocks could be the tightest on record.

It is interesting to note that exports are off to a quick start early in the crop year, with licensed exports reported at 262,900 mts as of week 8 or the week ended September 26th, down only 10.9% from the same period in 2020/21. There is an additional 318,700 mts reported in commercial storage for this week, down 24% from one year ago while 29% higher than the five-year average for the week.

Two other factors may further tighten estimated supplies and Canada's export potential. The first is quality issues, with the season's conditions leading to lightweight oats in some areas, which bears watching in future Grain Commission analysis.

The second is in the unharvested acres estimate, which will not be clarified until the next Statistics Canada report in December. Agriculture and Agri-Food Canada commentary points to a higher abandonment rate due to drought conditions and as producers cut crops for feed. At the same time, current Statistics Canada estimates show 2.787 million acres of the 3.423 million acres seeded was harvested in 2021, or 81.4% of seeded acres, which is higher than the five-year average of 80.5% and a higher percentage than four of the past five years.

Interest in oats for 2022 is certain to grow and the hunt for seed supplies will also be a factor in the months ahead. Current milling oat bids are seen as high as \$7.00/bushel CAD in Manitoba (\$5.54 USD), while Manitoba government data shows producer bids up 119% from one year ago. Saskatchewan and Alberta bids are reported closer to \$6/bu.

One thing oats knows for sure is the job of the market in the crop year ahead will be to ration tight supplies.

CME 1969-2021 Nearby Oats Futures on Friday rallied to new historical highs again as the December contract touched \$6.59/bu, not only a fresh contract high, but also the highest level ever traded on the continuous active chart.



North Dakota historically has produced about 10% of the total US oat crop, with Minnesota and South Dakota also major producers. But this year Iowa took the reins as the top producing state because of declining output in the Northern Plains.

Drought pressures also hit crops in Canada, where production of oats fell 44% versus last year, which represented the lowest canola production in a decade.

➤ What Do Oats Really Know?

4 Oct 2021 DTN - The adage "oats know" has been used by grain traders for over 20 years when the oats futures market has suddenly moved higher during a trading session. It's been thought when oats moved higher, it might be a signal something was going to happen in the other grain markets, especially corn. But it really didn't apply much in 2021. Drought was prevalent all spring and summer, affecting all crop production in Canada and the Northern Plains and Pacific Northwest states in the U.S. So, grain futures reacted on their own throughout the growing season.

The U.S. oats futures are used to track cash prices in Canada, because most of the oats used by U.S. millers for cereals and other human consumption oat products are imported from Canada. Oats futures aren't as heavily traded as wheat and corn and other commodity futures. Open interest in the December '21 contract on October 1st was 3,638 and March '22 contract was 765. From the July '22 contract to the December '22 contract, open interest shrinks from 72 to 35 contracts. The December '21 futures made a historical contract high of \$5.95 on October 1st and as of early trading on October 4th, that high was breached at \$6.05 and likely isn't the last contract high we will see.

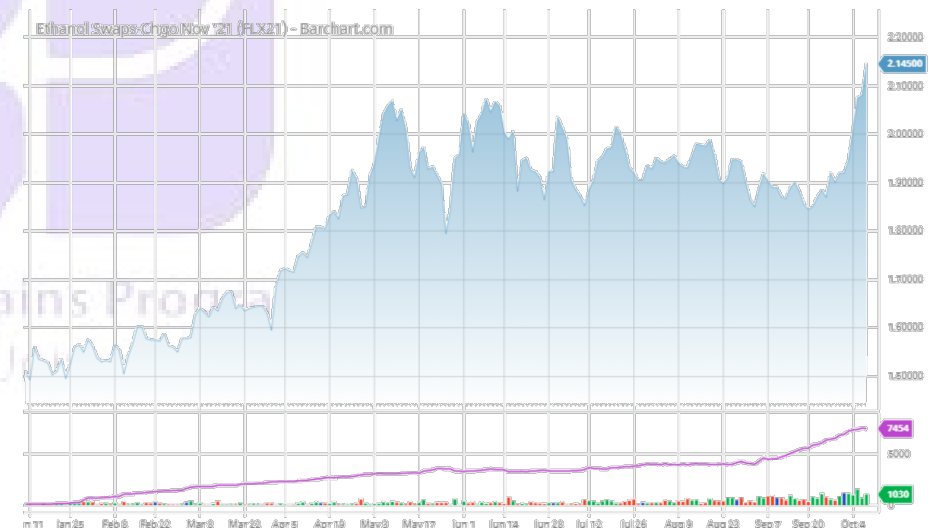
A former oats trader told DTN, "Honestly, futures really don't matter that much anymore. The last couple of years, the contract has been dying. The only players are a couple of specs, Riverland Ag Corporation and Hansen-Mueller. 95% of the market trades at a flat price now. Like malt barley, a lot more companies are starting to contract acres. Every year, less and less acres are traded through the open market."

There is a delivery mechanism for CME oats just like all other commodities, but taking delivery is not a guarantee that milling quality oats will or can be delivered. The minimum test weight for delivery is 36 pounds and millers prefer 40 pounds, but can use 38 pounds. Besides, there aren't many delivery stocks of oats. The September 24th CME stocks of grains report showed a total of 3.972 mbus in Duluth-Superior and a total of 10.644 mb in Minneapolis and 179,000 bushels in Chicago.

It is highly unlikely oats sitting in delivery houses can satisfy mills this year. The U.S. crop may not be much help either as far as having enough oats to fill the needs of millers. In the September 30th Small Grains Summary Report, USDA painted a grim picture, saying oat production was estimated at a record low 39.8 mbus, down 39% from 2020. Yield was estimated at 61.3 bus/acre, down 3.8 bus/acre from the previous year. Harvested area, at a record low 650,000 acres, was 36% below last year. Record low acres were planted in Oregon and Wisconsin. Record low acres were harvested in Maine, Michigan, Minnesota, Montana and New York. Record low production was estimated in Michigan, Montana, Oregon and Wisconsin, reported NASS.

ENERGY & ETHANOL

➤ CME Ethanol Futures



CME Ethanol November 2021 closed on Friday at \$2.14500/gallon, up 6.500 cents on the day, and gaining down 19.250 cents for the week.

Ethanol margins were the talk this week. Since last Friday spot generic margins were up roughly 30 cents/gallon; today they were up around 3 cents. Ethanol prices were also stronger, averaging \$2.25 to \$2.37/gal compared to \$2.23 to \$2.34 last week. The weekly update suggested weaker DDGS prices, with \$220 - \$235/ton out of the Gulf. USDA's AMS stated corn oil prices were priced between 60.8 and 64 cents/lb during the week of 10/8. That was up from 55.3 to 63 cents/lb last week.

WTI crude oil futures topped \$80 on Friday for the first time since 2014. Oil is up more than 60% for 2021 as demand rebounds while supply remains tight. Benchmark U.S. crude oil for November delivery rose \$1.05 to \$79.35 a barrel Friday. Brent crude oil for December delivery rose 44 cents to \$82.39 a barrel.

Wholesale gasoline for November delivery rose 4 cents to \$2.37 a gallon. November heating oil rose 1 cent to \$2.47 a gallon. November natural gas fell 11 cents to \$5.57 per 1,000 cubic feet.

Wednesday's Energy Information Administration (EIA) report showed domestic ethanol inventories continued higher in the week ended Sept. 24, while data showed the decline in production was nearly matched by the uptick in demand. Overall production fell for a second week, down 12,000 barrels per day (bpd) or 1.3% to 914,000 bpd, which was 3.7% more than a year earlier. Midwest PADD 2 plant production fell for the first time in four weeks, down 19,000 bpd to 866,000 bpd.

➤ **DDG's – Weekly Average DDG Price Steady**

VALUE OF DDG VS. CORN & SOYBEAN MEAL

Settlement Price:	Quote Date	Bushel	Short Ton
Corn	9/30/2021	\$5.3675	\$191.70
Soybean Meal	9/30/2021		\$326.20
DDG Weekly Average Spot Price			\$195.00

DDG Value Relative to:	9/30	9/23
Corn	101.72%	103.16%
Soybean Meal	59.78%	57.93%

Cost Per Unit of Protein:

DDG	\$7.22	\$7.22
Soybean Meal	\$6.87	\$7.09

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

7 Oct 2021 DTN – The DTN average price for domestic distillers dried grains (DDG) from 33 locations reporting for the week ended Sept. 30 was \$195 per ton, unchanged on average from one week ago. DDG prices were mixed this week, while the cash corn price hasn't changed much from one week ago to have a big effect on the market. The DTN National Corn Index is 4 cents higher from one week ago, while average basis was 7 cents weaker. Some merchandisers have said trucks are hard to come by and freight is expensive.

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

In its weekly DDGS export price update, the U.S. Grains Council said: "On the export market, DDGS values are higher with sellers accounting for higher freight rates. Barge CIF NOLA rates are up \$6 to \$7/mt for November/December shipment while FOB NOLA offers are up \$4 to \$5/mt. U.S. rail rates are higher as well with offers for product into Lethbridge, Alberta, up \$8/mt this week. Offers for containerized DDGS to Southeast Asia are spotty with brokers amid the uncertainty in freight rates. Bid/ask spreads are wide this week with few trades confirmed so far. On average, offers are up \$1/mt at \$348/mt this week."

➤ **CME WTI Crude Oil - price tops \$80 a barrel, the highest since 2014**



After touching \$80.11/barrel, **CME WTI November 2021** closed on Friday at \$79.48 75.64/barrel, up \$1.18 on the day, and gaining \$3.84 for the week.

➤ **U.S. crude oil price tops \$80 a barrel, the highest since 2014**

8 Oct 2021 CNBC - West Texas Intermediate crude futures, the U.S. oil benchmark, crossed \$80 per barrel on Friday for the first time since November 2014 as demand rebounds while supply remains tight.

Oil prices have surged in recent days alongside a broader rally in commodities including natural gas and coal amid an energy crunch that's sweeping Europe and Asia. The U.S. oil benchmark jumped more than 2% to trade as high as \$80.09 on Friday, before easing from that level and hovering around \$79.70 at 11:30am on Wall Street. Brent crude, the international benchmark, advanced 1.7% to \$83.32 per barrel.

"The \$80 print became an inevitability," said John Kilduff, partner at Again Capital. "Despite the rise in U.S. crude oil inventories in this week's report, the global market remains tight and in a supply deficit. ... Unless and until OPEC+ acts to meaningfully increase supplies, prices will grind higher still."

WTI is on track for its seventh straight positive week, its longest weekly winning streak since December 2013. For the year both WTI and Brent are now up more than 60%. Natural gas was little changed on Friday, dipping slightly to \$5.67 per million British thermal units. Prices have more than doubled since the beginning of the year.

"In what has been another blockbuster week, oil prices are rising further as the global energy supply tightness squeezes fuel availability," Louise Dickson, senior oil markets analyst at Rystad Energy, said Friday.

Oil prices got a boost at the start of the week after OPEC and its allies opted to stick to a prior agreement to raise production by a modest 400,000 barrels per day in November despite the recent fuel shortage. Ahead of that meeting, some thought the group might opt to bring more production online to meet rising demand. Crude also got a boost Thursday after the Department of Energy said it has no current plans to tap the Strategic Petroleum Reserve in an effort to cool rising prices.

"DOE continues to monitor global energy market supply and will work with our agency partners to determine if and when actions are needed," the agency said in the statement. "All tools in the tool box are always under consideration to protect the American people, there is no immediate plan to take those actions at this time."

Higher oil prices translate to higher prices at the pump, and consumers across the U.S. are paying the most for gasoline in seven years. The national average for a gallon of gas stood at \$3.26 on Friday, according to AAA, which is more than \$1 higher than last year.

OILSEEDS COMPLEX

➤ **China's Power Crunch Will Shut Down More Soybean Crushing Plants**

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

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

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

SOYBEANS

➤ **East Asia buys 86% of Brazil's Sep soybean exports**

6 Oct 2021- Brazil exported 4.8 mmts of soybeans in September, up 13% on the year with volumes mostly bound for East Asia. Bean volumes were primarily bound to China as the country accounted for 72% of monthly exports, purchasing about two cargoes more than in the equivalent month last year.

Other east Asian countries snapped 14% of September shipments and demand from the EU and the UK was also robust, representing 11% of total volumes.

September soybean shipments were mainly originated from Paraná and Rio Grande do Sul, with both states accounting for 47% of monthly exports.

The virtual absence of corn volumes directed to the seaborne market is potentially freeing up logistics capacity to take in beans from those states.

While soybean exports remained robust with total volumes shipped through the first three quarters of the year just about 1.3 mmts behind year-ago levels, corn imports were slashed due to the massive crop loss.

➤ **CME CBOT Soybeans Futures**

CME November 2021 Soybean Futures settled on Friday at \$12.43 12.46½/bu, off ¼ cents on the day, and losing 3½ cents for the week.

After trading higher through midday, the Friday soy complex turned lower into the close.

Barge freight continues to fall on the Illinois River as board spreads still reflect the weak sub-DVE basis environment. Board spreads now widening out new lows, suggesting they are wide enough for elevators / warehouses to roll their hedges from November21 out to January22 and economically buying more time. It was the 2nd day

of the Goldman Roll, which likely helped coax front-end spreads a bit weaker. SF21/H22 widened ½ c/bu to -9 ½ carry.



CoT data showed managed money funds shrank their net long by 9,858 contracts through the week that ended the 5th of October. The net new selling left them 49,453 contracts net long – the weakest in 60 weeks. Commercial bean traders were reported at 120,937 contracts net short as of Tuesday. That was down 10,505 from last week's net short.

Thursday 261,264 metric tons of soybeans for delivery to Mexico during the 2021/2022 marketing year.

Chicago soybean futures slid on Monday to hit their lowest in more than nine months as higher U.S. stocks weighed on the market. Soybean futures fell on pressure from larger-than-expected stocks reported on Thursday by the USDA. There was additional pressure from the ongoing U.S. harvest.

China returned to the market after its "Golden Week" national holiday and some rumors circulated of renewed buying interest in the US bean market. Soybeans futures at the Dalian Exchange also experienced a meaningful rally which influenced CBOT futures in the early going. Dalian No2 Soybean Prices began trading after their fall holiday break, in delivery October No.2 contracts gapped higher from 4,453 yuan/mt to 4,593 yuan/mt (~ \$18.81/bu).

Conab released their preliminary 2021/22 soybean estimates on the 7th of October showing an expected 989.7 kha increase to soybean planted area. That additional ground is expected to yield 3.43 mmts more beans y/y, with 140.75 mmts forecasted.

USDA estimated Brazilian output would reach 144 mmts in 2021/22, and the trade is expecting USDA to stay between 143 and 145 mmts for the October forecast.

Safras is pegging Brazilian soybean planting in Mato Grosso at 20% complete, which would be the fastest pace on record. Soymeal shipments from Brazil's Paranaguá port

jumped in September driven by strong demand and a drought that has disrupted a traditional logistics route via Argentina. It was also reported that Argentina's crushing industry utilization rate could fall as low as 56% by the end of 2021/22, down from 62% last year and one of the lowest rates in over a decade..

Traders are eyeing the USDA's October WASDE report next Tuesday, which is expected to see old and new crop bean ending stocks increase following the bearish wave of data in the September 30th quarterly stocks report. Some talk that the national soybean yield could be increased by as much as 1-2 bus/acre following better than expected harvest reports, potentially surpassing 2018's record.

Harvest should pick back up in the next few days following widespread rains across several parts of the Midwest this past week.

➤ Soybeans drop to nine-month low on higher U.S. inventories

➤ U.S. Export Soy Values – Thursday 7th October 2021

U.S., fob Gulf - \$513.75/mt

U.S., fob PNW - \$550.50/mt

Brazil, fob - \$529.75/mt

Argentina, fob upriver, \$542.00/mt

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

USDA (U.S. No. 2, CIF New Orleans)

CIF BEANS	10/7/2021	10/8/2021	
OCT	71 / 76	- / 84	X
OCT/NOV	-	- / -1	X
NOV	78 / 88	77 / 85	X
DEC	68 / -	- / 76	F
JAN	-	- / 76	F
AM	- / 67	-	N
AMJJ	- / 65	-	N

➤ US August soybean crushing at 3-month high, up 1% from July

1 Oct 2021 USDA - US soybean crushing in August rose 1.2% to 5.05 mmts (168 mbus), compared to the previous month at 4.99 mmts (166 mbus), USDA data showed Friday. The figure fell below last year's 5.24 mmts (174.7 mbus) and slightly under trade estimates of 169.1 mbus.

A total of 5.4 mbus/day of soybeans were processed in August, compared with 5.6 mbus from July and August of 2020.

The National Oilseed Processors Association (NOPA), which represents around 95% of US bean crushers, previously reported the August soybean crush figure at 4.3 mmts (158.8 mbus)

NOPA's August figure was under that of the USDA, but it did reflect the three-month (June-August) high crush figure seen for August.

Crude soybean oil produced in August was estimated at 1.99 billion pounds, up 1% from July 2021, but down 1% from August 2020.

Once refined soybean oil production landed at 1.63 billion pounds, up 3% from July 2021 but down 1% year-over-year.

CANOLA / RAPESEED

➤ ICE Canadian Canola Futures



ICE November 2021 Canola Futures settled on Friday at C\$926.90 903.10/mt, up C\$0.40 on the day, and gaining \$23.80 for the week.

ICE canola futures continued higher on Friday morning, gleaming support from the Chicago soy complex, Malaysian palm oil and European rapeseed. In turn these edible oils were getting a boost from gains in global crude oil prices.

The Canadian dollar was stronger this morning, with the loonie at 80.01 U.S. cents, compared to Thursday's close of 79.63.

Tight supplies and uncertainty regarding this year's production also underpinned canola values. Saskatchewan reported yesterday that its harvest of major crops was virtually complete and that 2% of the province's canola remained to be combined.

Yields for the oilseed were said to be 21 bus/acre. Alberta is scheduled to issue its weekly crop report this afternoon.

There was a notable uptick in canola exports, according to the latest data from the Canadian Grain Commission. For week ending the 3rd of October about 250,400 mts of canola was shipped overseas for a 231% increase from the previous week. At 200,300 mts domestic usage was down 9.6% w/w.

➤ **EU rapeseed area to rise by 7%, stocks to hit record low**

4 Oct 2021 Reuters - European Union farmers are expected to expand the bloc's rapeseed area by 7% for the next harvest, encouraged by soaring prices on an expected drop in supplies to record lows, consultancy Strategie Grains said in a report. The consultancy's initial sowing projections for the 2022 harvest forecast that the EU rapeseed area would rise to 5.60 million hectares from the 5.23 million hectares harvested this year. Other crop experts also expect a rebound in the EU rapeseed area after a sharp decline in recent years.

Rapeseed was also benefitting from favorable weather in much of the EU, though dry conditions were affecting southeastern EU countries, Strategie Grains said. For Germany, the area was projected to rise 6% to 1.06 million hectares while in France it was seen increasing 17% to 1.15 million hectares, in line with other market estimates.

Rapeseed is the most produced oilseed in the EU and used for edible oil, animal feed and biodiesel fuel. For the current 2021/22 season that runs to June, EU supplies are set to tighten further as an improved harvest is offset by reduced imports from drought-hit Canada and sustained demand fueled by attractive processing margins, Strategie Grains said. EU rapeseed stocks at the end of 2021/22 are seen reaching a record low of 0.9 mmts, representing a stocks-to-use ratio of 3.9% that would also be the lowest on record, it said.

Rapeseed prices are expected to remain very high throughout the season but could be curbed in coming weeks by an influx of Argentine biodiesel and the arrival of the U.S. soybean crop and late-running European sunflower harvests, it added.

Strategie Grains increased its estimate for the 2021 EU rapeseed harvest to 17.03 mmts, up from 16.93 mmts a month ago and 2.5% above 2020 output, mainly because of a raised estimate for France.

For sunflower seeds, forecast 2021 EU production was raised to a record 9.95 mmts, reflecting better than expected results in Romania and France, it said.

SUNFLOWERS

➤ **Supply tightness in soybean oil market making ways for sunflower oil**

4 Oct 2021 Shipping News, Drewry - The sudden rise in demand for biofuels is causing supply tightness in the soybean oil market, which is likely to persist until 2022. Alternatives such as sunflower oil will benefit from this situation.

The year 2021 has been turbulent for the soybean oil market due to the increasing emphasis on biofuels from the US to Brazil and Argentina. These countries are using soybean oil as the main feedstock to produce biodiesel, squeezing its availability as an edible oil for major importers like India and China. Meanwhile, the edible oil demand of these Asian countries is expected to rise due to economic recovery from Covid as consumption will normalize. Although the supply concerns of soybean oil are likely to persist until 2022, sunflower oil in India is expected to curb the demand for soybean oil in the same period as the price of this oil fell below soybean oil in July 2021.

Biodiesel mandates affecting supply - The supply tightness started from the beginning of 2021 with the election of Joe Biden as US President who promised "Clean Energy Revolution". This initiative increased biofuel demand and the use of soybean oil as feedstock in biodiesel production. The increased demand further tightened the vegetable oil supply, especially soybean oil, which was already squeezed due to traders' restocking activities after COVID-19 lockdowns.

The biofuel initiative wasn't limited to the US. Brazil has historically been the second largest exporter of soybean oil after Argentina. However, Brazil's soybean oil imports surged in 2021 to 86,000 mts until August from mere 21,000 mts in the same period in 2020 due to increasing biodiesel blending mandates with Brazil's biofuel regulator ANP (National Agency of Petroleum, Natural Gas and Biofuels), permitting the use of imported feedstocks for biofuel production amid high domestic prices.

This supply tightness is likely to continue as Brazil's soybean oil production is expected to be lower in 2021 than 2020. The country's blending mandate will also increase from 10% to 13% in November 2021. Argentina, the biggest exporter of soybean oil, is also expected to lower its exports until 2022 on accounts of higher biodiesel use. The domestic consumption of soybean oil is expected to increase by 1.8 mmts in the crop year 2021/22 to 61.4 mmts compared to the previous year.

Price - Global soybean oil prices started rising after Covid lockdowns as restocking happened in fear of second lockdown and quarantine measures. However, it kept rising in 2021 from US\$1,099/mt in January to US\$1,569 per ton in May, before normalizing in June following the decline in biodiesel demand in the US. However, soybean oil prices in Brazil and Argentina are still up due to the higher domestic demand. Global buyers are looking for cheaper supplies from other South American countries and soybean oil alternatives.

Alternatives of soybean oil - High prices and supply tightness of the soybean oil market is forcing price-sensitive buyers like India and China to look for cheaper alternatives such as palm oil and sunflower oil.

Although palm oil appears the cheapest option, it is reserved only in the hospitality and catering sectors, while sunflower oil (like soybean oil) is a preferred home-cooking oil. Furthermore, global sunflower oil prices fell below soybean oil in May 2021, and Indian delivered sunflower oil prices became cheaper than soybean oil in July 2021. Sunflower oil production is also expected to increase by 2.8 mmts to 22.1 mmts in the

crop year 2021/22 against the previous crop year. The global exports of sunflower oil are expected to be 5.1% higher than soybean oil in the crop year 2021/22.

Sunflower oil imports are also rebounding and are expected to increase in India and China to fill the vacuum created by soybean oil.

Conclusion - Argentinian soybean oil cargo to Asia is likely to remain stable in 2022, while additional vegetable oil demand countries like India and China are likely to be met with increased sunflower oil trade from Ukraine and Russia. This rise in trade on the Black Sea to India and the Black Sea to China route will support freight rates of chemical tankers on long-haul routes. However, the tonne-mile demand will face a minor setback due to reducing shipping distance.

VEGETABLE OILS

➤ CME Soybean Oil



CME December 2021 Soybean Oil Futures settled on Friday at \$61.51 58.82/cwt, down \$0.55 on the day, but gaining \$2.69 for the week. After hitting the highest level since mid-August, prompt BOZ21 closed down.

Malaysian Palm Oil futures hit historical highs on a continuous basis, which was certainly the early driver for soybean oil.

CFTC showed managed money managed money firms were 27,688 contracts more net long through the week. That left them 75,178 contracts net long (the most in 17 weeks), after the largest single week bull move since September 2019.

➤ CME Palm Oil Swaps



CME November 2021 Palm Oil Swaps settled at \$1,150.75/mt on Friday, up \$29.25 on the day, setting new all time highs, and gaining \$108.75 for the week.

➤ Palm slips from record high, set for 7% weekly gain

8 Oct 2021 Reuters - Malaysian palm oil futures slipped on Friday after hitting record highs earlier in the session, although the contract headed for its third straight weekly gain on rising crude prices and a tight supply outlook.

The benchmark palm oil contract FCPOc3 for December delivery on the Bursa Malaysia Derivatives Exchange fell 10 ringgit, or 0.21%, to 4,839 ringgit (US\$1,157.66)/mt by the midday break, after rising up to 4,914 ringgit/mt in early trading. (\$1 = 4.1800 ringgit)

For the week, it is set to clock a 7.4% climb. The contract is adjusting to rival oil prices on the Dalian exchange, which did not rise to the levels Malaysian palm oil futures did this week, a Kuala Lumpur-based trader said.

The Dalian Commodity Exchange (DCE) reopened trading after a week-long holiday in China. Its most-active soyoil contract DBYcv1 jumped 4.1%, while its palm oil contract DCPcv1 surged 5.9%.

Soyoil prices on the Chicago Board of Trade BOCv1 were up 0.11%.

Palm oil is affected by price movements in related oils as they compete for a share in the global vegetable oils market.

Oil prices rose on signs some industries have begun switching fuel from high-priced gas to oil and on doubts the U.S. government would release oil from its strategic

reserves for now. Stronger crude oil futures make palm a more attractive option for biodiesel feedstock.

Eyes are on Malaysian Palm Oil Board's supply and demand data due Monday. A Reuters poll pegged end-September stockpile to fall 0.36% from the previous month to 1.87 mmts amid lackluster output.

➤ Palm oil gains on concerns over dwindling Sept stockpile

4 Oct 2021 Reuters - Malaysian palm oil futures rose on Monday, paring sharp losses from the previous session, as industry estimates of weaker September output amid a surge in exports raised concerns over a decline in inventories.

The benchmark palm oil contract FCPOc3 for December delivery on the Bursa Malaysia Derivatives Exchange rose 48 ringgit, or 1.07%, to 4,553 ringgit (\$1,091.85)/mt in early trade, after declining nearly 2% in the previous session.

FUNDAMENTALS

- The Southern Peninsula Palm Oil Millers' Association estimated production in September declined 2.3% from the month before, traders said on Friday.
- Exports of Malaysian palm oil products for September rose 43.2% to 1.7 mmts from August, cargo surveyor Societe Generale de Surveillance said on Friday.
- India's palm oil imports in September more than doubled from a year ago to a record 1.4 mmts as buyers increased purchases of refined palm oil ahead of key festivals and to take advantage of newly lowered duties.
- Soybean prices on the Chicago Board of Trade BOCv1 were down 1.12%. The Dalian exchange is closed until Thursday for a public holiday.
- Palm oil is affected by price movements in related oils as they compete for a share in the global vegetable oils market.
- Bursa Malaysia derivatives launched its new East Malaysian Crude Palm Oil Futures contract 0#FEPO: on Monday, providing investors with an avenue for price discovery of the market in East Malaysia.
- Asian shares dipped as concerns about China's property sector and inflation worries offset upbeat U.S. data and positive news on new drugs to fight the coronavirus. MKTS/GLOB

➤ Indonesia's August palm oil exports jump 59%

8 Oct 2021 Reuters - Indonesia's August exports of palm oil, including refined products such as oleochemicals, rose 59% year on year to 4.27 mmts, data from the Indonesian Palm Oil Association (GAPKI) showed on Friday.

The growth was supported by strong demand from major markets such as India and China, GAPKI said.

Indonesia, the world's top palm oil exporter, produced 4.56 million tonnes of crude palm oil in August and end-of-month stock stood at 3.43 million tonnes, GAPKI data showed.

➤ **Oil Palm Cultivation: Where Are We?**

7 Oct 2021 Prof. K.K.I.U. Arunakumara, Senior Professor in Crop Science, University of Ruhuna- Sri Lanka - Oil palm cultivation has been restricted in Sri Lanka. The curtailment has been enforced based on the adverse impacts that the cultivation is believed to have on the environment. Agriculture is considered to be a man-made ecosystem, thus any cultivation might have negative impacts on the natural environment. Even paddy, the main crop of our country apparently has several harmful effects on the environment. Even so, will we get rid of that cultivation? No. Therefore, the realism of a decision depends largely on the degree of considerations of the factors associated, their relative advantages and disadvantages.

The same principle is applicable to oil palm cultivation too. Malaysia, a country from which we import palm oil and related products can be considered as the most appropriate country for such an assessment. Their climate is very similar to that of our country. Agriculture contributes 8.21% to Malaysia's gross domestic product (GDP). In Sri Lanka it is 7.3%. Oil palm cultivation covers 18% (5.9 million hectares) of Malaysia's total land area. The main criticism of oil palm cultivation in Malaysia is that the expansion of oil palm has led to a sharp decline in the country's forest cover. However, the reality is that even today 53.3% (18.28 million hectares) of the country's land area is still forested.

Malaysia exports 88% of its oil palm production generating an annual income of 64.8 billion. The industry provides the people about 500,000 employment opportunities. Therefore, it is remarkable if a single crop can make such a significant contribution to the economic development of a country.

Sri Lanka also imports palm oil and related products from Malaysia, as we only produce just 17% of the vegetable oils required. We are forced to fulfill the remaining 83% through imports. In 2019, the country had to spend about 37 billion rupees for importing vegetable oils and fats which was in fact higher than the amount spent over importing chemical fertilizers required for the whole country. The amount of imported palm oil was 185 metric tons which was estimated to be three times higher than the amount imported in 2000. This increase is basically due to the failure of coconut cultivation in Sri Lanka to meet the growing demand. The average value of coconut production in the country is 2792 million nuts per year (average for the last 5 years). Out of which 65-70% (1,800 million nuts) is consumed by households and the rest is exported. The local demand would not be met even if the remaining coconut is used for oil production at the expense of all coconut-related exports. Even under this crisis, we found no means of expansion of the extent of coconut cultivation due to lack of land availability. However, oil palm cultivation in our country is limited to an area of less than 12,000 hectares and has no likelihood for further expansion due to state policies.

Countries such as Malaysia and Indonesia have not experienced any signs of water sources drying up, which is similar to Sri Lanka, where no dry condition has been reported in the vicinity of the Nakiyadeniya estate where the cultivation began over 50 years ago. It is certain that an oil palm tree consumes more moisture (249 L) compared to that of a coconut (130 L) and a rubber tree (63 L). However, what is important in this connection is that the amount of water absorbed by a unit area of the cultivation. Coconut and rubber cultivations absorb water around 20,800 and 31,500 L/ha/day respectively. In the case of oil palm, it is 34,860 L, thus moisture consumption of these crops does not differ by a significant margin. This is because the less plant density in oil palm plantations compared to that of in rubber.

Despite the fact that oil palm too is evidently having some environmental benefits; no due attention has so far been paid. For an example, the net carbon dioxide fixation of an oil palm plantation (64.5 t CO₂/ha/yr) is higher than that of a natural rainforest (42.4 t CO₂/ha/yr). Furthermore, the photosynthetic efficiency of a rainforest is 1.73% which is as high as 3.18% in an oil palm plantation.

Therefore, taking all these into account, more sound and practical decisions need to be made. If the country is in a position to halt imports of palm oil and ensure the production of vegetable oil adequately to meet the local demand at a reasonable cost while protecting the environment, restriction of oil palm cultivation is somewhat justified. Otherwise, any decision taken for the sake of protecting the environment would only enrich the hands of food importers and will lead the country to a deeper abyss in terms of economic sustainability.

PLANT PROTEIN MEALS

➤ **CME CBOT Soybean Meal**



CME October 2021 Soybean Meal Futures settled on Friday at \$318.70 326.90/short ton, off \$0.60/ton on the day, and losing \$8.20/ton for the week.

Soybean meal continues to fall as well with near by values hitting one-year lows, falling 60 c/ton to \$318.70. Oct board crush fell nearly a nickel to \$1.30.

CFTC showed managed money expanded their fresh net short in meal by 17,100 contracts to 32,064. That came via a 4.2k contract long liquidation and 12.9k new spec short sellers.

➤ **U.S. Export Soybean Meal Values – Thursday 7th October 2021**

U.S., fob Gulf - \$411.75/MT

Brazil, fob Paranagua, \$401.75/MT

Argentina, fob upriver, \$390.75/MT

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

USDA, CIF New Orleans)

CIF SOYBEAN MEAL	10/7/2021	10/8/2021		
OCT	30 / 36	30 / -	Z	
NOV	24 / 30	24 / 30	Z	UNC
DEC	15 / 26	20 / 30	Z	

OTHER RELATED NEWS

CME Cotton – Continuous Chart



GHA - Cotton futures are trading at their highest price point in about 10 years, in part as a response to the increased Chinese demand. Prices for cotton have increased 22% over the past two weeks to levels not seen in a decade by Tuesday. Cotton prices have risen to almost \$1.09, the highest they have been since September 2011, due to tightening supplies.

➤ **Cotton makes new 10-year highs**

8 Oct 2021 DTN - In its overnight trading, December cotton posted new contract highs and prices traded close to its five hundred point-limit. There are legitimate fears crop losses across the Northern Hemisphere are encouraging buying from the holiday-rested Chinese. To that end, Indian officials are suggesting exports there could fall by 36% for the 2021/22 season. India's top concern has always been the domestic textile industry. There have been times in the past where India has been known to cease all exports.

Per Thursday's export sales data, sales have reached 51% of USDA's forecast versus a five-year average of 54%. China was the largest buyer, but India cancelled 20,663 bales, which is seen as a market positive. China has the most commitments for 2021/22 (2.08 mb), but are lower than a year ago.

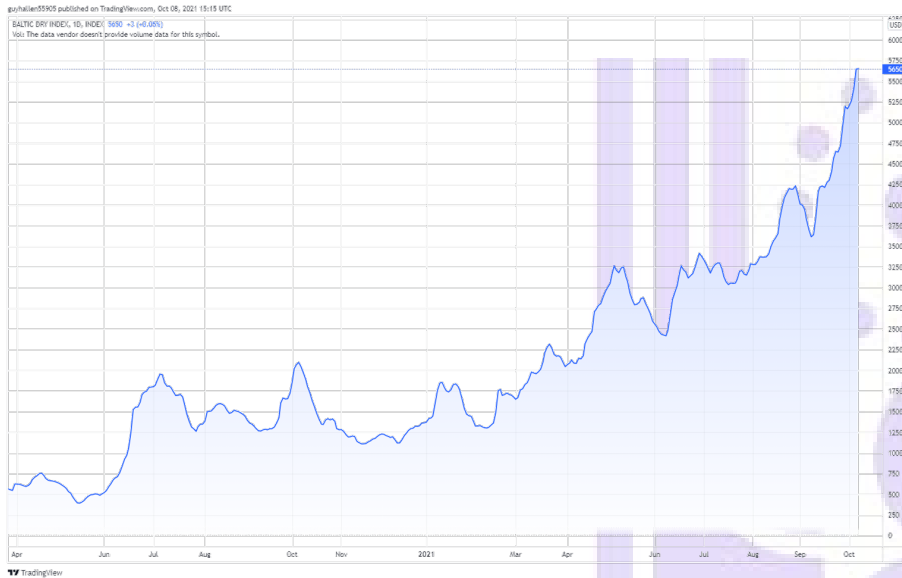
The one to five-day forecast remains detrimental to the U.S. crop. Georgia and the Carolinas will experience moderate to heavy rainfall. Moreover, Oklahoma and Arkansas are in line for rains as well, which will hamper harvesting efforts.

Friday afternoon at 4 p.m. EDT, CFTC will issue its updates on traders. After this week's tumultuous ride, there is no telling how net-long deep the managed-money funds are. But that's next week's worry, which also include Tuesday's supply-demand data from USDA.

For Friday, close-in support for December cotton is 111.00 cents and 108.00 cents, while resistance stands at 116.50 cents and 117.00 cents. The estimated morning volume is 27,131 contracts.

TRANSPORTATION

➤ **Baltic Dry Freight Index – 7th October 2021 = 5650, +483 w/o/w**



The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea. The index is a composite of three sub-indices that measure different sizes of dry bulk carriers: Capesize, which typically transport iron ore or coal cargoes of about 150,000 tonnes; Panamax, which usually carry coal or grain cargoes of about 60,000 to 70,000 tonnes; and Supramax, with a carrying capacity between 48,000 and 60,000 tonnes.

Not restricted to Baltic Sea countries, the index provides "an assessment of the price of moving the major raw materials by sea. Taking in 23 shipping routes measured on a time-charter basis, for dry bulk carriers carrying a range of commodities including coal, iron ore, grain, and other commodities.

Because dry bulk primarily consists of materials that function as raw material inputs to the production of intermediate or finished goods, the index is also seen as an efficient economic indicator of future economic growth and production.

Source: <https://www.tradingview.com/chart/?symbol=INDEX%3ABDI>

➤ **Capesize strength steers Baltic index to 13-year peak**

8 Oct 2021 Shipping News Reuters - The Baltic Exchange's main dry bulk sea freight index extended its rally to a fresh 13-year peak on Thursday, as solid demand powered capesizes to their highest since 2008.

The overall index, which factors in rates for capesize, panamax, supramax and handysize vessels, rose 3 points, or 0.1%, to 5,650, its highest since September 2008.

The capesize segment added 10 points, or 0.1%, to 10,485, a more than 13-year high. Average daily earnings for capesizes, which transport 150,000-tonne cargoes such as iron ore and coal, increased \$83 to \$86,953.

The massive push in the capesize segment has come "from an impressive increase in the Atlantic basin and backhaul segment," ship broker Fearnleys said in a weekly note on Wednesday.

The supramax index rose 16 points to 3,404, its highest in over one month.

The panamax index, meanwhile, fell 19 points, or 0.5%, to 3,884, its lowest in three weeks.

Despite the "rush in capesize rates," the Golden Week holiday in China has led to a slow week for panamaxes, Fearnleys said in the note, with less demand also seen in the Atlantic, coupled with slipping rates in the eastern hemisphere.

Average daily earnings for panamaxes, which ferry 60,000 tonne to 70,000 tonne coal or grain cargoes, decreased \$177 to \$34,953.

➤ **Baltic Dry Freight Index – Long Tern Monthly Chart**



Source: <https://www.tradingview.com/chart/?symbol=INDEX%3ABDI>

➤ **EastGate Report: Chinese macroeconomic trends and their impact on the dry bulk freight market**

8 October 2021 Global Mining Review - The dry bulk shipping market has performed startlingly well this year thus far, with a combination of unique factors to have enabled this strong momentum: port congestion, quarantine measures, geopolitics, tight tonnage supply, firm demand, all create a unique ecosystem in which this dry bulk rally is being cultivated. The question is where to go from here.

The freight market is making history galloping at decade highs, with especially the capesize segment producing some dazzling fixtures these past few weeks, while the Chinese celebrations for the National Day and the festivities for the Golden Week did not put a break on the upward momentum.

Average spot rates for capesize bulkers are approaching the hefty US\$87,000/d mark, while the Baltic Capesize Index has surpassed the 10 000 points threshold, for the first time in 13 years. The Baltic Dry Index is following the same upward trajectory. This comes at a moment in time when more than 2400 bulkers (or 21% of the fleet) are caught in port congestion worldwide, pressuring the available tonnage supply and driving the freight cost to a steady increase.

Concerns on China growth

Amid a dry bulk freight euphoria, China is undergoing a power supply shock, the Evergrande crisis is looming and credit has tightened allowing for many speculations with regard to the course of the Chinese economy.

Goldman Sachs has lowered its growth forecast for the Chinese economy to 7.8% (from 8.2% previously) on the basis of significant energy shortages. Meanwhile, the official Manufacturing Purchasing Manager's Index has registered a decline (49.6 in September compared to 50.1 in August) which illustrates a contraction in China's manufacturing activity for the first time since the early stages of the pandemic back in February 2020.

At the same time, many bets have been placed on Beijing eventually bailing out its second largest property developer, Evergrande which is heavily indebted. The voices that warn for a possible collapse of the group, however, remain loud. The latter scenario would entail an unavoidable ripple effect in the Chinese housing sector and a slowdown in the country's economic growth.

Whether policymakers will eventually decide in favour of bailing out Evergrande, to prevent the larger impact its fallout would have in the economy (real estate accounts for 7.3% of China's GDP with a much larger cluster of industries directly affected by it), is yet to be determined.

In the midst of this admittedly challenging economic landscape, a claim that China's credit growth has bottomed and it could be seen rebounding, albeit modestly, in the last quarter of the year, gains substance. Furthermore, the likelihood of more intensive issuance of governmental bonds, directly related to infrastructure projects, is high, fuelling speculations that China's credit impulse can turn positive towards the final stretch of the year.

Iron ore bull market nearing an end?

China's unstable property and construction landscape in tandem with the country's consistent efforts to curb steel production, tame demand for iron ore and control its price, have made the red alloy subject to heavy volatility.

Iron ore has been trading in a tight range of US\$100 – US\$120/mt, levels not seen since July of 2020. The spot CFR price for delivery to China soared between April 2020 and July 2021, when it neared US\$230. During 3Q21, however, its price sank by 49%, the first quarterly loss since 1Q20.

There is indeed an element of a 'demand shock' for iron ore, which should not be overlooked; China's decarbonisation goals, a weak property market and restrained output from local steel mills due to the ongoing electricity shortage, can have an acute impact on the commodity's demand.

The energy-driven decline in steel output and China's changing economy hint that the iron ore commodity market is very likely to face greater volatility going forward. Its current price point, however, still generates healthy profit margins for major miners who are upping their production, obviously incentivised to sell as much as they can.

Indeed, Chinese iron ore imports have remained elevated as supply recovers. China's ore imports in September are estimated at 111 mmts, up 14% m/m. Overall, the supply side of the alloy appears recovered compared to earlier in the year, when we saw weather disruptions in top exporter Australia and coronavirus outbreaks in number two shipper Brazil. Iron ore exports of the Brazilian giant, Vale, are accelerating pace during the last quarter of the year, expected to positively affect tonne-mile demand for the larger asset class of capesize, being the vehicles that primarily transport the commodity. Beijing's Green push.

The Chinese authorities are intensively trying to meet their annual carbon reduction targets and are also trying to limit pollution levels ahead of the Winter Olympics which will take place in February 2022. Further, the authorities have been pushing steel mills since early July to implement output and capacity curbs and have clearly laid out the goal: full year's 2021 crude steel production must remain at least flat (if not sub) to last year's record output of 1.065 billion t. In order for the target to be achieved, Chinese steel output needs to be significantly restrained compared to the production of 1H21. Already in 3Q21, China's steel production dropped by 12% q/q and it is reasonable to expect a similar trend for 4Q21.

It is almost self-evident that the policies the Chinese authorities have rolled out to control steel output and subsequently demand for the raw steelmaking ingredient of iron ore (release of domestic reserves, waving of tax levies for scrap imports, cancelling steel export tax rebates), combined with the country's intensive efforts for pollution reduction and a weak property market, can negatively affect (seaborne) demand for iron ore.

The power supply crisis – a bull for coal

China and India are both undergoing a severe power supply crisis with many provinces facing electricity shortages signalling augmented seaborne imports in the

near-term. This phenomenon of serious electricity shortage has been triggered by a clash between the resurgence in industrial growth and the rebound in energy demand vs tight commodity supply, rising coal and gas prices and expensive freight costs.

Chinese coal inventories currently stand at a 10-year low and state-owned miners have been instructed to produce coal at full capacity for the rest of the year and concurrently boost coal imports to secure energy supplies 'at all costs'.

The country's power demand has increased by almost 15% this year, but its domestic coal supply is up just 5% YTD. At the same time, China has been paying the price of its effective ban on Australian coal while supplies from Indonesia, its biggest overseas coal supplier, have been hampered by persistent rainfall and those from Russia hindered by rail and port constraints.

It is telling that in an effort to tackle the severe power shortage, recent reports have come to light indicating that China is releasing some of the Australian coal previously stranded at Chinese ports. Meanwhile, during September, a total of five vessels discharged approximately 383 000 t of Australian thermal coal in China and, in the first week of October, China imported its first coal shipment from Kazakhstan.

In parallel, Indian utilities are struggling too as inventories have hit critical lows after a surge in power demand. Over half of India's 135 coal-fired power plants have fuel stocks of less than three days and the country is now competing against buyers such as China, to ramp up imports.

What all that essentially means, is that seaborne demand from the world's two largest coal importers, China and India, is going to become elevated, especially so during the coming winter season when heating demand is augmented, thus EastGate expects it to trigger significant tonnage demand.

Prospects

The well documented 'frenzy' in the dry bulk shipping sphere has admittedly created a positive psychology for market participants and industry players, also reflected in the futures marks and some strong period fixtures reported across the board.

It is this time though that EastGate feels a balanced opinion, which factors in all the important metrics, can bring actual value to the industry stakeholders. Evergrande's debt crisis may not be a Lehman moment, but it is a growing problem in China and there are equally growing concerns for the negative impact it can potentially have on steel demand.

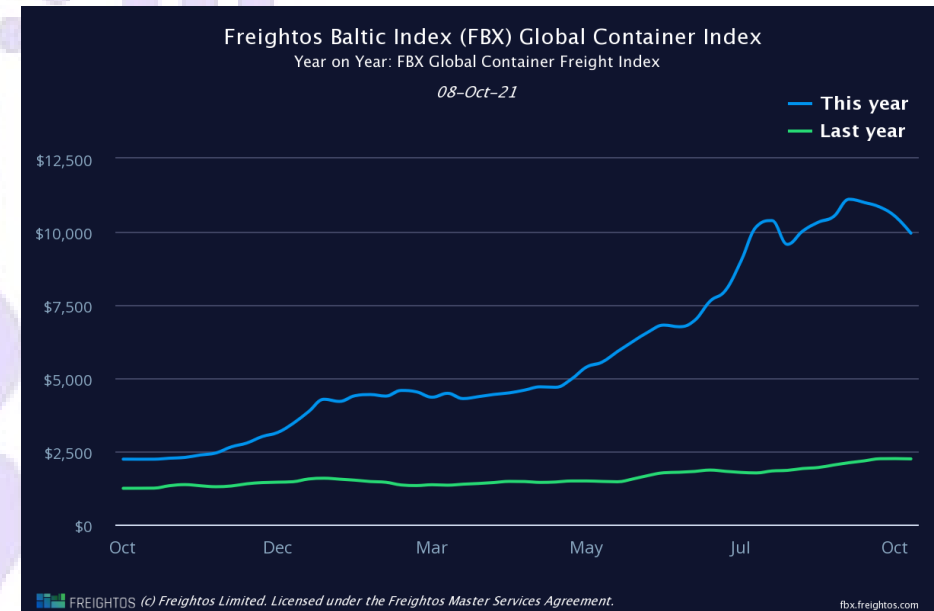
Nevertheless, there are indeed bright signs that justify reasonable hopes for the future as more plans on Chinese infrastructure investments will benefit tonnage demand. Chinese cabinet approved in September the 2021 – 2025 plan for infrastructure investments and the spending on infrastructure could reach ¥10 trillion, or US\$1.5 trillion, over the next five-year period. Furthermore, the current energy matrix brings coal demand back in vogue and is expected to support seaborne volumes.

If dry bulk shipowners remain disciplined in their newbuilding ordering (the high-earning container market with its extremely high contracting activity is not a good example), healthy profit margins can be sustained for a significant period of time. The

big challenge for this China-centric industry comes from the steel production curbs and decarbonisation targets that could weigh on seaborne imports of major dry commodities and, consequently, soften the performance of the freight market.

One thing to keep in mind is that the Chinese government has proved to be incredibly powerful and has traditionally followed a pattern of injecting its economy with stimuli, with the objective to accelerate the pace of the economic growth. Despite its very real efforts to limit steel production and control iron ore demand, one has to remember that China would not want to eventually hurt its economy and lead it back to depression and new measures taken to that end will sustain moderate economic growth and underpin profitability for the dry bulk shipping sector.

➤ Freightos Baltic Index (FBX): Global Container Freight Index



FBX stands for Freightos Baltic Index. It is the leading international Freight Rate Index, in cooperation with the Baltic Exchange, providing market rates for 40' containers (FEUs).

Prices used in the index are rolling short term Freight All Kind (FAK) spot tariffs and related surcharges between carriers, freight forwarders and high-volume shippers. Index values are calculated by taking the median price for all prices (to ignore the influence of outliers on active lanes) with weighting by carrier. 50 to 70 million price points are collected every month.

The weekly freight index is calculated as an average of the five business days from the same week and published each Friday.

Source: <https://fbx.freightos.com/>

➤ **Shipping companies are tapping the brakes on skyrocketing prices**

7 Oct 2021 *Aurora Almendral* - Shipping container prices may be leveling off after a year of worsening service, threats of regulation, and complaints from retailers as prices skyrocketed.

The cost of a 40-foot container declined modestly from \$10,377 the previous week to 10,360 last week, or 0.2%, according to the World Container Index by Drewry, a London-based maritime research firm that tracks East-West routes. The rate is triple the price compared to a year prior thanks to high demand in the US and congested ports tying up ship capacity.

Simon Heaney, the senior manager for container research at Drewry, says average spot rates have plateaued over the last two weeks because carriers, notably Hapag-Lloyd and CMA CGM, two major container lines, announced in September that they would be freezing rate increases after steeply raising them for 22 straight weeks. "We believe other lines are doing similar, but unofficially," Heaney said.

The spot rate cap by CMA CGM is set to expire in February 1, 2022, while Hapag-Lloyd did not set a fixed date. Hapag-Lloyd said they froze rates because they had hit their peak, while CMA CGM said it was prioritizing its long-term relationship with customers given the "unprecedented situation in the shipping industry."

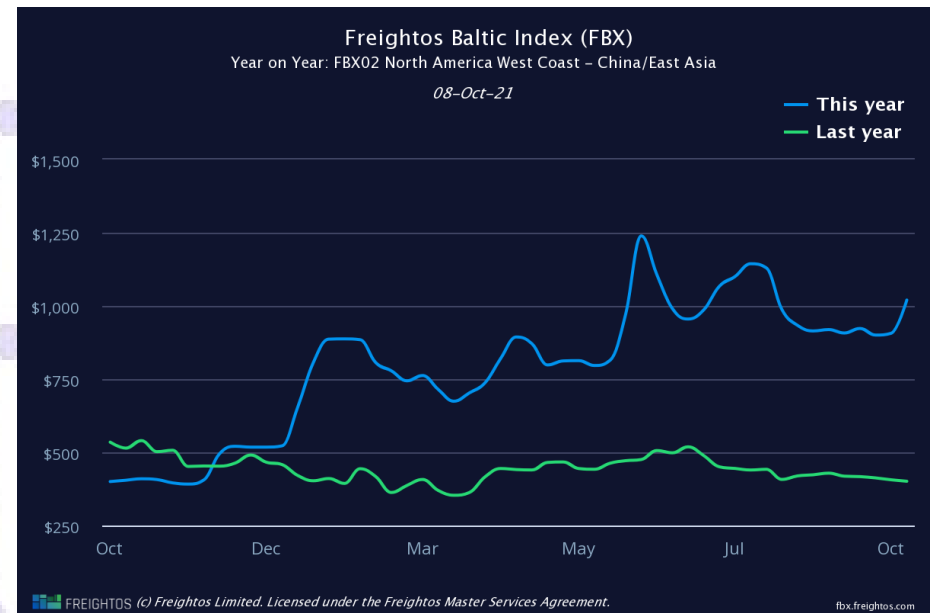
Heaney noted that shipping lines "are under significant pressure from shippers and regulators," to rein in their rates. Freezing the spot rates at such a high level, "this is a relatively cheap giveaway," Heaney said. "Some shippers are asking why now and why not go further?"

Shippers—the importers and retailers who pay to put their products on container ships—have expressed anger at what they saw as "price-gouging" from shipping lines reaping record profits unheard of in leaner times. One CEO of a Philadelphia home décor firm, filed a complaint with the Federal Maritime Commission, the US agency tasked with ensuring that the ocean supply chain is competitive and equitable. In an interview with *The Loadstar*, a supply chain trade outlet, he called the high rates and low service, "outrageous conduct," on the part of the shipping lines, that would "reverberate throughout the US economy," and accused them of operating a cartel.

James Hookham, a director at the Global Shippers' Forum, reacting to CMA CGM's announcement, told *The Loadstar*: "It's like the torturer asking the prisoner 'aren't you grateful I'm not turning the screw on the rack any further?'"

The historically high rates have drawn the attention of the Biden Administration, which issued an executive order in July indicating that regulators are watching the industry for non-competitive behavior. According to reporting in the *Washington Post*, "The White House officials who drafted Biden's order say high freight costs, resulting from a lack of competition, are an economywide drag." The aides acknowledge that the pandemic caused much of the disruption, "But they say the lack of competition enabled cargo carriers and railroads to exploit the pandemic by driving prices to historic highs."

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



Source: <https://fbx.freightos.com/>

LOGISTICS

➤ **Operators - global supply chain 'crisis' will last longer than expected**

4 Oct 2021 *Bloomberg* - The operator of one of the busiest ports in the world has suggested that global supply chain bottlenecks will last for around two years.

Speaking to *Bloomberg News*, Dubai's DP World Chairman and Chief Executive Sultan Ahmed Bin Sulayem said he expects bottlenecks to continue until 2023, and warned that the issues will result in higher costs for shipping goods. "The global supply chain was in crisis in the beginning of the pandemic," Sulayem told the media outlet. "Freight rates will continue to increase. Maybe in 2023, we'll see an easing."

Some analysts and other port operators have said that supply chains are struggling to keep pace with demand and deal with labor disruptions due to the COVID-19 pandemic, lockdowns, and quarantines.

Sulayem's DP World is one of the largest operators of marine ports and cargo terminals in the world, with hubs in Africa, India, Russia, Europe, and the Americas.

"Even now, every time they see an incident of COVID in China, they shut down a port," he said. "Many manufacturers around the world are delayed by as much as three

years because they can't get components from China. They're taking a very, very aggressive approach."

Suggesting a move away from relying on Chinese markets and possibly the regime's controversial Belt and Road Initiative, Sulayem noted that there's "huge potential in India and that reflects in DP World's investments. Africa continues to grow, and there's also Southeast Asia, mainly Indonesia."

The world's largest shipping firm, A.P. Moller-Maersk, warned that bottlenecks could last longer than anticipated. "There have been many challenging periods over the years, but the situation over the last 12 months is unique, in as much as it has had a global impact. All continents are seeing high volumes and operational challenges, restricting both ocean and land-side capacity at the same time," Maersk said in a mid-September update.

The firm pointed to COVID-19 outbreaks and associated shutdowns for the slowdown in operations. "Regardless if it is a port, vessel, or warehouse, when one becomes impacted, it quickly results in a downward spiral as delays accumulate," Maersk's update reads. "We see pockets of improvements, only to get setbacks when our operations encounter new COVID-19 outbreaks and lockdowns."

Last week, several industry groups that represent truck drivers, shipping workers, and airline workers issued a warning to the U.N. General Assembly that governments need to work toward improving freedom of movement relating to trade.

They warned of a "global transport system collapse" if nothing is done and suggested that "global supply chains are beginning to buckle as two years' worth of strain on transport workers take their toll," according to an open letter.

"All transport sectors are also seeing a shortage of workers, and expect more to leave as a result of the poor treatment millions have faced during the pandemic, putting the supply chain under greater threat," the letter reads. "We also ask that WHO and the ILO [International Labour Organization] raise this at the U.N. General Assembly and call on heads of government to take meaningful and swift action to resolve this crisis now."

➤ **Port protest causing wheat shortage in Sudan**

5 Oct 2021 Arvin Donley Reuters - Sudan is on the verge of running out of wheat and other essential commodities due to political protests that have closed the Port of Sudan, Reuters reported.

The North African country's main port has been closed in recent weeks as members of Sudan's Beja tribes have blocked roads and forced ports along the Red Sea to close, according to Reuters.

The groups have reportedly gathered to protest the region's lack of political power and poor economic conditions. The government has acknowledged the protesters have "just cause," but that the closure of the Port of Sudan is harming all Sudanese citizens, according to Reuters.

Because it is not a major grain producer, Sudan is heavily dependent on imported wheat, taking in more than 2 million tonnes per year. It only produces around 700,000 tonnes per year.

Wheat flour is subsidized in Sudan and to sustain the subsidy the government needs 160,000 tonnes of wheat per month, according to the UN Office for the Coordination of Humanitarian Affairs.

GOVERNMENT

➤ **Arg. September ag export revenues set new record**

1 Oct 2021 Ciara-CEC - Argentina's agricultural commodity export revenues in September reached a record high of \$2.44 billion for the month, according to the oilseed crushing and export chamber Ciara-CEC. But despite the historical record registered for September, export values were down 20% on the month.

Cumulative agri-commodity export revenues for the year to September totaled \$25.67 billion, at a jump of nearly 70% on the same period last year and a historical high from records dating back to the start of the century.

"Once again, the international prices of grains and industrialized by-products (mainly soybeans) more than offset a decrease in local production (except corn)," the association said.

"And this comes despite the increase in the international cost of freight, the severe low water levels in the Paraná River and some unforeseen pickets (for example, in Bahía Blanca)," added Ciara-CEC.

Argentina's main agri-commodity exports continue to be dominated by the soy complex, representing 48% of the total exports.

The largest share of revenue comes from soymeal exports, representing 14.2% of the total, followed by corn and soyoil, which account for 11% and 7% respectively.

➤ **Argentine grain exporters face \$2.5bn Covid-19 tariff bill**

1 Oct 2021 BRC - An increase in maritime freight tariffs, primarily caused by the Covid-19 pandemic, is expected to generate extra costs of up to \$2.5 billion for Argentine exporters shipping grain and derivatives in the 2020/21 campaign, a recent study by the Rosario Grain Exchange suggests.

Maritime freight tariffs to Argentina's main export destinations have doubled from year ago levels, the study found.

"Since the beginning of the COVID-19 pandemic, maritime freight tariffs have been exposed to strong demand shocks that caused great volatility," the BCR report said, highlighting the fall in tariffs as demand contracted through the early part of 2020, before a rapid recovery as lockdowns ended.

"This scenario contrasts notably with the current situation of international trade with freight rates reaching a maximum in 11 years," the report said.

The exchange also noted that the strong increase in imports of agricultural commodities by China and neighboring nations has added pressure to maritime freight tariffs. "Comparing the current situation in relation to a year ago, we can see that shipments to Asia, the destination of more than 40% of the country's agro-industrial products, became more expensive by more than \$40 per mt shipped between September 2021 and September 2020," the BCR report noted.

BCR also estimated that Argentina will export around 84.5 mmmts of grains, oils and flours abroad in the 2020/21 marketing year, with corn making up around 36 mmmts, soymeal 26 mmmts, wheat 10.2 mmmts and 5.2 mmmts of soyoil.

"It is estimated, based on the volumes that were exported and are expected to be exported in the 2020/21 season, assuming that this price differential is maintained throughout the entire commercial season, an additional cost of close to \$2.5 billion, according to the study, with the costs expected to be absorbed by producers.

➤ **U.S. debates law that could bar US\$ 500 million in Brazilian exports**

7 Oct 2021 *Noticias Financieras* - The US Congress is considering a law that may bar the U.S. from importing items such as soybean, cocoa, cattle, rubber, palm oil, timber and their derivatives from countries with high rates of forest deforestation if the US rural producer and importer cannot prove that the origins of these products - and their entire production chain - have avoided illegally deforested areas.

The legislative project, called Forest Act 2021, was presented last Wednesday (October 6th), and is the most comprehensive legal framework on the issue proposed in the US in recent years. In the justification of the bill, to which BBC News Brazil had first-hand access, Democratic Senator Brian Schatz and Democratic Congressman Earl Blumenauer, authors of the piece, cite Brazil - and its beef products - as an example of the problem.

"In 2020, the U.S. imported processed beef and bovine hides valued at more than \$500 million from Brazil. There, cattle ranching is the biggest driver of deforestation in the Amazon rainforest and other biomes, and 95 percent of all deforestation hurts the law," the authors write in the bill submitted simultaneously to the House and Senate. Besides Brazil, only Indonesia is mentioned by name in the text.

Although they say the rule does not target countries, but global warming and environmental devastation,

U.S. lawmakers acknowledge that Brazil should be affected if the bill passes, which they hope will happen by November 2022.

By 2021, Brazil is expected to consolidate as the fourth largest exporter of frozen beef to the U.S. and is already the largest supplier of raw material for manufacturing leather car seats. These would be the markets most at risk. BBC News Brazil contacted the Brazilian Association of Meat Exporting Industries (ABIEC), but the entity said it would not comment.

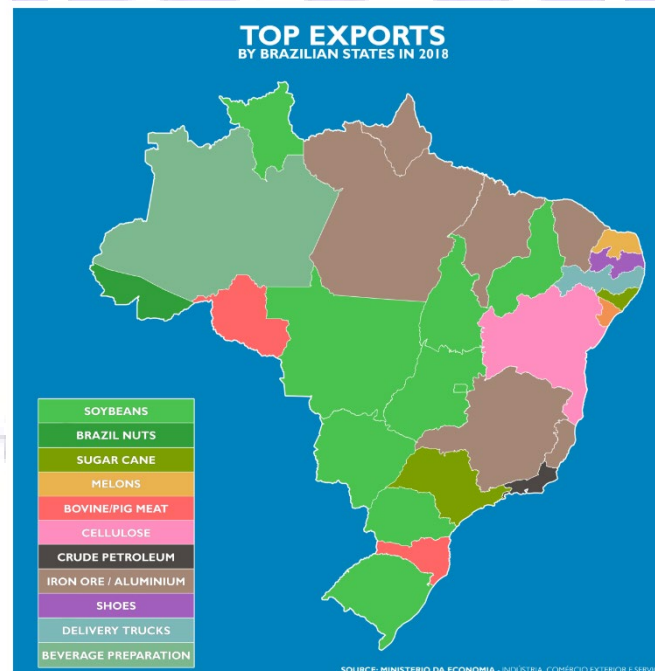
"The approval of the law will be an opportunity for Brazil (to change), since until now the country is treating its environmental commitments with debauchery. The current government has acted carelessly in relation to deforestation, has not been particularly sensitive to the rights of indigenous peoples. This hurts Brazil's interests," Blumenauer told BBC News Brazil.

Biden and Global Warming The proposed Forest Bill is the first major threat of U.S. punishment of Brazil for the country's behavior in a priority issue for the White House: global warming. According to Rick Jacobsen, head of policy on Brazil at the Washington-based NGO Environmental Investigation Agency (EIA), "there is no doubt that the destruction of the Amazon rainforest is a major motivation for US lawmakers" to propose the new law.

In August 2021, President Bolsonaro admitted the challenge the issue posed to the bilateral relationship with the US. "From my part, Brazil's doors are open and ready to continue the conversation with the American government. Obviously, the Biden government is a more left-wing government and a government that has almost an obsession with the environmental issue, so this hinders us a little bit," said the Brazilian president.

Democrat Joe Biden was elected to the presidency promising to return to the Paris Agreement and resume the American leadership in the fight against climate change. He even cited the deforestation of the Amazon in a presidential debate in 2020 as an example of situations in which he believed he could lead the world in search of solutions.

For this very reason, the bill fits precisely into Biden's agenda. According to Schatz and Blumenauer, if global deforestation were considered a country, it would be the third largest emitter of greenhouse gases in the world, behind only China and the US. Experts say that the devastation of the planet's vegetation cover accounts for about 10% of global emissions. Facing the problem, the solution would be to target the engine to cut down the forests.



"We already have a federal law that tries to ensure that we don't import wood that comes from illegal deforestation, but the fact is that a lot of the deforestation is being driven by commodities that are grown in the areas after the rainforest has been cut down. And so our problem is to guarantee that none of the products that arrive at our ports are the result of illegal deforestation," Schatz told BBC News Brazil. In addition to barring the products, the law also provides for the possibility that the irregular importation of these items will be included in the hall of financial crimes in the country.

Although he does not hide his differences with the Brazilian government, Biden has opted for discreet and diplomatic treatment in relation to Brazil. The American mandatarly invited Bolsonaro to the Leaders' Summit that dealt with climate in April (although he left the virtual room of the meeting at the moment the Brazilian president spoke) and, until May, the team of his Climate Envoy, John Kerry, maintained weekly contacts with Itamaraty and the Ministry of Environment under Ricardo Salles.

But the perception that the Brazilian government was only asking for financial resources, without delivering concrete results, and the fact that Salles himself has been investigated in proceedings for alleged involvement in illegal deforestation - which he denies - have soured the climate with the Americans.

The resumption of dialogue between the parties took place just before the last UN General Assembly, in September, in which Bolsonaro tried to show that he was keeping the promises he made at the Biden Summit. He cited in his speech the increase in the budget of enforcement agencies, such as Ibama, and the reduction in deforestation rates measured in August, in addition to having praised the Brazilian Forest Code, the same that his son, Senator Flávio Bolsonaro, tried to loosen via a bill still in 2019. Privately, members of the first echelon of the Brazilian government told BBC News Brazil that the speech was praised by both Kerry and US Secretary of State Antony Blinken.

Asked by BBC News Brazil, however, about whether he believed Bolsonaro's words at the UN, Congressman Blumenauer gave a laugh. "We are seeing historic rates of deforestation. It's laughable. So far we have seen no evidence of change. He says he will change and he will have occasion to prove it, but so far, no. And we won't be able to get things on track in Latin America, especially regarding climate threats, without Brazil," Blumenauer said.

Although the Brazilian government celebrates in September the second consecutive month of decline in deforestation in the Amazon, the rates remain at high levels and the cumulative year 2021 to September is almost double that recorded in the same period of 2018, before Bolsonaro came to power.

The White House has not yet expressed publicly about the Forest Bill but is aware of the project, according to the two parliamentarians. "It's going to be a tool for the Biden administration to promote its interests. The president is quite diplomatic and would normally prefer cooperation. But he didn't have to present this, we presented it, and I think he's going to support us. And it's something that helps him manage the relationship with Brazil", affirms Blumenauer, for whom it is important to also have "instruments of punishment" in a "diplomatic policy of incentives and punishments".

The bill itself contemplates both aspects. On the one hand, it leaves open the possibility that countries with persistent deforestation could suffer direct action from the president -- which could include sanctions. On the other, it provides for the creation of a fund by the U.S. to finance the conservation of biomes in alien territories.

"The fund will require billions of dollars, and obviously that still needs to be negotiated. But we know that developed countries need to help those that still have developing economies make a number of choices that are right for the planet, and that help can't just come in the form of advice or requests. Many of those countries will need financial help. And we are prepared to help as long as we take the problem seriously," says Schatz.

Protectionism - Itamaraty recognizes that Brazil has an international image problem on the environmental issue and there has been an effort on the part of the agency to change the country's unfavorable position in the debate.

Consulted by BBC News Brazil, the Brazilian Embassy in Washington D.C. said in a statement that "monitors all projects going through the U.S. Congress with potential consequences for relations between Brazil and the U.S." and that "maintains permanent dialogue with U.S. congressmen from both parties. "The commitment of the Brazilian government and the agricultural sector with sustainability is a priority topic in these contacts," concludes the note.

Brazilian diplomats and the national productive sectors, however, always remember that, despite the purported environmental concern, tightening restrictions on Brazilian products also serves the interests of farmers in the United States and Europe, direct competitors of Brazil in a number of international markets.

"This US legislative proposal confirms the tendency to implement measures with a double foundation in the world. The first is environmental and climatic. The second is eminently economic, in terms of competition. And that is why it is necessary for Brazil to pay attention to the issue, to try to protect itself from these measures. Brazil needs to work to preserve the environment and also to preserve its international trade", says Abrão Arabe Neto, executive vice-president of Amcham Brasil, the American Chamber of Commerce in the country, and former foreign trade secretary.

Neto points out that a very similar proposal - and with potentially the same set of products and countries, such as Brazil and Indonesia, as targets for restrictions - is being finalized by the European Union.

And while these measures could take months or years to fully implement, their impact could be significant for the economies of these countries, analyzes Rick Jacobsen.

"With the development of regulations on deforestation in the U.S. and Europe, the two largest markets in the world, along with the United Kingdom, there is a signal from this block of countries that they do not want to participate in the destruction of the Amazon forest and the Pantanal wetlands. This should be yet another warning to the Brazilian government that its agricultural exports will become an increasingly toxic mark in global markets if deforestation is not controlled", says Jacobsen.

Neto reminds, however, that after being approved, the rules can still be challenged in multilateral spheres, such as the World Trade Organization, if the affected countries consider them protectionist or abusive. This is because even producers who already meet the production conditions may have an increase in production costs by having to prove the traceability of production chains and issue the necessary documentation, which could, for example, impact the competitiveness of Brazilian goods.

Asked whether his bill is protectionist in nature and therefore intends to benefit American farmers, Senator Schatz told BBC News Brazil that "the reason I worked on this legislation is because it is important for the planet. And not a single American company came to me and asked for it.

His colleague Blumenauer, however, said that "producers who deforest are people who have an unfair commercial advantage, who cheat and are threatening the planet, so they have to be punished. The congressman also said that questioning the rule from this point of view "weakens Brazil in the global economic scenario. Taking cheating and reckless environmental measures will not guarantee economic development. And they are not a sustainable solution.

Blumenauer and Schatz hope that the environmental legal framework recently presented by them in the U.S. legislature can be showcased at COP-26, the U.N. Climate Conference, taking place in Glasgow, United Kingdom, in November, and that other countries will consider following suit.

Domestically, the Forest Bill has yet to fall into the Republicans' favor - in the House, only one of the party's 212 congressmen has publicly expressed interest in supporting the bill. In the Senate, there are still no official opposition endorsements. But as the Republicans have a constituency composed of rural producers who would have an interest in the approval of the rule, it is not unlikely that the project will win bipartisan support.

International Crop & Weather Highlights

➤ USDA/WAOB Joint Agricultural Weather Facility – 2nd October 2021

Europe – Widespread Showers

- Widespread showers over central and eastern Europe favored winter crop establishment.
- Dryness concerns lingered in the lower Danube River Valley for wheat and rapeseed establishment.
- Heavy rain across England and Scandinavia halted fieldwork.

Western FSU – Dry But Cool Weather Allowed Fieldwork To Resume

- Drier weather allowed summer crop harvesting to resume in Belarus, Moldova, Ukraine, and Russia.

Middle East – Dry Weather Returned To Turkey And Continued Elsewhere

- Dry weather returned to Turkey, facilitating winter grain planting and summer crop harvesting.
- Seasonably dry conditions prevailed from Syria into Iran, with rain typically returning in October.

South Asia – Tropical Cyclones For India

- Tropical Cyclone Gulab dissipated quickly after moving ashore in eastern India, producing locally heavy showers in major rice areas. Meanwhile, another tropical cyclone (Shaheen) in western India brought downpours to cotton and oilseeds in Gujarat.

East Asia – Warm, Dry Weather In China

- Mostly dry, warmer-than-normal weather facilitated summer crop harvesting across eastern and southern China.

Southeast Asia – Wet Weather Throughout The Region

- Showers continued throughout the region, supporting wet-season rice in Thailand and environs as well as the Philippines.
- After an early start to the wet season in southern Indonesia (Java), rainfall diminished in central rice areas but continued in the west.

Australia – Timely Rain In Most Areas

- Soaking rain in the east benefited reproductive to filling winter grains and oilseeds and likely triggered additional summer crop sowing, but the rain bypassed most of South Australia.
- Widespread showers in the west favored wheat, barley, and canola development.

South America – Rain Provided Timely Moisture For Soybean Germination

- Showers expanded over central and southern Brazil, prompting an increase in soybean planting and likely triggering coffee flowering.
- Rain benefited immature winter grains in Buenos Aires, Argentina, while showers farther north helped to replenish topsoil moisture for the upcoming cotton crop.

Mexico – Locally Heavy Showers Continued Throughout Southern Mexico

- Showers maintained favorable conditions for rain-fed summer crops in southern Mexico while also helping to replenish irrigation reserves for winter farming.
- Monsoon showers again retreated from northwestern watersheds.

Canada – Prairie Harvesting Was Nearing Completion

- Harvesting of all Prairie crops was at least 90 percent completed by the end of September.

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

➤ **Agricultural Weather Highlights – Friday, 8th October 2021**

In the West, cool, unsettled weather prevails. Rain showers are affecting several areas, including central and southern California and the Pacific Northwest. Snow is falling at some high-elevation sites across the Intermountain West.

On the Plains, unusual warmth persists. In fact, today's high temperatures could reach 95°F or higher on the southern Plains. The summer-like heat favors summer crop maturation and harvesting, but is reducing moisture availability for rangeland, pastures, and recently planted winter wheat. As recently as August 1, nearly two-thirds (66%) of Oklahoma's rangeland and pastures were rated in good to excellent condition; by October 3, that value was 33%.

In the Corn Belt, late-season warmth continues to promote corn and soybean maturation, as well as germination of newly planted winter wheat. In the western Corn Belt, today's high temperatures will reach 80°F as far north as eastern South Dakota and southwestern Minnesota. However, scattered showers from the Mississippi Valley eastward are causing minor corn and soybean harvest delays.

In the South, locally heavy showers linger in the southern Atlantic States. Early today, pockets of flooding are occurring from south-central Georgia to the western Carolinas. In contrast, hot, dry weather favors crop maturation and harvesting from the western Gulf Coast region to the Mississippi Delta. On October 3, the U.S. rice harvest was 73% complete (3 percentage points behind the 5-year average), with statewide progress ranging from 54% in Missouri to 99% in Texas.

Outlook: Southeastern showers will diminish and shift toward the Atlantic Coast, ending by Sunday. However, a low pressure system just east of the middle Atlantic coastline may produce some rain and gusty winds in the coastal Carolinas.

Meanwhile in the Midwest, lingering showers will end later today. Farther west, a trio of weather systems will result in unsettled, showery weather across a broad area during the next 5 days. On October 8-9, precipitation associated with the first system will spread from the Intermountain West into the north-central U.S. On October 10-11, the second storm should deliver scattered showers from the central and southern Plains into the Midwest.

Early next week, the third, and strongest, storm system will emerge from the Rockies and cross the central Plains. Weather extremes associated with the last system may include severe thunderstorms, along the storm's trailing cold front, high winds, across the Plains and western Corn Belt, and heavy snow (in the central Rockies and adjacent regions). Each of the three storms will help to reinforce a cool weather pattern in the West and maintain anomalous warmth in the eastern half of the U.S.

The NWS 6- to 10-day outlook for October 13 – 17 calls for the likelihood of above-normal temperatures across the eastern half of the country, while cooler-than-normal weather will prevail from the Pacific Coast to the High Plains. Meanwhile, near- or above-normal precipitation across most of the U.S. should contrast with drier-than-normal conditions in Maine, the southern Atlantic region, and the Southwest..

Contact: Brad Rippey, Agricultural Meteorologist, USDA/OCE/WAOB, Washington, D.C. (202-720-2397)
Web Site: <https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf>

References

➤ **Grain Conversion Calculations**

Metric Tonnes to Bushels:

- Wheat, soybeans = metric tonnes * 36.7437
- Corn, sorghum, rye = metric tonnes * 39.36825
- Barley = metric tonnes * 45.929625
- Oats = metric tonnes * 68.894438

Metric tonnes to 480-lb bales

- Cotton = metric tonnes * 4.592917

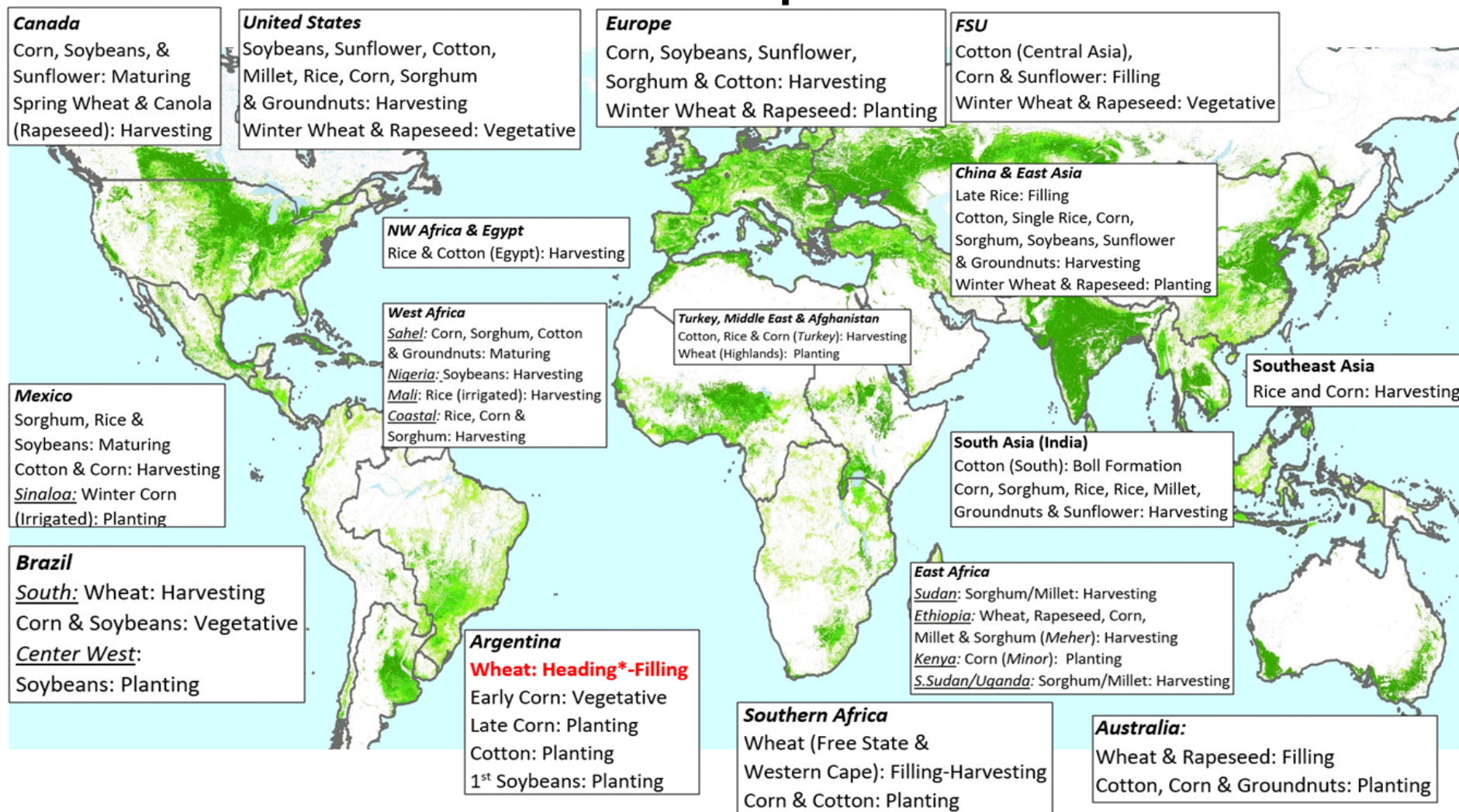
Metric tonnes to hundredweight

- Rice = metric tonnes * 22.04622

Area & weight

- 1 hectare = 2.471044 acres
- 1 kilogram = 2.204622 pounds

October Crop Calendar



*Crop stage sensitive to moisture and temperature stresses.



U.S. Department of Agriculture (USDA)
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International Production Assessment Division (IPAD)

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