Notes and Observations in International Commodity Markets

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Commodity Markets Lower This Week

After Last Week’s New Multi-Year Highs

GHA – After setting new multi-years highs last week, grain and oilseed values traded lower through the week as news and data failed to provide continued support.

Wednesday’s monthly May USDA World Agricultural Supply and Demand Estimates (WASDE) report was neutral for wheat and soybeans, coarse grains and corn data weighed heavy on market prices. It was new-crop December corn futures that reacted in a dramatically bearish fashion after new-crop stocks and demand estimates were more bearish than traders had anticipated.

The USDA numbers also provided first estimates for the 2021/22 marketing year. If the USDA’s projections come to pass, these higher price level are likely to be a key driver for the US’s major competitors having their largest exportable surplus for coarse grains on record, with corn soaring nearly 20%, 738 mbus, to 4.7 bb used in 2021/22.

Soybean oils providing support as they rally to new 13 year highs and up another 5%! SMN dropped a sharp $24/ton.

Traders looking for a weekend break ahead of next week’s activity!
China’s 2021 soybean output to drop 6.1% in shift to corn, wheat
CNGOIC - Chinese soybean production in 2021 is expected to total 18.4 mmts, down 6.2% from 2020 as farmers shifted away from beans to boost corn and wheat production, China’s National Grain and Oil Information Centre (CNGOIC) said on last week on Friday.
At the same time, the planted soybean acreage is estimated to shrink 6.9% during the year to 9.2 million hectares, the agency said on its official WeChat account.
The forecasts came after an executive meeting by the Chinese State Council hosted by Prime Minister Li Keqiang on May 6, which emphasized the importance of China’s grain security – a national policy shifted from encouraging soybean planting a year before.
Following the policy change, China’s 2021 corn output is estimated to jump 4.3% from 2020 to 272 mmts, reaching the highest level since 2018, following a 3.3% increase in area to 42.63 million hectares.
Chinese domestic wheat production followed a similar trajectory, with output gaining 1.6% from the prior year at 136.4 mmts, while rice output is expected 1.5% higher at 215 mmts.
Finally, Chinese rapeseed output is estimated to jump 2.8% this year to 14.5 mmts, the CNGOIC said.

US DOLLAR & FOREIGN EXCHANGE

US Dollar Moves Lower On Strength In Stocks And Lower T-Note Yields
The dollar index on Friday moved moderately lower. Strength is U.S. stock index futures on Friday, along with lower T-note yields, pushed the dollar lower. The dollar maintained its losses on weaker than expected U.S. data on April retail sales and May University of Michigan U.S. consumer sentiment.
The dollar index on Friday fell -0.428 (-0.47%). June euro-fx futures closed up +0.0066 (+0.55%), and EUR/USD rose +0.0062 (+0.51%). June yen futures (J6M1) closed up +0.0008 (+0.09%), and USD/JPY fell -0.12 (-0.11%).
EUR/USD on Friday rallied moderately on the hawkish account of the April 21-22 ECB meeting that was released Friday. USD/JPY moved lower Friday as a drop in T-note yields strengthened the yen.
U.S. stock index futures on Friday extended Thursday’s gains, which undercut the liquidity demand for the dollar. An easing of the pandemic in the U.S. also supporting gains in stock indexes on Friday.
Friday’s U.S. economic data was mixed for Fed policy and the dollar. On the negative side, U.S. Apr retail sales were unch m/m and fell -0.8% m/m ex-autos, weaker than expectations of +1.0% m/m and +0.6% m/m ex-autos. Also, the University of Michigan U.S. May consumer sentiment unexpectedly fell -5.5 to 82.8, weaker than expectations of an increase to 90.0. On the bullish side, Apr manufacturing production rose +0.4% m/m, stronger than expectations of +0.3% m/m. Also, the Apr import price index ex-petroleum rose +0.7% m/m, stronger than expectations of +0.5% m/o/m.
Fed comments on Friday were mixed for the dollar. On the negative side, comments from Cleveland Fed President Mester suggest she favors maintaining stimulus measures and is bearish for the dollar when she said, "this is not the time to be adjusting anything on monetary policy. It is a time for watchful waiting, seeing how the recovery evolves." Conversely, Dallas Fed President Kaplan said he's worried about excess imbalances, especially the housing market, and the Fed should discuss tapering bond buys "sooner rather than later."
The 10-year T-note yield on Friday fell -1.8 bp at 1.639%, which weakens the dollar’s interest rate differentials and is negative for the dollar.
The dollar continues to be undercut by the ongoing Covid pandemic that has slowed economic growth and is dovish for Fed policy. However, the pandemic situation in the U.S. has improved after the 7-day average of new U.S. Covid infections fell to an 8-month low of 35,514 on Thursday. Globally, Covid infections have risen above 161.929 million, with deaths exceeding 3.361 million.
EUR/USD on Friday rallied moderately on a weaker dollar along with the hawkish account of the ECB’s April 21-22 policy meeting. The account of the meeting stated that “it was generally felt that risks to activity had become more balanced over the medium-term horizon, with a view also being expressed that they were now marginally tilted to the upside.”
USD/JPY on Friday moved lower as a decline in T-note yields was supportive for the yen. Losses in USD/JPY were limited after Japan’s Nikkei Stock Index closed up more than +2% on Friday, which reduced the safe-haven demand for the yen.

**Bullish Factors:** (1) safe-haven demand for dollar liquidity as underlying pandemic stress encourages flight into the world’s reserve currency, (2) the influx of capital from overseas investors fleeing from over $10 trillion of negative-yielding debt, and (3) higher T-note yields that strengthen the dollar’s interest rate differentials as the 10-year T-note yield recently rose to a 1-1/4 year high of 1.774%.

**Bearish Factors:** include (1) the Fed’s average inflation targeting scheme that is dovish for Fed policy, (2) the outlook for the Fed to keep the Fed funds rate near zero at least through 2023, (3) the severe U.S. and global economic damage caused by the Covid pandemic, which is dovish for Fed policy, (4) trade tensions and Washington political uncertainty, (5) reduced liquidity demand for the dollar with the all-time highs in U.S. stock indexes, and (6) the wide U.S. budget and current account deficits.

**WHEAT**

- **USDA global wheat production and use forecast to increase**
  
  This week’s WASDE report was a fairly neutral report for wheat. The May WASDE forecasts also included a first look at the 2021/22 crop year increasing global production and consumption to record levels for a third straight year.

  All wheat production in the U.S. was pegged at 1.872 bbus, up 3% from a year ago on higher harvested acres and yield. The “all wheat” yield was 50.0 bus/acre, up 0.3 bus/acre. Winter wheat production is forecast to rise by 10% to 1.283 bbus, up 112 mbus, with a yield of 52.1 bus/acre, up 1.2 bus/acre from a year ago. Harvested acres were up 7% compared to a year ago.

  Hard Red Winter wheat production rose by 11% to 731 mbus, while Soft Red Winter wheat rose by 25% to 332 mbus, and White Winter wheat production is forecast at 220 mbus, down 10% from last year. Top wheat producer, Kansas is forecast to harvest 331.2 mbus compared to just 281.25 mbus a year ago.

  Old-crop 2020/21 exports were dropped by 20 mbus, raising the carry in stocks for 2021/22.

  **US domestic feed usage for 2021/22 was up 6% above 2020/21, with feed use expected to rise to 170 mbus, the highest since 2013-14.**

  Old-crop 2020/21 ending stocks rose by 20 mbus to 872 mbus compared to 852 mbus in April, while new-crop 2021/22 stocks are forecast to be 774 mbus, about 12 mbus higher than the average trade estimate but still the smallest in seven years.

  For 2020-21, hard red, soft red and spring wheat stocks rose by 12 mb each, while ending stocks for white wheat fell by 11 mb.

  The USDA average farm price is projected to be $6.50 compared to $5.05 a year ago.

  USDA’s May WASDE forecasts includes a first look at the 2021/22 crop year shows the forecast for global wheat production (blue bars) and global wheat consumption (orange bars) increasing together for a third straight year and for the ninth time in 11 years.

  Internationally, global wheat production was forecast to increase to a record 788.98 mmts, with global use is to increase to a record 788.7 mmts (28.98 bbus), according to USDA’s official tables. Data obtained by USDA’s Foreign Agricultural Service tables, shows demand increasing to 785.297 mmts.

  Using FAS table data, the production forecast for 2021 exceeds consumption by 3.681 mmts, which compares to the five-year average of 13.3 mmts, the 10-year average of 12.9 mmts and the 25-year average of 8.8 mmts.

  Some notable changes were higher U.S., UK, Argentine and Ukraine wheat production, and lower Australian and Canadian production, along with a higher-than-expected production number for Russia, at 85 mmts. Many private analysts have the
Russian crop at 79 to 80 mmts. Australia is expected to produce 6 mmts less than last year’s record, and Canada is expected to harvest 3 mmts less at 32 mmts.

China’s wheat imports are forecast to fall from 10.5 mmts this year 2020/21 to just 6.8 mmts in 2021/22, presumably on the sharp rise in expected China corn. Increasing demand continues to keep ending stocks in check. Wednesday’s ending stocks forecast of 294.962 mmts was below the average of pre-report estimates of 299.4 mmts, while is up a modest 295,000 mts from the previous crop year. Global stocks have fallen in two of the past three years, while the increase for 2021/22 is very small. Despite stocks falling year-over-year in two of the past three years, stocks rose by an average of 9.2 mmts over each of the past five years, making the current forecast increase seem negligible.

Stocks for the eight major exporters are forecast to rise slightly to 62.277 mmts, or 21.1% of total global stocks. This is the first increase by these eight exporters in four years, while is the second consecutive increase seen in the percentage of total stocks after reaching a low of 20.7% based on estimates for 2019/20. The largest year-over-year increase for 2020/21 is seen in Russia, with stocks to grow by 3 mmts, while stocks are forecast to fall in North America, with U.S. stocks to fall by 2.7 mmts in 2021/22 to 21.054 mmts, the lowest shown in seven years, and Canadian stocks are currently forecast to remain unchanged from 2020-21 at 3.832 mmts, the lowest stocks that USDA reports for Canada in data going back to 1960.

While the first estimates of the season are always of interest, the 2021-22 crop year has yet to start, and there is a long list of factors that will lead to change in the monthly outlooks that lie ahead.

**Morocco to reimpose custom duties on wheat**

*Reuters* - Morocco plans to reimpose customs duties on soft and hard wheat of 135% and 170%, respectively, beginning May 15th. The country’s agriculture ministry told Reuters that the plan is to cut imports at a time of higher prices in international markets.

The import duties had been suspended until May 15th to ensure price stability and steady supply after Morocco experienced two consecutive years of drought that slashed harvests.

This year, following adequate rainfall, Morocco forecasts a grain harvest of 9.8 mmt, 206% higher than last year’s total. That includes 4.82 mmt of soft wheat, 2.34 mmt of durum and 2.6 mmt of barley.

Incentives to encourage use of domestically grown wheat include a flat rate subsidy of 5 dirhams ($0.51) per 100 kilograms of soft wheat to millers using local output, according to Reuters.

Morocco typically imports 2 to 3 mmt of soft wheat, mostly from France, annually depending on local output.

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**CME CBOT Wheat Futures**

Friday’s midday wheat recovery faded by the close, leaving the wheat complex mixed ahead of the weekend. **CBOT July 2021 Wheat Futures** settled on Friday at $7.07¾/bu, up 6¾ cents on the day, but losing 55¼ cents for the week.

CBOT May wheat expired at $7.27¼/bushel.

SRW wheat area is forecasted for some rainfall over the weekend, though accumulations are lighter from a tenth of an inch to an inch. Southern Illinois may get more than 2” accumulated.

CFTC’s Commitment of Traders report with data as of the 11th of May had managed money at 13,033 contracts net long in SRW. That was a 2,310 contract increase to their net position on the week via short covering.

Globally news was quiet with limited tender activity. French wheat conditions were unchanged on the week.
CME KC HRW Wheat Futures

Kansas July 2021 HRW Wheat Futures settled on Friday at $6.57¾/bu, unchanged on the day, but down 80 cents for the week. May HRW closed at $5.61 3/4.

The WASDE report released on Wednesday was construed as bearish for wheat, with Kansas City having taken the brunt of selling.

HRW cash trade was limited and protein scales unchanged. Even spread changes were limited with N/U up a ¼ on the day. K2/N2 inverse was steady after weakening earlier this week.

The wheat feeding equations have shifted sharply back towards corn the last two days with July HRW back above corn futures and up 31 cents on the day.

NOAA's updated 7-day QPF reads good or even too good rainfall for HRW country. N.E. TX through E KS are forecasted for as much as 5” through the next 7 days. Some moisture accumulation in S.W. NE and E CO may reach up to 1.5” through the coming week as well.

CFTC's Commitment of Traders report with data as of the 11th of May showed managed money added new shorts in KC wheat, reducing their net long by 2k contracts to 31,999.

MGE HRS Wheat Futures

MGE July 2021 HRS Wheat Futures settled on Friday at $7.45 ¼ 7.92/bu, up 4 cents on the day, but losing 47 cents for the week.

MGE wheat futures were also fractionally lower in the front months, and May rolled off the board at $7.45 1/4.

Rainfall forecast for the Dakotas will likely remain lighter for spring wheat area. CFTC’s Commitment of Traders report with data as of the 11th of May showed Minneapolis wheat spec traders were 504 contracts more net long on the week to 16,410 contracts.
COARSE GRAINS

New-Crop December Corn Falters on USDA WASDE

This week’s WASDE report was considered bearish for corn, but it was 2021/22 new-crop slots that absorbed much of the selling. No doubt part of the reason is that, following the meteoric rise in corn prices, it is expected that final corn acreage is likely to be well above the March seeding intentions. The surprise came in the new-crop slot. Using the same acreage as in March planting intentions and a yield of 179.5 bus/acre, corn production is estimated at 14.990 bbus. That was just slightly below the average trade estimate of 15.077 bbus and up 808 mbus from last year.

The initial reaction sent CBOT December corn reeling to a 25-cent loss, and ultimately settling 18¼ cents lower, as USDA cut new-crop exports by 325 mbus. Without explanation, USDA chose to drop US corn exports by 325 mbus from the revised old-crop number to just 2.450 bbus. That comes despite the rapid decline of the Brazilian safrinha corn crop due to expanding drought.

US ethanol usage was raised by 225 mbus as the country recovers from COVID-19. The fall in demand resulted in a new-crop carryout of 1.507 bbus, or 153 mbus higher than what was expected.

US corn ending stocks for the current 2020/21 crop year were dropped by 95 mbus to 1.257 bbus, about as expected. Old-crop corn exports were increased by 100 mbus to 2.775 bbus.

The USDA average farm price is projected to be $5.70 versus $4.35 this past year.

Internationally, the Brazilian corn crop is wilting under current hot and dry conditions, and USDA chose to drop Brazilian corn production by 7 mbmts to 102 mbmts (4.02 bbus). This was higher than most private analysts, leading traders to scratch their heads about dropping US corn export demand in light of Brazil’s reduced supplies and China’s voracious appetite. Argentine corn production was left untouched at 47 mbmts.

China corn imports were raised to 26 mbmts for the 2020/21 year and kept at that same 26 mbmts for 2021/22, further solidifying the demand base.

World corn ending stocks rose by 8.8 mbmts to a higher-than-expected 292.3 mbmts (11.5 bbus), with Argentine corn forecast 4 mbmts higher at 51 mbmts and Brazilian corn production forecast to be 16 mbmts higher at 118 mbmts (4.65 bbus).

Given this is the USDA’s first look as 2021/22 marketing year, these numbers are highly fluid at this point in time.

CORN

Brazil’s second corn crop forecast cut as drought worsens

Reuters - Brazilian agribusiness consultancy AgRural on Monday said it cut its production estimate for Brazil’s second corn crop in the Center South region due to a prolonged drought that worsened in the first week of May.
Farmers there are now expected to reap 65.1 mmts of second corn, down from 73 mmts estimated on April 19th, according to a statement. At the same time AgRural said average yields are now seen at 84.1 60-kilo bags/hectare, the lowest in three years. In the whole of Brazil, AgRural said second corn crop production will be an estimated 69.6 mmts, compared with 75.1 mmts in 2020.

The figure takes into account AgRural’s own projection for Center South production and the government’s estimated output for the North and Northeast, which also plant second corn.

Brazil's total production of corn in the 2020/2021 crop cycle will be an estimated 95.5 mmts, compared with 102.6 mmts in the previous season, AgRural said.

Brazil's Federation of fuel retails sent a letter to Ministry of Mines and energy with a request to lower Brazil's ethanol blends from 27 to 18%. This could lead to more US ethanol imports if passed, but if the Brazil ethanol price increases can be curbed quickly through higher production, then it’s unlikely to pass, if prices continue higher the likelihood becomes high. Brazil Sao Paulo anhydrous w/ taxes B $3.4941/liter +.72%. Ethanol futures aggregate volume only 1,932, open interest +361 at 34286. It took six days to resolve Colonial pipeline shutdown, yet widespread panic buying continues after the restart leaving filling stations across the southeast out of gas.

National average pump price 3.04/g, most expensive since Oct 2014.

CME CBOT Corn Futures

The nearby CME Corn May 2021 finished up trading this week, closing out on Friday at $6.85 /bu, down 34 cents on the day. May futures expired leaving a 42 cent expiration gap inverse to July.

The CME Corn July 2021, now the nearby contract settled at $6.44¾ /bu, down 30 cents on the day, and losing 87 ½ cents for the week.

New crop prices tightened the inverse on Friday, as December is now $1.01 below July.

Reports of double digit cash basis pushes at an Illinois end user for May corn coverage.

China purchased 1.36 mmts of new crop corn as announced under the USDA daily reporting system, but the market sold off anyway.

The weekly CFTC report with data from Tuesday the 11th of May showed managed money funds had closed 51,693 longs ahead of USDA’s report. The liquidation reduced their net long 56k contracts to 316,336. Commercials added 97,761 contracts of OI through the week, reducing their net short 48,677 to 673,963 contracts.

In China: Spot prices for DDGS were cited between 2,600 and 2,700 yuan/mt ($366.30/mt to $380.4/mt). Cash corn bids ranged 2,580 yuan to 2,940 yuan/mt ($10.05 to $11.60/bu). The Dalian bids were sharply lower on Thursday and Friday, reflecting the U.S. selloff.
USDA’s Daily Ethanol report cited spot DDGS bids at $285/ton in NOLA and $264/mt in the PNW. Corn oil prices were seen between 49.75 and 52.29 cents/lb.

**USDA WASDE Global corn production higher**

Global corn production is forecast up, driven by the United States, Argentina, Brazil, and Ukraine. If realized, Brazil and Ukraine will have record production, with Argentina at record-tying production and the United States at a near record.

For global consumption, both feed and non-feed uses are expected to grow supported by greater availability.

Ending stocks are forecast up as the United States and Brazil, both major exporters, are expected to increase carryout.

**Grain Sorghum**

**USDA WASDE Global Barley ending stocks to tighten**

Global barley outlook is for smaller production from last year’s record, but relatively strong consumption and trade with tightening stocks.

Production is projected to decline from last year’s record as smaller crops for Australia, Russia, Turkey, and the United Kingdom more than offset gains for Argentina, Canada, Kazakhstan, and Ukraine. Consumption for both feed and non-feed use is expected to fall marginally from the 2020/21 level.

**Australia** barley is down 1.0 mmts to 5.0 mmts, reflecting lower production. The recovery in barley production and trade in 2020/21 was stifled by China’s implementation of anti-dumping and countervailing duties on Australian barley in May 2020. China has historically been Australia’s primary market for barley exports. Though Australia has found some success in exporting barley to Southeast Asia and the Middle East, likely owing to the continued existence of the China duties, barley production is expected to be lower in 2021/22, with a corresponding impact on trade.

**Canada** barley is projected up sharply supported by prospects to China. With the punitive duties on barley from Australia in place, China is expected to look for supplies from Canada and elsewhere. Supported by bright export prospects, Canada’s crop is forecast to be the largest since 2004/05.

**Global trade** grows slightly supported by strong imports for China, Iran, Saudi Arabia, and Turkey. With consumption growth stronger than production, global ending stocks tighten. If realized, ending stocks would be the lowest since 2018/19.

For selected countries in the Middle East, corn and barley for Iran are projected to rise on expectations of growing feed demand. The country has been a key destination for corn from Brazil, Russia, and Ukraine, and for barley from the European Union, Kazakhstan, and Russia. Barley and corn for Saudi Arabia are expected to grow slightly from the revised 2020/21 level on expectations of growing feed use for its poultry, cattle, sheep/goats, and camels. In April, the Saudi Grains Organization (SAKO) sold off its barley stocks to private businesses, ending its role in barley trade. Going forward without SAGO involvement, import demand for barley is expected to hinge on competitive prices relative to other grains. Corn and barley for Turkey are expected to grow on steady expansion in the feed sector and projected smaller production for both crops.

**Thailand** barley is forecast down 300,000 mts to 600,000 mts on reduced supplies from Australia. Australian barley exporters have had to find alternative markets after China imposed anti-dumping and countervailing duties, and Thailand has been one of them.

However, in 2021/22, Australian barley producers are expected to cut production on the weakened export prospects and the volume of Thailand barley imports is expected to respond in kind.

Thailand corn is also down 300,000 mts to 1.2 mmts on lower forecast exports for Burma, its primary source of corn for the prior 2 years.
primarily to China. Argentina exports have grown impressively in 2020/21 and are expected to double for 2021/22.

U.S. exports are projected up sharply with larger production. China's imports are forecast higher on strong feed demand. With global consumption rising faster than production, ending stocks are projected to decline slightly.

OATS & RYE

➢ USDA WASDE Global Oats production lower

World small grains (oats and rye) production is projected lower with the largest declines in the European Union for both grains. For oats, global consumption is expected to stay nearly flat, but for rye, consumption will be matching the decline in production. Global oats trade is projected to increase just slightly with higher oats imports for China and Mexico. Global rye trade is slightly lower. Lower oats production with flat consumption will tighten ending stocks, while global rye ending stocks are down more modestly. Exports of Canadian oats are also up from 2020/21. While the United States has been the top destination, exports of oats to countries in South America have grown in recent years and are expected to continue for 2021/22.

OILSEEDS COMPLEX

➢ New-Crop December Corn Falts on USDA WASDE

This week’s WASDE report was featured little earth-shattering news for soybeans and overall was a fairly neutral report for soybeans. The soybean market was already 38 cents higher before the USDA WASDE Report was released. Prior to the report, both July and November soybeans, along with July bean oil, scored new contract highs. By the close the market had given up only some of those gains. The WASDE report held little fanfare for soybeans, as U.S. ending stocks were left unchanged again at 120 mbus, with new crop pegged at a tight 140 mbus, just 8 mbus above the average trade estimate. New-crop soy production was forecast at a lower-than-expected 4.405 bbus, using the low 87.6 million acre March planting intentions and a 50.8 bus/acre yield. Imports were left unchanged at 35 mbus. The “crush” was raised by 35 mbus and export demand was dropped 205 mbus to just 2.075 bbus. The USDA average farm price is expected to rise to $13.85 from $11.25 in the current year. Internationally, Brazil soybeans were left unchanged at a record large 136 mmts for 2020/21, with Argentine soy production falling 500,000 mt to 47 mmts. For 2021-22, Argentina is expected to harvest 52 mmts (1.91 bbus) and Brazil another new record-large 144 mmts (5.29 bbus). That's some serious wishful thinking on the latter.

China is forecast to raise their imports of soybeans to a record 103 mmts (3.78 bbus) from 100 mmts, and raise “crush” from 96 mmts to 100 mmts (3.67 bbus), underpinning record demand. Soybean ending stocks for 2020/21 came in just under April’s number, at 86.55 mmts (3.18 bbus), while the 2021/22 world ending stocks number rose to 91.10 mmts (3.35 bbus), slightly higher than the 88.8 mmts that the average trade estimate.

➢ Argentina soy harvest speeds ahead, propelled by dry weather

Reuters - Argentine farmers have brought in 70.6% of their 2020/21 soy crop with an average yield of 2.8 mts/hectare, the Buenos Aires Grains Exchange said on Thursday, with harvesting propelled over recent weeks by ideal weather conditions. Lack of rain has allowed harvesting machines to move swiftly over fields with no risk of getting bogged down in mud. "Weather conditions favor the advance of harvesting over much of the area planted with soybeans," the exchange said in its weekly crop report. It left its 2020/21 soybean crop forecast unchanged at 43 mmts. "The strongest advances were seen in the provinces of Cordoba, northern La Pampa and western Buenos Aires," it said. Argentine growers have meanwhile brought in 24.6% of their 2020/21 corn crop. The total corn harvest this year is expected at 46 mmts. "Corn harvesting has yet to gain momentum because farmers are prioritizing the collection of soy," the exchange said.

➢ Argentina soymeal & oil exports increase; Brazil exports average

Refinitiv Commodities Research - Adverse dry conditions have lowered Argentina soybean production to 46.4 mmts, 2.4 mmts below last season. However, low soy crushing and exports last year resulted in adequate supplies this year. Argentina soybean and soymeal exports in 2020/21 are expected to return to normal levels (7-8 and 22-23 mmts, respectively), barring government's export constraints and/or financial crisis. According to Refinitiv trade flows, Argentina soymeal exports have increased for two consecutive months. April shipments totaled 2.1 mmts, close to the record shipments for the month set in 2019. Year-to-date exports in 2021 totaled 7.1 mmts, <1% below the 5-year average. Argentina soy oil exports have also increased for the second consecutive month at 459,000 mts, the highest April exports over the past five years. Brazil soymeal delivery pace has remained stable. Refinitiv trade flows tracked 1.3 mmts of soymeal shipments in April, nearly identical to the March's exports. The latest
line-up report (released on the 4th of May) indicates that 1.5 mmts of Brazilian soymeal will be shipped in May, close to the 6-year average.

- **Chinese soybean stocks hit 1-month high on buoyant imports**
  Chinese soybean stocks rebounded last week to reach their highest level in a month as a high pace of vessel arrivals at ports met with a slowdown in domestic crushing, data from the National Grain and Oil Information Centre (CNGOIC) showed Thursday. Soybean inventories jumped 690,000 mts over the week to reach 4.96 mmts, up 560,000 mts m/o/m and some 1.55 mmts higher compared to the same point of 2020. Soybean crushing, meanwhile, nudged lower during the week to 1.82 mmts, down from the 1.83 mmts that went through the grind the prior week as some crushers slowed activity during a five-day Labour Holiday and initiated maintenance work.
  Stocks of soybean meal and soybean oil also jumped on the week thanks to rising imports, compensating for the slower domestic crush, which is suffering from negative crush margins. Soymeal stocks rose to 740,000 mts, up 80,000 mts on the week and up 43,000 mts on the year. At the same time, soyoil stocks increased 50,000 mts to 680,000 mts last week, as deliveries slowed following the national holiday.

- **EU 2020/21 soybean imports 12.95 mmts by May 9, rapeseed 5.71 mmts**
  Reuters - European Union soybean imports in the 2020/21 season that started last July had reached 12.95 mmts by May 9th, data published by the European Commission showed on Monday. That compared with 12.70 mmts cleared by the same week last season, the data showed.
  Since January 1st, the European Commission's data has covered the EU’s 27 countries only, whereas previous figures up to December 31st covered both the EU-27 and Britain.
  EU rapeseed imports in 2020/21 had reached 5.71 mmts, compared with 5.39 mmts a year ago.
  Soymeal imports so far in 2020/21 were at 14.62 mmts against 15.46 mmts a year earlier, while palm oil imports were at 4.49 mmts versus 4.93 mmts a year ago.

- **U.S. soybean futures top $16 for first time in almost nine years**
  Reuters - Chicago Board of Trade soybean futures jumped 1.8% on Tuesday, surging above $16 a bushel for the first time since September 2012 as traders focused on prospects for tight supplies until late 2022.
  Corn and wheat futures also posted sharp gains after a steep pullback a day earlier, as the market turned its attention to U.S. government forecasts due Wednesday that are expected to show tightening grain stocks.

"The market is particularly nervous ahead of the first global USDA forecasts for 2021/22," Commerzbank said, adding that Brazilian forecasting agency Conab will also update crop estimates on Wednesday.
Consultancy AgRural on Monday said it had cut its estimate for the country’s second corn crop in the Center South region owing to drought, adding to expectations that Brazilian corn output will be below last year’s.
The USDA said after Monday’s market close that U.S. farmers had planted 67% of their intended corn acres as of Sunday, matching the average estimate in a Reuters poll of analysts.
The USDA rated 49% of the U.S. winter wheat crop in good-to-excellent condition, up 1 point from the previous week. Analysts on average had expected no change.

- **CME CBOT Soybeans Futures**
The lead contract CME July 2021 Soybean Futures settled on Friday at $15.91/bu, up 7 cents on the day, but losing 30 cents for the week.
The May 2021 Futures contract went off the board at $16.21/bu.
The export market is still over DVE versus the July and that is what drives the spreads.
Soybean oils providing support as they rally to new 13 year highs and up another 5%! SMN dropped a sharp $24/ton.
The USDA’s new crop bean carry out was forecasted at a more than snug 140 mbus.
Informa acreage update today 88.8 is 1.2 million acres over USDA, but running that
through our balance sheet with 125mbu higher exports, only pencil’s a 67 mbus carry out.

New crop CME November 2021 Soybean Futures settled on Friday at $14.01¾/bu., up 5¼ cents on the day, but losing 30 cents for the week.

The USDA WASDE on Wednesday was considered to be mostly neutral. Monday’s planting pace showed soybeans are going into the ground at a record pace. While this week’s 18 point increase trails 00/01’s 26 point gain, the current pace of 42% is one point ahead of 00/01’s prior record high. Good progress was made through this week.

China’s DCE Dalian No2 Soybean Prices were stronger on Friday, as import quality soybeans closed at 4,365 yuan/mt (~ $18.45/bu).

The weekly CoT report showed soybean spec traders increased their net long 3,023 contracts ahead of USDA’s report to 177,822 as of the 11th of May. Commercial positions added 39,868 contracts of open interest, slightly reducing their net short to 288,216 contracts.

Monday planting pace should be around 60% vs 42% TW and 38% avg.

NOPA is out Monday with avg guess at 168.7mbu and oil stocks at 1.785.

China’s pig numbers in April was up 1%, up 23% verses last year and at 98% of the five year average.

**USDA WASDE first look at 2021/22 soybeans**

Global soybean production in 2021/22 is forecast to reach 386 mmts, up 6% from 2020/21. While below this year, it is still above the long-term average for annual production growth.

Nearly all production growth is limited to the United States and South America and furthers the trend of concentrating production in exporting countries. The United States and Brazil account for roughly two-thirds of this gain with similar expansion expected in area planted and production.

Production increases are primarily a result of larger planted area, spurred by the highest prices since 2014. Soybean acres in Brazil are expected to be record high for the second year in a row as a favorable exchange rate enhances producer returns. Plantings in the United States are currently forecast to be the largest since 2018 but face stronger price competition with corn as farmers allocate acreage this spring.

With expanding production, global soybean supplies will reach record levels. Exports will continue to be driven by China demand which is projected to account for 60 percent of global trade growth. However, weaker export growth will mean that expanding crush and consumption will account for a larger share of exporter disappearance in 2021/22, about 50% of disappearance versus 15% in most of the past 5 years. Tight carry-in supplies in exporter countries are expected to be responsible for the slower growth in global disappearance. Local year stocks as a share of disappearance (exports and consumption) are expected to remain near 5% in exporter countries and 6% in most of the remaining countries.

The exception is China where stocks as a percentage of disappearance is expected to climb to 28%. This represents a dramatic shift in soybean stocks from exporters to China over the past 18 months and is one of the primary drivers of today’s high prices.

**Highlights**

- **United States** soybean exports are projected to fall 5.6 mmts to 56.5 mmts as reduced supplies limit export availability. Soybean supplies are down in response to a much lower projected carry-in, offsetting a larger crop from increased plantings and larger trend yield. US soybean crush is forecast to rise 1 mmts, roughly at a similar pace compared to recent years. Strong domestic demand for soybean meal and oil will restrict product exports with the largest impact on soybean oil because of growth in biodiesel use.

- **Argentina** soybean production is projected to rise to 52.0 mmts on better weather and increased plantings. Trade is projected to remain nearly unchanged with exports, mostly to China, at 6.4 mmts and imports, primarily from Paraguay, at 4.7 mmts. Strong demand for products and limited competition from the United States and Brazil will aid in expanding crush and meal and oil production. Soybean meal exports are forecast to reach a 5-year high of 29.2 mmts while soybean oil, with the help of low biodiesel production, is projected at a record 6.4 mmts.
- **Bangladesh** soybean imports are forecast to rise 100,000 mts to 2.8 mmts on continued crush demand. Larger domestic supplies will continue to constrain product imports with limited growth in meal and oil imports in 2021/22.

- **Brazil** soybean production is forecast to rise 8.0 mmts to 144.0 mmts as producers continue to expand planting in 2021/22. This would be the fifteenth straight year of expanded soybean plantings, driven by strong export demand and excellent grower returns. Exports are projected to rise to 93.0 mmts, 7.0 mmts above the 2020/21 forecast. Crush is forecast up fractionally driven by domestic meal and oil demand leaving soybean meal and oil trade marginally higher with flat biodiesel growth.

- **China** soybean imports are projected up 3.0 mmts to 103.0 mmts in response to rising crush volume. This is below the average growth observed prior to the arrival of African swine fever (ASF) in 2018 as domestic soybean production remains 35 percent above pre-ASF levels at 19.0 mmts. Crush growth continues at historic levels while stocks are projected to reach a record of 34.0 mmts. Soybean meal and oil trade are forecast nearly unchanged.

- **European Union** soybean and soybean meal imports are projected to rise minimally as meal consumption is forecast to remain stable in 2021/22. Imports are forecast at 15.0 mmts while meal is up 300,000 mts to 17.0 mmts. Soybean oil consumption is forecast to rise 100,000 mts to 2.6 mmts. Growth is equally divided between food and industrial use and continues recent trends on consumption.

- **India** soybean crush is forecast to reach 300,000 mts to 9.7 mmts with an expected larger crop in 2021/22. Production is projected at 11.2 mmts, up 750,000 from the current year. Continued growth in domestic soybean meal consumption will pressure soybean meal exports to 1.7 mmts, lower than the previous year but near the 5-year average. Soybean oil imports are forecast steady at 3.7 mmts as rising domestic soy oil and meal prices slow import demand.

- **Mexico** soybean imports are forecast up 200,000 mts to 6.2 mmts, continuing a trend of rising crush and growing soybean meal and oil consumption. Soybean meal consumption is projected to reach 7.0 mmts in 2021/22. Meal imports, at 1.9 mmts, and soybean oil, at 165,000 mts, will be minimally higher in the coming year as domestic production grabs a greater share of domestic use.

- **Turkey** soybean meal consumption is forecast to grow modestly in 2021/22, continuing a trend that has seen consumption rise 37 percent since 2017/18. Soybean imports are projected up 200,000 mts and soybean meal up 150,000 mts. Soybean oil consumption is forecast to remain flat at 130,000 mts in 2021/22.

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**More Brazil soybeans shipped to US amid tight market conditions**

Line-up data from shipping agency Cargonave shows that 128,500 mts of soybeans are scheduled to leave Brazilian ports for the United States in May while the North American country struggles with low availability of domestic beans.

This is an unusual transaction because the US, the second-largest bean producer globally, rarely imports large quantities of soybeans.

“These volumes are still far from what is needed to bring the US market into balance,” Victor Martins, head of market intelligence at AgResource Brasil, said. “More relief may come from Chinese and Mexican cargoes being washed out from the US and rolled over either to Brazil or to new US crops,” Martins added, saying that Mexico could washout close to 1 mmts of US beans while China could do the same with as much as 2 mmts mt of old US crops.

With the long-term negative crush margin constraining trading activity among China’s crushers since March, traders are monitoring the cargos from Brazil to the US. Indeed, traders are keeping a close eye on both Brazil and Argentina while CBOT bean futures are surging and Pacific freight costs are rising.

“We are focusing on shipments from Brazil,” a Hong Kong-based analyst from the department of global agri commodities at an assurance company said. “Shipments from Brazil have declined a bit recently,” another trader from a global firm added.

As well as a 33,000 mts cargo booked by Perdue that sailed on Sunday, three other shipments are scheduled to depart before the end of the month: another 30,000 mts cargo booked by Perdue, 30,000 mts purchased by LDC and 35,500 mts acquired by Viterra. All the shipments are out of ports in northern Brazil and are believed to be heading to the US East Coast.

If confirmed, this will bring 2021 Brazilian bean exports to the US to their second-highest since at least 1997, according to official customs data. The only year when the US imported more beans from Brazil was 2014 when it shipped in just above 1 mmts of Brazilian beans. At the time, bean prices were soaring and the supply-demand balance was tight - conditions that are similar to the current status quo.
ICE canola futures lower for the week

The lead contract ICE July 2021 Canola Futures settled on Friday at C$871.80/mt, up C$14.50 on the day, but losing C$134.10 cents for the week.

USDA WASDE first look at 2021/22 canola/rapeseed

USDA - Global rapeseed supplies in 2021/22 are projected to remain tight and near the current year forecast. Production increases will nearly offset reduced carryout forecast from 2020/21 and will result in the smallest global supply since 2016/17. Despite tight supplies slightly reducing trade volume, exports are still projected to be the second largest at just under 17 mmts. This will result in a further erosion in ending stocks to the lowest level, relative to use, in nearly 20 years.

Global rapeseed meal production is forecast to reach a record, fractionally above this year on small gains in many countries, notably India, Ukraine, and China. Meal production in Canada, the largest exporting country, is projected to decline on tighter seed supplies limiting crush volume. Consequently, trade volume is expected to remain nearly unchanged from this year’s record volume with global consumption at a record 40 mmts.

Global rapeseed oil production is also forecast to reach a record 29 mmts in 2021/22. Global demand remains strong though trade volume is expected to decline on reduced crush, production, and exports in Canada. High prices and reduced availability in Canada are expected to limit China imports of rapeseed oil.

Highlights

• U.S. rapeseed production is forecast to reach a record 1.8 mmt on record area and trend yield. Imports are projected higher at 600,000 mts leading to record crush and meal consumption. Food use of rapeseed oil is also projected to reach a record in 2021/22 though total oil use is forecast to fall short of the record set in 2016/17 with lower industrial use. Meal imports are projected to remain unchanged at 3.5 mmts with oil imports rising 4% to 1.9 mmts. Both meal and oil imports will remain below records.

• Australia rapeseed production is forecast down 500,000 mts despite the largest planted area since 2017/18. The year-over-year decline reflects a return to trend yields following this year’s record yields. Despite the reduced supply, exports are forecast to decline marginally from current levels on strong global demand. This will result in a draw-down in stocks from 2020/21 and lower crush. Domestic rapeseed meal use and rapeseed oil exports are both projected to decline with the lower product production.

• Canada rapeseed production is projected at 20.5 mmts, up 1.5 mmts on greater area. However, low carry-in will lead to reduced supplies and lower exports and crush in 2021/22. Ending stocks are expected to stabilize at 1.2 mmts. Lower exports of meal and oil are forecast in response to the lower crush which will also limit growth in domestic consumption of rapeseed meal and oil.

• China rapeseed imports in 2021/22 are projected to decline 400,000 mts to 2.8 mmt in response to tighter global supplies and higher local production. Total supplies are projected to rise slightly next year with crush forecast up 200,000 mts to 16.2 mmts. This will allow for unchanged rapeseed meal consumption despite a decline in meal imports. Rapeseed oil consumption is forecast to rise in 2021/22 as reduced imports, a response to limited availability on the global market, more than offset higher local production.

• European Union rapeseed production is projected to show a modest gain in 2021/22 on increased planted area and improved yield but will remain below the levels observed from 2016 to 2018. This will keep imports unchanged and near historic highs in 2021/22. With minimal change in crush forecast, consumption and trade for rapeseed meal and oil are nearly unchanged.

• Ukraine rapeseed production is forecast to recover from last season’s low level, rising 200,000 mts to 3.0 mmt. Exports, primarily to the European Union, are projected to rise 190,000 mts to 2.6 mmt with the remaining growth relegated to crush. Exports of rapeseed meal at 175,000 mts and oil at 165,000 mts are forecast to rise with the increased crush but will continue to be small relative to total trade in rapeseed products.
CME CBOT Soybean Meal

CME July 2021 Soybean Meal Futures settled on Friday at $419.90 442.00/short ton, down $1.50/ton on the day, and losing $22.10 for the week. Meal futures closed the session in the red, with losses of $2.70 to $2.90/ton. May meal expired at $423.50. The weekly CoT report as of the 11th of May showed meal spec traders were 15,466 contracts more net long to 69,616 contracts.

USDA WASDE first look at 2021/22 protein meals

USDA - Global oilseed meal production is forecast to moderately grow in 2021/22, driven by a rise in soybean and sunflower seed meal output. Global protein meal consumption is expected to climb mostly on robust demand from China. Trade in protein meals is expected to grow with higher soybean, sunflower seed, and palm kernel meal exports. Sunflower seed meal exports are projected to see a strong rebound from the current year while rapeseed, fish, copra, cottonseed, and peanut meal are little changed overall.

Global soybean meal consumption is projected to rise 3 percent in 2021/22, a slightly slower pace than forecast for 2020/21. China is expected to account for just below half of global consumption growth, near the long-term average.

Following 2 years of stagnant growth, exports are set to rise modestly on a rebound in Argentina crush following improved soybean production prospects. Argentina’s share of global trade is projected to rise to over 40 percent in 2021/22. Meal exports in Brazil and the United States are forecast to remain near the 5-year average as strong domestic demand growth limits export availability.

CME Soybean Oil

CME July 2021 Soybean Oil Futures reached a new contract high Friday, touching $67.92 cwt, before settling at $67.79/cwt, up $2.01 on the day, but gaining $3.45 cents for the week. Soybean oil futures closed 152 to 180 points higher, more than making up for the Thursday losses. May soy oil rolled off the board at 68.41 cents/lb.
Soybean oils providing support as they rally to new 13 year highs and up another 5%! SMN dropped a sharp $24/ton. The biggest feature for the week was USDA calling new crop SBO for fuel usage up a whopping 26% to 48% of total oil usage.

The weekly CoT report showed managed money was 85,850 contracts net long in soy oil as of the 11th of May, which was down by 1,655 w/o/w via risk off close outs ahead of the report.

**USDA WASDE first look at 2021/22 vegetable oil**

USDA - Global vegetable oil production is expected to grow by 4%, with gains for all nine major oils. The gains are driven primarily by palm, sunflowerseed, and soybean oils.

Global food consumption is forecast to expand by more than 4 mmts (3%). All oils are up, especially sunflowerseed oil and olive oil, which are poised to grow by 4%. Global industrial consumption is forecast to grow by over 2 mmts (4%), driven by expanding U.S. biodiesel production (up 26%).

Global vegetable oil trade is forecast to be a record in 2021/22 owing to strong recovery in sunflower seed oil trade and continued palm oil growth.

Continued strong demand for oils pressures global vegetable oil ending stocks to their lowest level since 2010/11.

**Soybean oil** consumption is projected to rise 4%, mostly on the strength of China demand where increased supplies of domestically produced oil will account for most of the increase.

Global exports are forecast flat with total global volume projected to reach 13 mmts, fractionally above the current year forecast. Half of this will be supplied by Argentina where larger crush and weak demand for biodiesel will boost exportable supplies.

Strong domestic demand for soybean oil in Brazil and the United States will limit or curtail export growth, leaving the remaining growth in global exports relegated to Russia, Ukraine, and other suppliers.

**CME Palm Oil Swaps July 2012**

CME July 2021 Palm Oil Swaps settled at $969.75/mt on Friday, down $5.25/mt from last weeks close of $975.00/mt

**Egypt's GASC seeks soyoil and sunflower oil for arrival July 11-31**

Reuters) - Egypt's state grains buyer, the General Authority for Supply Commodities (GASC) on Saturday said it was seeking vegetable oils in an international purchasing tender for arrival July 11th to 31st.

GASC said it wanted at least 30,000 mts of soyoil and 10,000 mts of sunflower oil. The deadline for the offers is May 11th.

The buyer said that traders should submit bids for payment with 180-day letters of credit and at sight and that it would choose between both offers.

GASC will also hold a domestic tender for vegetable oils on Tuesday, the supply ministry said, where it is seeking quantities of at least 3,000 mts of soyoil and 1,000 mts of sunflower oil.

The arrival period for the local vegetable oils would be July 16th to August 5th.

**Chinese edible oils at multi-year highs ahead of USDA report**

Reuters - Chinese edible oil futures rallied to multi-year highs on Wednesday ahead of a U.S. report on global agricultural supply and demand, and on expectations for tight oil supplies.
Soyoil on the Dalian Commodity Exchange rallied over 4% to an 8-year top of 9,184 yuan per tonne on Wednesday. Dalian palm oil also hit its highest in over eight years, advancing nearly 5% to 8,344 yuan per tonne. Meanwhile, rapeseed oil prices on the Zhengzhou Commodity Exchange rose to a record high of 11,119 yuan per tonne.

"The market expects that U.S. and global soybeans end-stocks will continue to decline, so there is an expectation of tight supply and demand," said Haitong Futures edible oils analyst Kong Lingqi, referring to end-stocks data from a USDA Report. "If end-stocks are lower or lower than expected, a rising (edible oil) price trend is certain to happen."

Chicago soybeans climbed to their highest in nearly nine years on Wednesday, ahead of the USDA's World Agricultural Supply and Demand Estimates report, which will give its first global outlook for 2021/22 and update its 2020/21 estimates. Analysts also said that a fresh lockdown to curb coronavirus contagion in key palm oil producer Malaysia added to concerns of shrinking global vegetable oil stocks, supporting China's edible oil price gains.

Malaysian benchmark palm oil prices closed 4% higher on Wednesday after hitting record highs on concerns over tight global edible oil supply. Coronavirus-induced restrictions last year hampered plantation production and operations, while travel restrictions caused labour shortages in the world's second largest producer.

"Soyoil, palm oil and rapeseed oil are driven by the trend of low global vegetable oil stocks," said Zhao Jinghe, analyst at Beijing Aohan Investment Co. "Edible oil prices will continue being supported, also lead by U.S. soybeans."

**OTHER RELATED NEWS**

- **Argentina soy crusher Vicentin starts talks to sell majority stake**

  Reuters - Once mighty but now cash-strapped Argentine soy crusher Vicentin said on Thursday it is entering talks to sell a majority stake to export firms Viterra, Molinos Agro and Argentine cooperative ACA.

  Argentina is the world's No. 1 supplier of soymeal feed, used to fatten hogs and poultry from Europe to Southeast Asia. And Vicentin was the country's top exporter of soy byproducts before falling into bankruptcy in 2019.

  "A majority group of Vicentin shareholders have accepted a non-binding expression of interest presented by three companies, with extensive experience in the industry, to evaluate the possibility of acquiring a majority stake," Vicentin said in a statement. It added that the three parties had jointly expressed their interest in a possible acquisition.

  Last year the government proposed taking the company over but dropped the plan after an outcry from the local farm sector.

- **China's population grew 5.38% in last 10 years to 1.4 billion**

  EFE - China's population grew by 5.38% in the last 10 years to reach 1.4 billion inhabitants, the National Bureau of Statistics announced on Tuesday.

  The total number of inhabitants, according to the 2020 census, the first since 2010, is 1.4 billion against the 1.3 billion recorded in the 2010 census.

  The latest census reflects an average annual growth of 0.53% in the last decade compared to 0.57% in the 2000-2010 period and 1.07% between 1990 and 2000. These figures are a far cry from those recorded in the late 1970s and early 1980s, when China's population grew at an annual average rate of 2.1%.

  Despite continuing to expand, the country's population is also aging, which suggests that in the coming years, if not in 2022 itself, its unstoppable growth for fifty years will be reversed. Data from the 2020 census shows that the population is growing more slowly than in the past.

  It had increased by 5.84% between 2000 and 2010 compared to 5.38% in the following decade and 11.6% in the previous one.

  The degree of growth of different age groups also reveals that the country's working age population is continuing to decline.

  The population of those below 14 years of age continued to grow and now represents 17.95% of the total. It is, however, only 1.35% more than what it was in 2010.

  Citizens between the ages of 15 and 59 years stand at 894 million, 6.79% less than ten years ago, when they had already declined by 6.29% compared to the 2000 census.

  There are now 264 million Chinese aged 60 years and above compared to 177.6 million in 2010, while those over 65 grew to 190 million, compared to 118.8 million ten years ago.

  Data on the adult and child population is essential to determine the retirement and birth policies of the Chinese government, which still bans couples from having more than two children, a limit that will probably be lifted soon.

  The census reflects an average family size of 2.6 in China compared to 3.1 in 2010, a decline the NBS attributes to the growing mobility of the population.

  More than 7 million people worked to gather data for the 2020 census, which used advanced telematics systems and digital technologies for the first time to collect demographic variables.

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Last year the government proposed taking the company over but dropped the plan after an outcry from the local farm sector.
LOGISTICS

- UPDATE - Mississippi River reopens near Memphis after shutdown

GHA: Barge traffic thru Memphis under I-40 bridge resumed mid am today with liquid barges a priority over dry.

Reuters - The Mississippi River reopened to vessel traffic near Memphis, Tennessee, on Friday, the U.S. Coast Guard said, ending a shutdown of part of the waterway that caused a backlog of more than 1,000 barges carrying oil, corn and other goods.

The Coast Guard said the river is open to all vessel traffic without restrictions, after traffic was halted on Tuesday because of a fracture in the Hernando DeSoto Bridge that carries cars and trucks on Interstate 40 over the river.

The fracture and disruption in river shipments put a spotlight on infrastructure needs as President Joe Biden seeks congressional approval for a $2.25 trillion infrastructure bill.

“Based on information provided to us by the Tennessee Department of Transportation, the Coast Guard has determined that transit under the I-40 bridge is safe for maritime traffic,” said Coast Guard Capt. Ryan Rhodes, captain of the Port of Memphis. The reopening will begin to ease a jam of 62 vessels with 1,058 barges that were waiting to pass through the closed area, according to the Coast Guard.

Clearing the backlog may take close to 48 hours, said Mike Steenhoek, executive director of the Soy Transportation Coalition, an agricultural industry group.

Almost all grain barges must pass beneath the DeSoto bridge on their way to Gulf of Mexico export facilities near New Orleans after being loaded along the upper Mississippi, Ohio, Illinois or Missouri rivers, according to the coalition.

- Closure of I-40 Bridge Shuts Down Barge Traffic on Mississippi River

According to the Tennessee Department of Transportation (TDOT), beginning the 11th of May the I-40 Hernando DeSoto bridge was closed, after a routine inspection revealed a crack on the bottom of the bridge truss.

As of the 13th of May, both highway traffic over the bridge and river traffic under the bridge continue to be shut down until further notice.

Contract crews must investigate the extent of the crack and make emergency repairs. It is unclear how long the repairs will take. Currently, vehicular traffic is being rerouted, and Coast Guard officials are working with barge operators to determine the safest alternative to resume barge traffic.

GHA: A blockage at Memphis Tennessee on the Mississippi River, a key US supply artery to export markets at the US Gulf, occurred this week.

Cracks on a key bridge across the Mississippi River were reported overnight, leading the US Coast Guard to shut the lower stretch to river traffic Wednesday. In a press release, the marine agency reported that nearly 230 barges were already trapped in transit.

This bridge closure in Memphis is holding up the barges and crashing the corn spreads. The impact is resulting in higher FOB prices and lower inland values immediately tributary to the river.

Trade talk on the Mississippi River re-opening still somewhat uncertain with more to be known within the next 24-48 hours. With Gulf corn exports running at 45 per week during MAM, a sustained disruption could be serious.

We are also likely to see an impact on key calendar spreads and unleashed a wave of pressure on the mainstay Chicago corn futures, whose delivery is along the Illinois waterway system. While the impact was initially felt more firmly on prompt months than on later months, once the falls set in contracts along the curve went into freefall.

On Thursday every CBOT corn contract from July 2021 out to July 2022 - six individual contracts, hit the newly expanded down limit of 40 cents when investors scrambled to sell ahead of more encouraging production and supply outlooks that turned a slip into a rout.

With the river network a key element connecting the corn and soybean producing regions of the Midwest with the primary export hub of the US Gulf, any interruption raises the potential to curb the export pace. Any prolonged river closure could lead to declarations of force majeure, should it starve the key US Gulf export hub of its primary route.

- Grain Barge Tonnages Reached Record High Last Week

For the week ending the 8th of May, year-to-date (YTD) total barged grain movements reached a record-high 14.5 mmts, 47 percent higher than last year, 33 percent higher than 5-year average, and 38 percent higher than the 10-year average (GTR table 10).

The exceptionally high YTD tonnage mostly reflects a high demand for corn exports. At 10.4 mmts, YTD total barged corn movements also set a record. This total was 98 percent higher than last year, 65 percent higher than the 5-year average, and 77 percent higher than the 10-year average.

A couple of factors contributed to the high grain and corn totals: First, water conditions that had complicated barge logistics earlier this year have substantially improved. Second, the Asian market, especially China, has shown a continuously strong demand for imported grain.
Low Parana levels to again hit exports from Rosario hub: BCR

Low water levels in the Parana River could negatively impact Argentina’s grain shipment program in the coming months, according to a report by the Rosario Grain Exchange (BCR).

The exchange said that a total of 7.2 mmts of corn, wheat, soybean and soymeal are scheduled to be shipped from ports in the Rosario hub through May, with around 10% of the volume likely to be postponed or relocated to the country’s Atlantic ports because of the low water levels.

“Since August 2019, only in February 2021, the average height of the Paraná River in Rosario exceeded the mark of 2.47 metres, the minimum required by the Parana waterway concession contract to maintain the obligation to secure the 34-foot draft. In this scenario, an effective draft of 31 feet is estimated today, which generates a loss of cargo capacity of between 4,500 and 5,500 mt for each ship dispatched from the region, approximately 10% of its total capacity,” BCR said.

For the third consecutive month, the average height of the Paraná River showed a decline in the Rosario area. So far in May, the average level of the river was 0.93 metre, accumulating a loss of 1.73 metres versus the average for the month of February, BCR said.

“The prospect that the current water levels of the Parana River will worsen in the coming weeks increases fears that the shipment of late corn will suffer, the bulk of which is discharged between the months of July and August,” the grain exchange said.

Any logistical issues from the country, which is a major exporter of corn and currently one of the most competitive origins for the grain globally, could feed into higher corn prices as other origins already face significant challenges.

Low water levels in the Parana River are also affecting the shipment of soybeans from Paraguay, where some 600,000 mts of soybeans were being held at local ports waiting for improved river conditions.

In 2020, Paraguayan exporters faced severe logistics issues as they tried to ship soybeans via the river amid some of the most extreme low water levels ever recorded, with levels remaining a problem for much of the year.

Brazil's Santos port workers planning a 24-hour strike

Reuters - Brazil’s Santos port workers are planning a 24-hour strike this week due to the lack of a schedule for when they will be vaccinated, according to a notice sent to clients by Commodities/Unimar Shipping on Tuesday and seen by Reuters.

The strike, an exact date for which has not been set, might directly affect the mooring and unmooring of ships, cargo operations and watchmen attendance, SA Commodities/Unimar Shipping said.
Container Crisis Continues to Plague US Ag Exporters

DTN Basis Analyst - SSGA recently noted that it has been estimated $1.5 billion in ag exports have been lost during the container crisis, which has come on the heels of a pandemic that has also severely injured the market.

Specialty Soya and Grains Alliance (SSGA), on their website, recently wrote that, "For more than six months, U.S. ag exporters, including SSGA members who supply Identity Preserved (IP) soya and specialty grains for food manufacture, have suffered under unreasonable practices by ocean carriers. These practices include the declining of U.S. agricultural and other exports in favor of sending empty containers back overseas in order to keep up with the massive demand for consumer imports."

During that time, shippers have asked the Federal Maritime Commission (FMC) and President Joe Biden to intervene on their behalf.

SSGA said that the imbalance has caused congestion, delays and even cancelation at the ports, and carriers have failed to provide accurate notice of arrival, departure and loading times. "Carriers have also imposed unreasonable, punitive financial penalties on exporters, who, through no fault of their own, have missed loading windows. This is in violation of detention and demurrage guidelines set forth by the FMC."

In an April 19 meeting, USDA convened a meeting with representatives of U.S. agricultural products and leadership from the United States Department of Transportation (DOT) to discuss current issues surrounding shipping U.S. agricultural exports, as well as logistical and technical concerns. Participants included a wide range of agriculture stakeholders in the livestock, grains, specialty crop and dairy industries, as well as representatives from the shipping and value-added sector of U.S. agriculture. The discussion was led jointly by USDA Chief of Staff Katharine Ferguson and DOT Senior Advisor Carlos Monje, the key point of contact for Secretary Buttigieg on this issue.

In a press release about that meeting, USDA noted that the recent resurgence of international trade has placed nearly every sector of the supply chain under stress, including warehousing, trucking, rail service, inland and ocean terminals, container availability and vessel service. "While this disruption is impacting ports along the West Coast and the Gulf of Mexico, the Ports of Los Angeles and Long Beach, the busiest container ports in the U.S. moving nearly a third of containerized agricultural exports by volume, have experienced the worst disruption," said USDA.

"Export challenges began in the fall of 2020 and have escalated to include a broad range of impacted commodities and port regions. Demand in consumer trade has led to a supply crisis in the availability of shipping containers, while refrigeration challenges, lack of certainty in fee structures and booking policy inconsistencies have all made export of agricultural products more difficult for U.S. producers," USDA added. "For far too long, farmers have struggled to find a market for their products and get a fair price for their hard work. With markets opening back up, and more appropriate prices on the board, we must work together to collectively ensure that U.S. farm products reach their intended destination in the hands of consumers around the globe. USDA will continue to serve as a key facilitator and voice for American agriculture on this very important issue."

The DOT team highlighted current efforts underway at their department and committed to work with the Federal Maritime Commission and others to help mitigate these issues facing U.S. agriculture.

On April 27, SSGA joined nearly 300 agricultural and forest product associations and companies, including several SSGA members, in signing on to a letter to Transportation Secretary Pete Buttigieg, urging immediate intervention to remedy the situation.

"We need action now, not additional studies," noted the letter. "We ask the DOT to assist the Commission in expediting its enforcement options. Additionally, we urge the DOT to consider its existing authorities to determine how it can assist with the transportation needs of the U.S. exporters and the farmers and ranchers they serve, in overcoming the current challenges in shipping goods and products."

With no sign of the crisis letting up in the immediate future, SSGA is hopeful that Secretary Buttigieg will act upon this increasingly dire situation. "Our members, allies and partners at the Agriculture Transportation Coalition have specific measures to propose and are requesting the opportunity to present them," said SSGA.
China will promote grain output, boost grain security

Reuters - China’s cabinet on Thursday said it will stabilize wheat and rice minimum purchase prices and improve subsidies for soybean and corn production, in a bid to promote grain output and boost grain security.

The county expects a bumper harvest for summer grains this year, according to the meeting of the State Council, state television CCTV reported.

Scientists and industry cheer outcome of EU study on gene editing

Genomics researchers and the agriculture industry have welcomed the publication of a long-awaited report recommending EU legislation on genetically modified organisms be updated to allow the use targeted gene editing in crops.

In the study, the European Commission acknowledges the potential of gene editing and notes most research into commercial applications is taking place outside the EU.

The Commission carried out the study at the request of member states, to assess if gene editing can be used safely for agriculture, industrial and pharmaceutical applications. The report is based on expert opinions from the Commission’s in house science and policy advice services, the Joint Research Centre and the Scientific Advise Mechanism, and contributions from member states and stakeholders.

Precision breeding of plants through gene editing is banned in the EU following a 2018 ruling by the European Court of Justice, which found these techniques are subject to the 2001 EU directive banning genetically modified organisms (GMOs).

“The GMO directive is not up to date with new technologies. Finally, we are happy to see that the Commission comes to similar conclusions,” Petra Jorasch, manager of plant breeding innovation at the industry group Euroseeds told Science|Business.

Oana Dima, science policy manager at EU-SAGE, a group of scientists from 134 European plant science institutes and societies agreed, saying, “We are happy that the Commission sees that the current regulatory framework has negative implications for research in Europe.”

Researchers and the agriculture industry are calling for an update to the GMO legislation so that crops developed by modern plant breeding techniques that do not involve the introduction of genes from other species are excluded. Gene editing using Crispr-Cas9 and related techniques can improve plant characteristics without introducing foreign DNA.

According to the report, technologies such as Crispr-Cas9 can help the EU make food production more sustainable, with new plants that are more resistant to diseases and harsher environmental conditions and which do not require the use of pesticides and fertilisers.

The EU has a grand plan to make the continent carbon neutral by 2050 and sustainable agriculture is a big part of this. The Commission’s farm to fork strategy aims to reduce the use of fertilisers by 30% and turn 25% of agricultural land over to organic farming. The Horizon Europe research programme will fund projects to improve soil health and reduce the use of pesticides and antibiotics in agriculture.

“New genomic techniques can promote the sustainability of agricultural production, in line with the objectives of our farm to fork strategy,” said Stella Kyriakides, EU commissioner for health and food safety.

The biotech industry has warned before that the current GMO legislation is way behind the times and hitting Europe’s global competitiveness in food production. “It’s time for a change that ensures innovation leadership to market, not just in the lab,” said Claire Skentelbery, director general of industry group EuropaBio.

Argentina changed its laws to allow genome editing in crops in 2015. Other countries, such as US, Canada, Australia and Japan, soon followed suit. The debate is ongoing in the UK, Russia, China, India and South Africa. The EU remains the only major region in the world where genome edited crops are regulated as GMOs.

Legal proposal

The Commission will present the results to the EU council next week and member states are likely to come up with a position in the coming weeks. They will then consult the European Parliament and should set out a legal proposal later this year. “Any kind of legal proposal would need support from parliament and council,” said Jorasch.

The EU27 largely agree the current legislation is not fit for purpose but have yet to agree on a common approach to gene editing. Jorasch said the negotiations will be difficult because the decision in member states could fall between agriculture and environment ministries. “There is still need for further discussion,” she said. “Ministers of agriculture are more likely to be supportive, whereas ministers of environment are more critical.”

As one case in point, last week Germany’s environment minister Svenja Schulze said the current EU law on GMOs should continue to be applied to gene editing, so that products continue to be tested and labelled for risk. However, Germany’s agriculture minister Julia Klöckner said the Commission’s report signals the need for an, “overdue modernisation” of EU GMO legislation.

In addition to potential hurdles in some member states, organic food producers are opposed to any changes to the GMO legislation, arguing the benefits of gene editing are hypothetical and achievable by other means.

Organic farmers’ associations say novel genomic techniques should be treated with caution and warn that allowing gene editing in agriculture would undermine the farm to fork strategy. “A weakening of the rules on the use of genetic engineering in agriculture and food is worrying news and could leave organic food systems...
unprotected,” said Jan Plagge, president IFOAM Europe, an international association of organic farmers.

The environmental lobby group Friends of the Earth warns food products based on gene editing would not be labelled as GMOs on shelves and new legislation could exempt a new generation of genetically-modified crops from safety checks.

However, Dima said organic farmers and conventional farmers could both thrive under a new legal framework. “I think there is some common ground, in view of what we want to achieve,” she said. “We need to find a way to ensure coexistence.”

U.S.-Japan Trade Agreement Update
The U.S.-Japan Trade Agreement (USJTA) has been in effect for 16 months, however the timing of Japan’s fiscal year meant that the agreement entered “Year 3” of implementation on the 1st of April 2021.

The U.S.-Japan Trade Agreement (USJTA) entered into force on January 1, 2020. In this agreement, Japan committed to provide substantial market access for the United States by phasing out most tariffs, enacting meaningful tariff reductions, or allowing a specific quantity of imports at a lower duty. Following implementation of USJTA, nearly 90 percent of U.S. food and agricultural products imported into Japan are now duty free or receive preferential tariff access.

In 2020, the United States exported $1.9 billion of coarse grains to Japan, making Japan the #3 overseas market. The United States accounted for over 70% of Japan’s total imports of food grains, excluding wheat and rice.

The agreement provides tariff parity with competing food barley suppliers such as Canada and Australia. Japan maintains a tariff-rate pooled quota under the World Trade Organization (WTO) for certain corn products for which the United States is a dominant supplier. While tariffs on most feed grains are already duty-free, tariff elimination in this agreement provides further opportunities for U.S. corn supply to Japanese snack manufacturers. Most imported U.S. sorghum goes to feed.

In 2020, the United States exported $703 million of wheat and wheat products to Japan, making Japan the #4 overseas market for U.S. wheat. The United States accounted over 40% of Japan’s total wheat imports.

Japan established a CSQ for food wheat growing from 120,000 to 150,000 mts by 2024. Japan also established a duty-free CSQ for mixes, doughs, and cake mixes growing from 10,800 mts to 12,000 mts by 2023.

U.S. food wheat is a key ingredient in Japanese bakery and noodle production. This agreement provides tariff parity with competing food wheat suppliers such as Australia and Canada. It also gives the United States a tariff advantage over Turkey, one of the leading pasta suppliers. Pasta is the primary wheat product imported by Japan.

Additional information is available at www.usdajapan.org/usjta/

International Crop & Weather Highlights

USDA/WAOB Joint Agricultural Weather Facility – 8th May 2021
Europe – Cool And Wet, With Much-Needed Rain In England And France
- Cool, wet weather prevailed across central and northern Europe, with much-needed rain in England and France easing short-term dryness and providing timely moisture for reproductive winter crops.
- Sunny skies maintained excellent conditions for reproductive to filling winter grains in Spain.

Western FSU – More Showers In Ukraine
- Additional showers maintained good soil moisture for vegetative winter crops in Ukraine.
- Drier weather facilitated spring grain and summer crop planting in southwestern Russia.

Eastern FSU – Dry
- Dry weather facilitated spring wheat and barley sowing in northern Kazakhstan and central Russia.
- Sunny, hot weather in Uzbekistan and environs hastened winter wheat toward maturity but encouraged cotton sowing.

Middle East – Hot In The West, Drought-Easing Rain In Iran
- Dry, hot weather trimmed yield prospects for reproductive to filling winter wheat and barley in Turkey.
- Ongoing heat and dryness further afflicted filling to maturing winter grains in Syria and Iraq.
- Moderate to heavy rain eased drought in eastern Iran but was too late for maturing wheat and barley.

South Asia – Showers In The East And South
- Showers in Bangladesh and Sri Lanka supported rice establishment, while seasonal heat continued in western India and into Pakistan.

East Asia – Beneficial Showers
- Wet weather in southern China benefited reproductive early-crop rice, while rain in the northeast aided recently-planted corn, soybeans, and rice.

Southeast Asia – Pre-Monsoon Rain
- Pre-monsoon showers continued across Thailand and the surrounding areas, encouraging early wet-season rice sowing.

Australia – Rain In The West And East, Dry In The South
- Intermittent rain and sun in the west and east continued to favor wheat, barley, and canola planting, germination, and emergence.
Dry weather in parts of the south allowed winter crop sowing to progress but slowed early development.

**South America** – Dryness Dominated Much Of Brazil
- Dry weather dominated key farming areas of central, northeastern, and southern Brazil, further reducing moisture for immature second-crop corn and cotton.
- Rain returned to Argentina’s eastern farming areas, slowing harvesting of summer grains, oilseeds, and cotton but increasing moisture for winter grains.

**Mexico** – Showers Increased Over Eastern Sections Of The Summer Corn Belt
- Rain benefited corn and other emerging summer crops in eastern sections of the southern plateau.

**Canada** – Spring Grain And Oilseed Planting Was Underway
- Dryness in eastern sections of the Prairies spurred a rapid pace of spring grain and oilseed planting, while rain increased moisture for germination in southwestern farmlands.


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**U.S. Agricultural Weather Highlights – Friday 14th May 2021**

**In the West**, warm, dry weather prevails, despite an increase in cloudiness across the northern half of the region. Dry conditions favor fieldwork, but drought continues to deepen its grip as snow melts early; reservoirs receive little replenishment; soils lose more moisture; and irrigation demands increase.

**On the Plains**, mild, mostly dry weather is ideal for spring fieldwork. A few rain showers have developed, however, across the central Plains. Warmer weather is returning across the southern High Plains, where drought remains entrenched and today’s high temperatures should generally range from 80 to 85°F. Serious drought concerns also persist across the northern Plains; topsoil moisture on May 9 was rated 80% very short to short in North Dakota, along with 67% in South Dakota and 57% in Montana.

**In the Corn Belt**, although slightly warmer weather prevails, frost was reported again this morning in a few areas, mainly across Michigan and Wisconsin. A few rain showers have developed west of the Mississippi River. On May 9, statewide topsoil moisture was rated at least one-third very short to short in Minnesota (44%) and Iowa (37%).

**In the South**, lingering rain showers are confined to the southern tip of Florida. Elsewhere, sunny weather favors planting operations and other spring fieldwork, although below-normal temperatures are causing minor crop developmental delays.

**Outlook:** Many areas of the country, including the West, North, and East, will receive little or no rainfall during the next 5 days. In contrast, multiple disturbances will follow a similar path across the central and southern Plains and into the middle and lower Mississippi Valley, delivering as much as 2 to 5 inches of rain. Some of the Southern rain may be produced by strong to locally severe thunderstorms. Meanwhile, temperatures across the country should remain in a relatively narrow range. For example, Southern temperatures will be slightly suppressed by rainfall and cloudiness, while Northern temperatures will climb to mostly near- or above-normal levels. During the next few days, the warmest weather—relative to normal—should cover the Northwest. The NWS 6- to 10-day outlook for May 19 – 23 calls for the likelihood of near- or above-normal temperatures nationwide, except for cooler-than-normal conditions in the Northwest and much of Texas. Meanwhile, near- or below-normal rainfall in the eastern Corn Belt, middle and northern Atlantic States, and much of the West should contrast with wetter-than-normal weather across the middle one-third of the U.S., the Deep South, and the Pacific Northwest.

May Crop Calendar

*Crop stage sensitive to moisture and temperature stresses.

U.S. Department of Agriculture (USDA)
Foreign Agricultural Service (FAS)
Office of Global Analysis (OGA)
International Production Assessment Division (IPAD)

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