Notes and Observations in International Commodity Markets

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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

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COMMODITY PRICES FALL, EVEN AS CHINA MAKES RECORD NEW CROP CORN PURCHASES

GHA – Commodity prices were mostly lower through the week as timely rains dampen values, and an exit of support from money manager funds.

With planting progress running well ahead of average, timely rainfall across the U.S. major grain growing areas has helped production forecasts. A steady improvement in crop conditions was confirmed by this week’s Kansas Wheat Tour points to a better than anticipates harvest, easing previous worries.

With Wednesday’s flash sale of 1.360 mmts, Thursday’s 1.224 mmts and on sales announcement on Friday – Total 2021/22 marketing year sales to China now total 10,744 mmts, 41% of current USDA initial May estimates for annual marketing year imports.

Market participants are looking for a weekend break ahead of next week’s activity!

Largest daily sales recorded for corn, soybeans and wheat since April 14, 1977, when FAS began issuing daily sales announcements. Does not include purchases from foreign sellers, cancellations, optional origin sales or changes in destinations.

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- **China snaps up a third of next year’s corn needs from U.S. exporters**
  Karen Braun, May 18 Reuters - The 2021-22 marketing year is still a few months away, but China within the last few days has secured nearly a third of its expected corn needs out of the United States for next season.

  The volume and timing of the recent purchases are stronger and earlier than those of a year ago, which along with U.S. crop shortfalls catapulted Chicago corn futures to multi-year highs in unprecedented fashion.

  The USDA confirmed on Tuesday that 1.36 mmts of U.S. corn had been sold to China for delivery in 2021-22, which starts on September 1\(^{st}\). That marked the seventh daily sale, or flash sale, of new-crop corn to China within the last eight business days.

  Through Tuesday, China had booked at least 8.2 mmts (321 mbus) of U.S. corn for 2021/22, though trade sources suggest there could be some more sales on the way in the near term. The country’s first known new-crop U.S. purchase of 1.36 mmts was announced on May 7\(^{th}\).

  USDA last week projected China will import 26 mmts of corn from all suppliers in 2021/22, unchanged from the current year, so the recent sales are not outside the scope of market expectations. However, no one was certain how soon they might occur or how big they would be to start.
With the recent Chinese sales, new-crop U.S. corn commitments to all destinations stand near 12 mmts at minimum. The 2020/21 total had first crossed that mark in mid-August 2020, and that had been record pace. Sales to China had passed 8.2 mmts around September 1st, and the biggest volumes at that time had been sold in July 2020.

Traders need to continue to monitor possible old-crop cancellations. If China shifts some of the old-crop commitments into new-crop, that could potentially signal a smaller overall pool of demand than expected.

Through early May, China had cancelled a few old cargoes, though the amounts were small versus total sales. USDA confirmed on May 10th the reduction of 280,000 mts for 2020/21 and the market may have been bracing for more possible cancellations in the next days, but there have not been any since.

As of the 6th of May, U.S. corn sales to China for 2020/21 totaled 22.9 mmts (902 mbus) with 49% left to ship by August 31st. In the week ending the 13th of May U.S. exporters may have shipped close to 1 mmts to China, easily a marketing-year high and likely an all-time high.

CORN VERSUS SOYBEANS

China’s U.S. corn buying habits have been very different from their soybean ones. The soybean bookings mostly come in a smooth, upward trajectory that starts more sharply a few months before the new marketing year and then tapers off a few months in. But the corn buying is almost like a step-function, as the large sales have come in multi-day chunks, and then a quiet period could ensue for months. That has probably complicated analysts’ understanding of China’s intentions within the past year.

Brazil is the biggest soybean supplier to China and the United States has now become China’s biggest corn supplier by far. It is not clear why the corn and soy buying styles are so different, but it may suggest a bit more urgency and sense of competition when it comes to corn.

China is the reason the U.S. soybean crop and acres planted have grown as much as they have in the last decade or so, but the U.S. corn market has not been structured around China’s needs. In recent years, exports account for about half of annual U.S. soybean use and around 15% of corn use.

Soybean exports remain the cornerstone of U.S. farm exports to China, though, and the new-crop bookings were on an above-average pace as of May 6 at 3.1 mmts. Unknown destinations, which are often China, have purchased 2.6 mmts, and China and unknown together account for 81% of new-crop soy sales.

Brazil is unlikely to have the record corn crop it had hoped for and its export potential has fallen, but the No. 2 corn supplier is not yet a threat to U.S.-China corn trade. Certain phytosanitary requirements keep Brazilian exports to China at negligible levels. Brazil and China were reportedly in talks late last year about removing these restrictions to facilitate more corn trade, but there have been no details since.

Ukraine is the No. 4 corn exporter and was China’s top supplier before last year. According to USDA’s Kyiv attaché, Ukraine shipped 4.1 mmts of corn to China between October 2020 and January 2021, representing “2.5-fold” growth. However, total Ukrainian corn exports were down 25% on the year during that period due to a smaller 2020 harvest.

China to continue to lead world coarse grains demand

USDA ERS - China, the world’s largest producer of coarse grains outside the U.S., is expected to continue to be a leading factor in global coarse grain demand. ERS’s Feed Outlook indicated that, “Growth in animal feed production, the chief use of corn in China, has been instrumental in driving China’s demand for imported commodities.”

ERS also pointed out that, “China’s progress in restoring swine production is an uncertain influence on feed use. China’s Ministry of Agriculture and Rural Affairs (2021) predicted that swine inventories would return to ‘normal’ levels by June-July 2021. However, reports of speedy recovery are inconsistent with persistently high feeder pig prices, record meat imports in the first quarter of 2021, and reports of disrupted breeding systems and resurgence of disease.”
The chart above shows how China’s imports of feed grains has increased with domestic demand. Given the tightness higher prices of feed grains in China, Chinese agricultural officials in April issued recommendations urging livestock producers to replace corn and soybean meal with other feedstuffs to indigenize feed ingredients (National Animal Nutrition Guidance Committee, 2021).

- **Coceral revises EU grain crop upward**
  Grain trade association Coceral, in its third forecast in 2021 for the 27 European Union countries plus the United Kingdom, projects a total grain crop of 315.1 mmts, up from the previous forecast of 306.8 mmts and 6% higher than the 297.2 mmts in 2020.
  The report, released on the 18th of May, revised wheat output up from 141.5 mmts to 145.8 mmts due mainly to excellent yield prospects in the Balkan countries and Spain. Last year’s EU wheat crop was 128.2 mmts.
  The report projected barley production to rise to 62.4 mmts from the previously forecasted 61.5 mmts. However, that total is down from 64 mmts in 2020.
  “Good barley crops are expected in almost all areas of the EU, while the UK is projected to see a significant decline due to a reduction in spring barley plantings,” Coceral noted in the report.
  The corn crop forecast was revised up to 65 mmts from 63.5 mmts in March and is higher than last year’s 62.7 mmts crop.
  The rapeseed crop in the EU and UK is still forecast at 17.6 mmts, unchanged from the previous projection and up slightly from last year’s 17.2 mmts, mainly because of larger crops in the Balkan countries.

**US DOLLAR & FOREIGN EXCHANGE**
- **US Dollar Index Recovers From A 4-1/2 Month Low**

The dollar index (DXY00) on Friday recovered from a 4-1/2 month low and moved moderately higher on weakness in the euro and hawkish Fed comments. EUR/USD fell back on comments from ECB President Lagarde, who signaled the ECB would not change policy at its June meeting and will maintain its accommodative stance. The dollar in overnight trade initially tumbled to a 4-1/2 month low on lower T-note yields, along with a rally in U.S. stock index futures that undercut the liquidity demand for the dollar.

The dollar index on Friday rose +0.208 (+0.23%). June euro-fx futures closed down -0.0038 (-0.31%), and EUR/USD fell -0.0042 (-0.34%). June yen futures closed down -0.0010 (-0.10%), and USD/JPY rose +0.11 (+0.10%).

EUR/USD on Friday posted moderate losses on dovish ECB comments, despite better-than-expected Eurozone economic data. USD/JPY rose slightly after a rally in stocks curbed the safe-haven demand for the yen. The yen was also under pressure from weaker than expected Japanese economic data.

Friday’s U.S. economic data was mixed for the dollar. On the positive side, the U.S. May Markit manufacturing PMI unexpectedly rose +1.0 to 61.5, stronger than expectations of a decline to 60.2 and the fastest pace of expansion since the data series began in 2018. Conversely, Apr existing home sales unexpectedly fell -2.7% m/m to a 10-month low of 5.85 million, weaker than expectations of an increase to 6.07 million.
Fed comments on Friday were on the hawkish side and were supportive of the dollar. Dallas Fed President Kaplan said the Fed should discuss the unintended effects of its emergency tools, and he would rather talk about taper of asset purchases sooner rather than later. Also, Philadelphia Fed President Harker said the Fed should discuss tapering its bond-purchase program "sooner rather than later."

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 11-month low of 29,048 on Thursday. Globally, Covid infections have risen above 165.945 million, with deaths exceeding 3.447 million.

EUR/USD (^EURUSD) on Friday posted moderate losses on dovish ECB comments. ECB President Lagarde on Friday said the ECB is "committed to preserving favorable financing conditions to the Eurozone throughout the whole pandemic period, and policymakers should see through a temporary acceleration in price gains because underlying factors for sustained growth "are certainly not there." Lagarde’s comments suggest there will be no change in policy when the ECB meets next on June 10.

Also, ECB Governing Council member Rehn said, "as the inflation outlook in the Eurozone remains muted, economic growth still needs to be supported by a strong monetary stimulus." The dovish comments knocked bund yields lower, which also put pressure on EUR/USD, as the 10-year German bund yield fell -2.1 bp Friday to -0.130%, well below Wednesday’s 2-year high of -0.074%.

Friday’s economic data was supportive for EUR/USD after the Eurozone May Markit manufacturing PMI fell -0.1 to 62.8, stronger than expectations of 62.5. Also, the Eurozone May Markit composite PMI rose +3.1 to 56.9, stronger than expectations of 55.1 and the fastest pace of expansion in 3-1/4 years.

Friday’s monthly report from the Bundesbank was hawkish for ECB policy and positive for the euro. The Bundesbank said, "German economic output is likely to grow again significantly in Q2 and then growth strongly in Q3 and exceed its pre-crisis level as early as Q4." The Bundesbank also said that "in the coming months, the rate of inflation is likely to continue on a slow upward trajectory" and could temporarily reach 4%.

USD/JPY on Friday erased early losses and moved higher after a rally in stocks reduced the safe-haven demand for the yen. USD/JPY also rose Friday on weakness in Japanese economic data that was bearish for the yen. The Japan May Jibun Bank manufacturing PMI fell -1.1 to 52.5. Also, the May Jibun Bank services PMI fell -3.8 to 45.7, the steepest pace of contraction in 9 months. In addition, Japan Apr national CPI ex-fresh food & energy fell -0.2% y/y, weaker than expectations of -0.1% y/y.

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: (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.

Rising Food Price Inflation in South Africa Concern For Consumers

The continued sharp increases in food price inflation from 3.4% in 2019, to 4.6% in 2020 and to an estimated 5.4% 2021, remains a concern in South Africa. This is due to its inflationary role in the general Consumer Price Inflation (CPI), and its potential to exacerbate the ongoing economic and social impact of COVID-19, especially with regard to food security in poor households.

Some of the drivers of food price inflation are state administered electricity tariff increases (+15%); increases in minimum wages (+16%); allegations of excessive price increases by some retailers; and changing consumer shopping trends.

South Africa has also been impacted by higher crude oil prices (+30% in 2021) and international commodity prices such as sunflower oil, grains, and meat.

While the USDA attaché expects that U.S agricultural exports may rebound in 2021, the increase in food inflation may compound the challenges being faced by U.S. agricultural exports.

WHEAT

GHA: Recent rainfall across the U.S. major grain growing areas has helped the U.S. Hard Red Winter (HRW) and Soft Red Winter (SRW) wheat crops overcome much of the early season’s perceived challenges. A steady improvement in in recent weeks, and confirmation by this week’s Kansas Wheat Tour points to a better than anticipates harvest, easing previous worries.

The positive for the U.S. wheat crop comes as conditions in Ukraine are also improving. In contrast with corn and soybeans, global wheat supplies are more abundant. Given prevailing price relationships, analysts are expecting increased wheat feeding the both the last quarter of the 2020/21 marketing year, as well as in the first quarter of 2021/22. Wheat is going to be a major contributor in solving the short falls in the feed grains supply and demand balance sheet, both in the U.S. and in other countries such as China.
Kansas, which produces nearly half of US HRW wheat, saw timely rainfalls in central and eastern parts of the state, even as areas in the state’s far west remained dry. Rain also fell in parts of Oklahoma and Texas, two other two key wheat producing states. The Kansas Wheat tour completed its survey of the Kansas HRW crop on Thursday of this week, arriving at the IGP Center at Kansas State University just before noon. The tour yield estimate is the highest in 19 years and almost certainly the best in the event’s 40-plus-year history.

- **Global wheat production and use forecast to increase**

  USDA ERS - Global wheat production is forecast up with larger crops in the European Union, the United Kingdom, Morocco, Argentina, Ukraine, and the United States.

  Overall consumption is up with larger Food, Seed, and Industrial (FSI) use as well as larger feed and residual use.

  Food consumption continues to rise due to population growth and changing diets, especially in South Asia and China.

  Feed use is expected higher, especially in Europe with its significant rebound in production.

  Global ending stocks are forecast up slightly, with higher carryout in Russia, the European Union, and India offsetting lower stocks in China and the United States.

  World trade is forecast at a record with stronger imports across Asia, Africa, and the Middle East.

- **Russia Wheat: MY 2021/22 Production Third Highest on Record**

  Russia wheat production for marketing year 2020/21 is forecast at 85.0 mmt, down slightly from last year, and up 9% from the 5-year average. The forecast includes 64.0 mmt of winter wheat and 21.0 mmt of spring wheat.

  **RUSSIA: Winter Wheat Production**

  USDA crop production forecasts for Russia exclude forecast output from Crimea. Total wheat yield is forecast at 2.93 mts/ha, down 1.5% from last year.

  Total area is expected to increase slightly from last year to 29.0 mha.

  Winter wheat typically accounts for about 70% of production. According to data from the Russian Ministry of Agriculture published in late November 2020, the area planted to winter grains in 2021/22 is a record at 19.3 mha and is up by 6% from last year.

  Winter wheat accounts for about 85% on average of the total winter grains crop in Russia and the remainder is divided between barley, rye and triticale.
Early spring growing conditions for winter wheat are mixed. Planting in the autumn was done on time, however, it occurred during drier-than-average weather resulting in poor establishment. Timely spring rainfall has provided necessary soil moisture for crop emergence throughout the Southern and North Caucasus Districts, which together account for almost 58% of production. Winter wheat yield can be highly susceptible to the weather during May and June.

Sowing of spring wheat began in April and was 6.5% complete as of April 29th. Planting progress is slightly behind compared to last year when sowing was at 11% during the same time.

Above average rainfall in western areas and early-season dryness in the eastern spring grain belt are possible reasons for the delay in planting.

Spring wheat is mainly planted in the regions bordering Kazakhstan, in the Volga, Urals and Siberian districts of Russia. Planting will accelerate in all districts in May.

➢ German farmers plant more wheat, rapeseed and sugar beet 2021

Reuters - Germany's winter wheat sown area for the 2021 harvest has been increased by 3.0% on the year to some 2.83 million hectares, Germany's national statistics office said on Wednesday.

Sowings of winter barley, largely used for animal feed, were cut by 3.6% to some 1.25 million hectares, the statistics agency said.

The area planted with spring barley, used for malt and beer production, fell 17.1% to around 300,000 hectares. The spring wheat area was reduced by 35.7 percent to only 27,000 hectares.

German winter rapeseed sowings for the 2021 crop have been expanded by 3.9% on year to some 991,000 ha, the office said in its latest estimate.

The area planted with sugar beet has been expanded by 3.2% on the year for the harvest starting in autumn 2021 to some 398,000 ha, it said in its first estimate of beet sowings.

The area for grain maize (corn) fell 0.5% to around 417,000 ha.

"It looks like farmers are turning away from low-priced grains like barley, towards wheat," a German grain trader said. "The mild winter means there is less of a need to replant frost damaged crops, so the spring grain areas are reduced. Overall, Germany is looking set for a decent wheat harvest this summer."

Germany is the European Union's second largest wheat producer after France and in many years the EU's largest producer of rapeseed, Europe's main oilseed for edible oil and biodiesel production.

➢ India record area wheat harvest led to record production in 2021/22

USDA estimates India's wheat production 2021/22 at 108.0 mmts, up slightly from last year. The record production was driven by farmers expanding wheat acreage.
Area harvested is estimated at a record 31.6 mha, up nearly 1% from 2020/21. The slight area expansion was attributed to a late withdrawal of the 2020 southwest monsoon which provided good soil moisture and favorable prices at planting. However, yields are estimated to drop to 3.42 mts/ha, down almost 1% because of warmer than normal temperatures across central and eastern India.

In northern India, which comprised 70% of total production, yields are estimated to be the same as last year. The fully irrigated crops in northern India benefited from the cooling effects of the adjoining Himalayan range which kept night temperatures within a normal range.

However, the partially irrigated areas in central and eastern Uttar Pradesh and Bihar matured under warmer than normal temperatures. Consequently, yields decreased by 10% to 15% in those regions.

Wheat is grown only in the rabi season (winter). It is planted in late November through the end of January and harvested as late as early May. The 2021/22 wheat crop was harvested in early May 2021.

**Global Wheat Prices**

Domestic: Prices for all U.S. wheat classes have jumped significantly since the April WASDE, following corn prices higher.

Hard Red Winter (HRW) is up $67/ton to $323 on expected growth in domestic feed demand and demand for high-protein wheat.
Soft Red Winter (SRW) is also up $58/ton to $330 on expected rising domestic feed demand as wheat’s premium to corn has dissolved.

Hard Red Spring (HRS) is up $61/ton to $341 on dry growing conditions for the new crop.

Soft White Winter (SWW) is up $49/ton to $314 with firm international demand and dry new-crop conditions.

Despite continued sluggish shipments, overall strength in the wheat market lifted Argentine quotes $27/ton.

Even with ample supplies, Russian prices rose $34/ton but remain the most competitive among major suppliers as its upcoming crop is expected to be large.

**Kansas Wheat Tour Estimates 58.1 BPA Yield**

Matthew Wilde, DTN - The Wheat Quality Council's 2021 Hard Winter Wheat Tour concluded Thursday, the 20th of May, with a total weighted average yield estimate of 58.1 bushels per acre (bpa), a likely tour record that far exceeds USDA’s national yield projection of 52.1 bpa.

The tour yield estimate is the highest in 19 years and almost certainly the best in the event’s 40-plus-year history, according to Kansas Wheat CEO Justin Gilpin. He outlined several reasons for the large crop:

- Recent rainfall greatly improved crop conditions after a dry early spring.
- Good prices prompted many farmers to closely watch crops for disease pressure, such as rust and wheat streak mosaic and spray fungicides as needed.
- Improved wheat genetics help plants better endure stress, such as drought.

"Mother Nature has been good (to hard winter wheat) the last two weeks with rain," Gilpin said. "(The yield estimate) is a testament to the wheat breeders and better genetics.

"However, you may have seen the crop that's as good as it will look," he added. "I'm still concerned about more disease setting in with the wet weather and temperatures in the 80s that are in the forecast."

The tour made 350 stops in fields. The vast majority of fields scouted were in Kansas, though a handful were in the southernmost counties of Nebraska and the northernmost counties of Oklahoma.

Kansas is the nation's largest winter wheat producer. The state's farmers planted 7.3 million acres last fall. Harvest, for the most part, will begin next month.

In mid-May, USDA predicted Kansas' hard winter wheat crop at 331 million bushels with an average yield of 48 bpa. Tour scouts estimated the crop at 365 million bushels. Final tour yield projections were also 10 bushels per acre better than the government's estimate for the state.

The tour is normally held at the beginning of the month. Since the crop is more developed now, tour organizers believe the production estimates are more accurate than if they were taken several weeks ago.

**The crop is far from made, though...**

"The takeaway from the tour is we saw the crop at maximum potential," said Aaron Harries, vice president of research and operations with Kansas Wheat. "But as we always say, everything that happens to the crop from now until harvest is usually bad. Wet weather is in the forecast and wheat doesn't like wet feet."
In 2019, the estimated yield of the three-day tour was 47.2 bpa. Kansas wheat yields averaged 45 bpa in 2019, according to USDA data. The tour uses 2019 yields as a comparison since last year's tour during the pandemic was measured by many fewer scouts.

Scouts did a short route Thursday that went from Wichita to Manhattan. The Day 3 average came in at 60.7 bpa after 15 stops. The 2019 Day 3 average was 46.2 bpa. Wheat continued to look good on Day 3, according to scouts. Some stripe and leaf rust were reported along with wheat streak mosaic virus, but not in amounts that would significantly reduce yields.

First-time tour-goer Josh Longtin thought the hard winter wheat crop looked good overall in fields he assessed. He's a grain merchandiser for Miller Milling based in Minneapolis and found the tour useful for millers and wheat end users to see first-hand the size and quality of the crop to make future purchasing decisions.

Several Kansas and Oklahoma wheat growers attended the tour or invited scouts to their farm.

"It's good to see what region may have issues because we may have to look elsewhere for wheat," Longtin said. "That shouldn't be a problem this year. It's also good to get a better understanding of what growers face and the decisions that went into raising the crop."

CME CBOT Wheat Futures

Domestic wheat futures are bouncing back at midday, though some are still in the red. After a steady to firmer start in overnight trade, favorable weather forecast for the Western Plains wheat area and weaker surrounding market helped pressure markets lower for SRW and HRW.

CBOT July 2021 Wheat Futures settled on Friday at $6.72¾/bu, off 2½ cents on the day, and losing 35 cents for the week.

US cash wheat markets remain quiet with SRW CIF NOLA unchanged, domestic SRW markets flat. HRW basis also flat, with protein premiums unchanged.

SRW spreads ended steady to ½ wider, N/U at 2 ¾ carry, N/Z at 6 ¾ carry.

CME KC HRW Wheat Futures

Kansas July 2021 HRW Wheat Futures settled on Friday at $6.23/bu, off 2 cents on the day, but down 35¾ cents for the week.

The updated 7-day QPF from NOAA shows northern Kansas rainfall could be as much as 2” inches. Oklahoma and East Texas will also receive additional rainfall, though rain is forecasted to top out near 1½ inches.

KC HRW spreads firmed slightly, N/U closing in ½ cent to 7 cents carry while N/Z tightened ¾ to a 15 ¾ carry.

The KC Wheat/Chicago Corn July spread closed at 35½; that versus a 14 cent premium HRW vs corn last Friday; almost a 50 cent move for the week. Plenty of chatter continues and a few reports of possible feed wheat trades continuing in portions of the Western feedlot market, in some cases at sub 85% the value of corn
levels. Struggle for some remains availability of adequate supply to supply the larger lots in some areas out beyond 60 days.

New crop corn bid to the farmer is well over what would be considered a “normal” level making wheat pencil into October and providing plenty of room for feeders to bid well over the warehouserman bid to the farmer.

Pretty quiet global wheat trade activity, Japan completed their annual tender, this week 121,501 mts as the total included 26,130 mts of Aussie white, 31,830 mts of Canadian red, 30,481 mts of US DNS, 22,760 mts of US white and 10,300 mts of US HRW wheat. Philippino importers reportedly booked around 25 kmts of Aussie feed wheat for last half August shipment.

The Russian Ag Ministry released their 2021 grain crops production estimates as total grain production was pegged at 127.4 mmts down 6.1 mmts from last year with wheat taking the biggest part of the downward production estimate; wheat production at 80.7 mmts, down 5.2 mmts from last year. Russia will be switching to a floating export tax system starting June 2nd that will be based on a number of different factors that many in the trade are still scratching their heads on how to pencil, with estimates currently are for wheat export duty to be around $30/mt (up to $50/mt on corn.)

Though US wheat is struggling to be competitive globally, this uncertainty in the Russian duty could help narrow that competitive gap.

**MGE HRS Wheat Futures**

![MGE July 2021 HRS Wheat Futures chart]

MGE July 2021 HRS Wheat Futures settled on Friday at $7.00½/bu, up 5 cents on the day, but losing 45 cents for the week.

Concerns over ongoing drought like weather in much of the Northern HRS growing region supported MGEX HRS.

Spring wheat territory in the Dakotas will also get moisture over the next week, with some pockets of 1½ to 2 inches of rain in the forecast.

Canadian wheat area will also get 1 to 2” of rainfall accumulated over the next 7 days.

The weekly data release from CFTC showed managed money was 14,040 contracts net long on 5/18. That was up by 1,007 contracts week to week, via short covering. KC wheat spec traders reduced their net long to a 3 week low of 26,100 contracts via long liquidation. The Commitment of Traders report showed managed money was 5 contracts more net long in MGE wheat futures and options, as the new buyers had a slight edge over the new sellers. As of 5/18 managed money was 16,415 contracts net long in MPLS wheat.

**RICE**

- **USDA Global rice consumption rises to record level**

![USDA rice consumption chart]

USDA ERS - Global rice production is forecast at a record with larger crops in Bangladesh, China, and Southeast Asia more than offsetting declines in India and the
United States. Global consumption is expected to rise, primarily in China and South Asia. Global trade is forecast relatively flat with India forecast to remain the top exporter. China will be the top importer, driven by record consumption. Global stocks are down driven primarily by China reducing its massive stockpile. China accounts for approximately 65% of global stocks, while India holds 16%.

Increased commercialization of the swine heard has ostensibly improved demand for manufactured feeds. Domestic corn prices remain at record levels, despite substantial release of years-old wheat and rice stocks from reserves. Moreover, to alleviate the use of corn and to help cool down prices, the Ministry of Agriculture and Rural Affairs issued new guidelines in April suggesting lower inclusion rates for corn in swine and poultry feeds and recommending sorghum and barley for corn substitutes among other feed ingredients.

**COARSE GRAINS**

*China’s imports of major coarse grains*

USDA ERS - China imports of combined coarse grains are projected to rise from the revised 2020/21 estimate on expectations of strong feed demand from its swine sector.

Corn imports are projected at the same as the 2020/21 level, while barley and sorghum imports rise with greater availability in the world market. With combined coarse grain imports nearing 50 mmts, China’s demand is expected to drive global trade dynamics for 2021/22.

**CORN**

GHA: Since the USDA’s May WASDE report, CBOT Corn futures have retreated 10% off their 8-year highs. However, the underlying fundamentals remain as tight for corn and other coarse grains.

Prior to the May USDA WASDE report, managed money funds held the largest “net long” position in corn for more than a decade. After the USDA forecasted higher-than-expected corn ending stocks for 2021/22, the following drop in corn futures has come as funds are taking profits and repositioned their portfolios.

Demand for corn remains strong, supported by heavy new crop buying coming from China, with cash corn prices in the world’s top suppliers at or near a record high in Brazil and the U.S.

Brazilian corn production remains a concern with above-normal temperatures and a lack of rain. As crop estimates for Brazil fall a reduced corn crop in Brazil, the world’s No. 2 exporter, is putting increased pressure 2020/21 ending stocks, on already historically tight.
This past week we have seen China accelerate its purchasing for US new crop corn, pushing new crop US corn sales to a record high as of mid-May. With rising crude oil and fuel prices, corn demand for ethanol production also has increased, last week reaching the highest level in more than a year. This analyst would suggest that the USDA continues to underestimate corn demand, specifically for exports and for ethanol. As such, supplies are likely to remain as tight as ever. Going forward the market will increasingly focus on new crop supplies. With over 80% of the corn crop reported to be planted in the US this past week, and timely rains across much of the key corn-belt areas, immediate concerns have eased. The market will be watching the crop's progress, along with this summer’s weather forecasts, adjusting its production estimates as we go.

- **USDA Global corn production higher**

  Vietnam corn production, imports, feed & residual

  ![](image1.png)
  ![](image2.png)
  ![](image3.png)

Vietnam corn is flat at 13.0 mmts despite domestic production continuing its downward trend in the face of continued growth in feed demand.

In 2020/21, Vietnam is forecast to be the fifth-largest importer of corn in the world and is expected to maintain that position in 2021/22.

Despite concerns about African swine fever, first beginning in February 2019, corn imports and implied feed demand have continued to grow year-over-year.

- **USDA lowers Brazil corn production by 6% to 102 mmts**

  USDA estimates total corn production for marketing year (MY) 2020/21 in Brazil at a record 102.0 mmts, lower by 6% from last month, and equal to last year’s record crop. Total harvested area, for all three corn crops, is estimated at a record 19.7 million hectares (mha), up 1.2 mha, 6% from last year’s record area of 18.5 mha.

  Yield is estimated at 5.18 tons per hectare (t/ha), about 6% lower than last month’s and last year’s crop, 10% lower than the previous record of 5.77 t/ha in 2018/19, and similar to the 5-year average of 5.20 t/ha.

  Weather conditions were dry during the early months for the first-season crop but improved in December with sufficient rainfall. Regions that planted early will likely display lower yields, such as northern sections of Rio Grande do Sul and Santa Catarina.

  First-season corn production is estimated at 24.5 mmts on 4.3 mha by Companhia Nacional de Abastecimento (CONAB, an agency in the Brazilian Ministry of Agriculture), down 1.2 mmts from last year’s first-season output, with yield down 7% at 5.64 t/ha.

  Harvesting for the first-season crop began in late January with over two thirds of the crop currently harvested.

USDA ERS - 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.
Brazil 2020/21 Safrinha Corn: 2-month Percent of Average Seasonal Greenness (PASG)

GHA: A number of private trade analyst now have their number 2020/21 Brazilian corn production below 100 mmts. AgroConsult has lowered their Brazilian corn crop estimate to 91 mmts, 11 mmts below the USDA. Their export forecast of 26 mmts is 9 mmts less than the USDA and should support old crop and new crop US export demand.

- Mexico Weather Conditions Decrease 2020/21 Corn Production
  
  Mexico's corn production for marketing year 2020/21 is estimated at 27.0 mmts, down 0.8 mmts from last month, but up 342,000 mts or about 1% from MY 2019/20.
  
  Area is estimated at 7,140,000 ha, down 110,000 ha from last month, but up 519,000 ha, about 8%, from 2019/20.
  
  Yield is estimated at 3.78 mts/ha, down 1% from last month and down 6% from 2019/20.
  
  The major summer corn crop was planted between April and August and harvest was completed between October and February. Representing about 30% of total production, the mostly irrigated minor winter corn crop was planted from October through February and started harvesting in May. Sinaloa and Tamaulipas produce about 80 percent of the winter corn crop.

Mexico: Winter Corn

At the beginning of May, all 11 dams in Sinaloa were below 30 percent capacity according to data from Comisión Nacional del Agua (CONAGUA), reflecting the ongoing drought conditions occurring throughout Mexico. Reservoir recharge occurs during the rainy season, but it was an exceptionally dry summer. Typically, there are no significant winter rains. Thus, water availability for the irrigation of the winter corn was limited in Sinaloa.

According to data from Servicio de Información Agroalimentaria y Pesquera (SIAP), Sinaloa planted 458,899 ha during the winter season as of March 31, 2021, which was 39,606 ha less planted during the same time in MY 2019/20. In addition, snow and cold temperatures during February 2021 damaged winter corn planted in northern Tamaulipas.

As of the 31st of March 2021, SIAP reported 21,277 ha of damaged area for the winter corn in Tamaulipas.
Ukraine Forecasts Record Corn Area and Production in 2021/22

Ukraine corn production for marketing year 2021/22 is forecast at 37.5 mmts, up 24% from last year, and 22% from the 5-year average. Yield is forecast at 6.82 mts/ha, up 21% from last year. Harvested area is forecast at 5.5 million hectares, up 2% from last year. Both area and production are expected to be the highest on record.

Corn planting began in mid-April, slightly later than last year and was 20% complete as of April 29th. Soil moisture conditions are mixed across Ukraine but favorable for planting. Harvest typically occurs between mid-September and mid-November. USDA crop production estimates for Ukraine include estimated output from Crimea.

CME CBOT Corn Futures

After nearly a week of over 1 mmts plus of daily new crop export sales to China, on Friday there were none. China purchased on Wednesday’s flash sale of 1.360 mmts, Thursday’s 1.224 mmts and on sales announcement on Friday – Total 2021/22 marketing year sales to China now total 10.744 mmts, 41% of current USDA initial May estimates for annual marketing year imports.
CME Corn December 2021 new crop contract settled on Friday at $5.46/bu, down 6 cents on the day, but gaining 3¼ cents for the week.

The national average corn basis for harvest delivery was seen at 37 cents under September. CmdtyView data shows that is the weakest Sept basis since we saw 40 cents under briefly at the beginning of the month.

NOAA’s updated QPF for the coming seven days shows a pocket of rainfall along the NE/KS/IA/ MO corner amounting to as much as 2”. The ECB will be drier over the coming week with IN expected to top out between 1 and 1 ¼ inches.

Argentine corn conditions improving, and should Brazil get their forecast rains, maybe the crop deterioration will stabilize or improve. Remember, the Safrinha crop was late planted and normally in LH May and June there is historically very little rain in Brazil, so the deck is stacked against much improvement.

US Planting progress is estimated at 91% on Monday (5-year average is around 80%). Domestic basis was generally steady to firmer this week. The new crop soy/corn ratio weakened 3.4% over the week to 2.49.

The weekly CoT report showed from Tuesday the 11th to Tuesday the 18th managed money reduced their net long by 25k contracts. That came mostly through long liquidation, though the CFTC data also showed 7,776 new spec shorts opened over the week. Commercial’s position was 46,025 contracts less net short, after closing out 32,980 contracts (164.9 mbu) of hedges.

- **USDA ERS Export Corn Prices**

  Brazil bids have gone up $63/mt to $334/mt, and Argentine bids have climbed $51/mt to $290/mt. Ukraine bids have gone up $33/mt to $295/mt.

  U.S. bids have moved up $82/mt to $333/mt supported by mounting concerns in Brazil and by strong foreign demand. U.S. bids are at their highest level since the drought of 2012/13.

Global: Since the April WASDE, all major export bids have moved up sharply, reflecting concerns over dryness and the potential impact on production in Brazil.

### Barley

- **USDA 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 Area and Production Expected to Increase in 2021/22**

USDA forecasts Canada barley production for marketing year 2021/22 at 12.5 mmts, up 1.8 mmts, or 16% from last year, and 35% above the 5-year average.

Harvested area is forecast at 3.4 mha, 19% above last year, and 36 percent above the 5-year average.

Yield is forecast at 3.73 mts/ha, nearly equivalent to the 5-year average.

Barley is primarily grown in Alberta and Saskatchewan, which have received below-average precipitation since the late Summer of 2020. Provincial reports from Alberta noted below average snowpack that retreated early, exposing soils to the dry conditions in early Spring. Precipitation typically increases with temperatures, in Alberta, in the latter-half of May. Reporting across the region suggests that despite the abnormal dryness, conditions are generally favorable for planting, which takes place in the months of May and June.

**USDA Global Barley ending stocks to tighten**

Global sorghum outlook is for sharply larger production, consumption, and trade with tightening ending stocks.

Production is projected up led by substantially larger crops for Argentina, Australia, Mexico, Nigeria, and the United States. If realized, global production would be the...
largest since 2014/15. While production in Australia, Mexico, and Nigeria is essentially for domestic use, much of U.S. and Argentina production is destined for export, 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 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.

OILSEEDS COMPLEX

- **EU 2020/21 soybean imports at 13.17 mmts, rapeseed 5.80 mmts**
  Reuters - European Union soybean imports in the 2020/21 season that started last July had reached 13.17 mmts by the 16th of May, data published by the European Commission showed on Monday. That compared with 13.10 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 the 31st of December covered both the EU-27 and Britain. EU rapeseed imports in 2020/21 had reached 5.80 mmts, compared with 5.39 mmts a year ago. Soymeal imports so far in 2020/21 were at 14.85 mmts against 15.84 mmts a year earlier, while palm oil imports were at 4.61 mmts versus 5.07 mmts a year ago.

SOYBEANS

- **India’s soybean planting could rise by over 10% on record prices**
  Reuters - Indian farmers are likely to expand their soybean planting area by more than a tenth in 2021 as record high prices for the oilseed could prompt some to switch from cultivating competing commodities such as cotton and pulses, industry officials said. Increased production of India’s main summer-sown oilseed could help the world’s biggest vegetable oil importer trim costly purchases of palm oil, soyoil and sunflower oil from Indonesia, Malaysia, Argentina and Ukraine. It could also boost Indian exports of animal feed ingredient soymeal to places such as Bangladesh, Japan, Vietnam and Iran, industry officials said. "Farmers have realized exceptionally good prices this year. There could be 10 to 12% higher area under soybean," said Davish Jain, chairman of the Soybean Processors Association of India. Local soybean prices have more than doubled since the start of the 2020/21 marketing year on Oct. 1 and hit a record high of 8,100 rupees ($111.00) per 100 kg last month on a sharp rise in soymeal exports.

Soybean competes with pulses, corn and cotton in some areas and currently the oilseed is offering better returns than the competing crops, said Govindbhai Patel, head of trading firm G.G. Patel & Nikhil Research Co. "Soybean production depends on rainfall patterns. If the monsoon comes on time and remains conducive, we can expect higher production," Patel said. Indian farmers typically begin cultivating soybeans, cotton and pulses, which are rain-fed crops, in June after the arrival of the monsoon. The country is likely to receive an average amount of rain in the 2021 monsoon, the state-run weather office said last month. Indian farmers planted soybean on 11.83 mha in 2020 and produced 10.4 mmts, according to SOPA. "Soybean production is set to rise in 2021. That will help in reducing edible oil imports," said Sandeep Bajoria, chief executive of Sunvin Group, a vegetable oil broker.
Friday’s trade was all over the place, with a high of $15.40¾’s, which was up .21½ cents; had a low of $15.12¼, which was down .21 cents; only to settle down, The lead contract CME July 2021 Soybean Futures settled on Friday at $15.24½/bu, off 8¾ cents on the day, and losing 66½ cents for the week.

The weekly CoT report showed soybean spec traders sold back 24,693 longs (123.47 mbu) or 13% of their position. That left them 152,584 contracts net long as of 5/18. That is managed money’s weakest net long since April 13th.

The SN/SX spread also was volatile over the past week, dropping .19¾’s since last Friday. Most of this was driven by the processor pull back on basis, as soyoil made a new high, then broke.

US soybean processor basis is weaker around the country, with some of the largest drops in the -.25 to -.30 cent range. Difficult to believe everyone got covered at the same time, but assuming they are thinking they will let the inverse do the work for them. Talkers in the trade suggesting one to two months coverage for the processors. For those that are covered for a couple months, they may be a little smug for a while.

There is also still talk of a boat of beans hitting the shores of the Southeast U.S. with soybeans to come back into the interior.

Cash crush, mostly due to oil, is still over $2.00 in the East; and over $3.00 in the West. Crush in China running 2% behind the year ago total for the year.

Private crop forecasters have the Brazilian crop getting slightly larger; ABIOVE suggesting a 137.5 mmts crop vs USDA at 136.0 mmts. While Argentina is, so far being left unchanged at 43.0 mmt’s by the Buenos Aires Grain Exchange.

Brazil extended the reduced biodiesel use mandate through August citing record prices and lingering domestic inflation. In April, Brazilian officials reduced the mandate for diesel produced during May-June to require a 10% biodiesel blend, as opposed to the normal 13%. S&P Global Platts Analytics estimates this extension through August will reduce soybean oil demand an additional 200k MT.

In Argentina, government officials also extended the reduced 10% biodiesel mandate through July 12th. Elected officials in Argentina are discussing reducing the mandate further to 5% required.

New crop CME November 2021 Soybean Futures settled on Friday at $13.58¼/bu, off 9½ cents on the day, but losing 23½ cents for the week.

New crop bean basis continues to slide, with cmdtyView data showing the basis for harvest delivery is 87 7/8 cents under Sept.

The SX/SF spread finished the week at a ¼ cent inverse, not yet trading at "even money". Fall logistics of pushing soybeans back out so as to hopefully carry corn and wheat, that has carry, is the major driver here. The more difficult the logistical situation, if the beans have to go into a flat or hard space, then the more aggressive at even money SX/SF a person may want to be. In the end, the FOB values vs the Nov delivery period will be the ultimate driver of the spread, but as it stands today, 5 months prior to delivery, the basis is under space clearing levels by a small amount.
USDA ERS Soybean Export Prices

April 2021 Soybean Export Prices

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>Argentina</th>
<th>Brazil</th>
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<tbody>
<tr>
<td>April Avg Price</td>
<td>$565/ton</td>
<td>$530/ton</td>
<td>$537/ton</td>
</tr>
<tr>
<td>Change vs March</td>
<td>+ $16/ton</td>
<td>+ $10/ton</td>
<td>+ $20/ton</td>
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</table>

Source: International Grains Council. All prices are FOB: U.S. Gulf, Argentina Up River, and Brazil Paranagua.

USDA ERS - Soybean export prices for the United States, Brazil, and Argentina rose markedly in April. U.S. prices continued near 7-year highs as late-season exports tightened stocks on strong demand and corresponding strong prices in the corn market. Brazil and Argentina prices rose on continued steady demand from China.

USDA ERS - Soybean meal prices in April remained level while Brazil and Argentina meal prices were up slightly on stepped-up purchases from China due to recovering pig herds.

CME CBOT Soybean Meal

CME July 2021 Soybean Meal Futures settled on Friday at $398.10/short ton, down $3.00/ton on the day, and losing $22.80 for the week. The weekly CoT report showed managed money was 50,771 contracts net long in at the close on May 18th after reducing their net position by 27%.

CME July 2021 Soybean Meal Futures
VEGETABLE OILS

CME Soybean Oil

CME July 2021 Soybean Oil Futures settled on Friday at $65.48/cwt, off 28 cents on the day, and losing $2.31 for the week.

The weekly CoT report showed soybean oil specs had also reduced their net long to 83,220 contracts.

USDA ERS Soybean and Palm Oil Export Prices

USDA ERS - Oil prices continued their nearly 12-month climb through April, with strength linked to tight inventories and lower production. U.S. soybean oil prices spiked in late April, pushing the U.S. soybean oil price near record highs, driven by expectations of higher demand for biofuel use and tight vegetable oil supplies.

Indonesia and Malaysia palm oil prices rose, supported by low stocks and rising export demand with production losses linked to ongoing labor shortages.

Ukraine. Sunflower oil exports at a three-year low

Sunflower oil exports in September-April 2020/21 totaled almost 4 mmts. This is 13.5% compared to a year ago, UkrAgroConsult reports.

The country’s export potential for 2020/21 was cut to 5.38 mmts (-19% from 2019/20, within a limit set under the Memorandum between the Ministry of Economic Development, Trade and Agriculture of Ukraine and UkrOliyaProm Association).

Shipments to major export markets changed as follows: China (+40%), India (-7%), EU countries (-33%).

Growth in exports was registered to the following markets: Republic of Korea (+144%), Libya (+56%), Saudi Arabia (+26%).

A slowdown in exports was observed to Spain (-43%), Iraq (-40%), Italy (-40%).

Palm oil shows an 11% weekly fall on higher output hopes

Reuters - Malaysian palm oil futures fell on Friday and logged an 11% weekly drop, its sharpest in a year, hit by weakening demand and lockdown concerns and estimates of higher production. Palm fell for a third straight session to its lowest since May 4.

The benchmark palm oil contract for August delivery on the Bursa Malaysia Derivatives Exchange closed down 119 ringgit, or 2.89%, at 3,993 ringgit / US$964.73/mt.

The market is trading on estimates of higher production levels for June as well as July to September, said Marcello Cultrera, institutional sales manager & broker at Phillip Futures in Kuala Lumpur. "The third-quarter production average seems likely at 1.8 to 1.85 mmts and the fourth quarter average at 1.7 to 1.75 mmts," he said.

"The market was also seen correcting down ahead of any decision on the Indonesia palm oil export levy," said Anilkumar Bagani, research head of Mumbai-based vegetable oils broker Sunvin Group. A $100/mt cut in the levy has been proposed as production has started to improve seasonally while exports are not gaining momentum, he said.
After reaching new historical highs of US$1,019.00/mt on Tuesday CME July 2021 Palm Oil Swaps settled at $943.25 969.75/mt on Friday, down $43.50/mt on the day, and losing $26.50 for the week.

Malaysia's palm exports during May 1-20 rose 4.6% month-on-month, slowing down from a 22% monthly rise in exports during May 1st to 15th, as key buyer Europe reduced purchases, according to data from Societe Generale de Surveillance.

There are also concerns of stricter movement restrictions in Malaysia, which could implode consumption from the domestic hospitality, restaurants and catering sectors. The world's second-largest palm oil producer reported 6,493 new coronavirus cases on Friday amid local reports that the government was discussing a full lockdown to curb the outbreak.

Exports of Malaysian palm oil products for May 1 to 15 rose 18.8% to 695,764 mts from April 1st to 15th, according to independent inspection company AmSpec Agri Malaysia. "However, it is unlikely that the second-half exports will retain the momentum as key buyer Europe was absent," Bagani said.

China Dalian's most-active soyoil contract fell 3%, while its palm oil contract was down 4%. Soyoil prices on the Chicago Board of Trade slid 1%.

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

USDA Supply & Demand shows higher Palm Oil output

USDA ERS - Global palm oil production in 2021/22 is forecast to rise with a strengthened pace compared to the prior year.

Indonesia accounts for much of the production growth. Labor issues further exacerbated by COVID-19 government-imposed border closures are expected to end, abating the downward pressure on production in Malaysia.

Palm oil remains the largest vegetable oil consumed globally for food and industrial use.

Higher production and lower prices support expanded global palm oil demand from China, the European Union, and many other countries.

Despite global production outpacing consumption, ending stocks continue to fall as stock levels recover from 2020/21 consumption exceeding production levels.

- **Indonesia** palm oil exports are forecast up 1.5 mmts to 29.5 mmts and **Malaysia** is up 340,000 mts to 17.2 mmts.
- **China** imports are up 400,000 mts to 7.2 mmts and **EU** imports are up 300,000 mts to 6.8 mmts, while **India** imports decline 100,000 mts to 8.3 mmts.
- **Indonesia** consumption is up 220,000 mts to 15.3 mmts on higher demand for food use. **China** consumption is up 400,000 mts to 7.2 mmts mostly on higher demand for food use. **Thailand** consumption is up 450,000 mts to 2.7 mmts on higher industrial and food use.
- **India** consumption is down 205,000 mts to 8.6 mmts as consumer preferences shift to other vegetable oils, driving lower food use.
**OTHER RELATED NEWS**

- **China's notifies U.S. of ASF in Inner Mongolia**
  On the 12th of May 2021, MARA notified the U.S. Embassy that on April 28, 2021, live hogs had been found to have ASF in Baotou City of Inner Mongolia Autonomous Region. There were 432 susceptible animals, of which 381 were sick and 343 died. The remaining animals were culled and disposed.
  China is continuing to monitor the situation.

- **China's Hog Production Recovery Faces Uncertainties**
  China’s hog production recovery still faces uncertainties and risk of African swine fever outbreak remains “relatively great,” the country’s agriculture ministry said on Wednesday.
  China has worked to restore herd numbers after the deadly fever first hit in 2018, but the threat lingers. A total of 10 African swine fever outbreaks have been reported this year in China.
  Despite quickened recovery in hog production and improved market supply this year, costs of hog breeding are increasing, and the efficiency of sow reproduction is lower than normal, the ministry said in an article which cited a meeting chaired by agriculture vice minister Ma Youxiang. “The work to stabilise hog production shall not be relaxed,” the article said, citing the meeting which was attended by representatives of 14 large-scale hog breeding companies.
  The sow herd in April stood at 97.6% of the end-2017 level, data from the agriculture ministry showed.

**Logistics**

- **Mississippi River reopens after brief closure near Memphis**
  The US Coast Guard on the 14th of May reopened the Mississippi River near the Tennessee-Arkansas Border after closing it for several days due to a massive crack in a bridge.
  The closure stranded more than 700 barges, cutting off the biggest route for US agricultural exports during a busy time in the shipping season. The New Orleans Port Region moves approximately 50% of waterborne agricultural exports each year, mostly bulk grain and bulk grain products such as corn, soybeans and rice, according to the US Department of Agriculture.
  The US Coast Guard said that prior to the reopening, 39 northbound vessels carrying nearly 1,000 barges and 28 southbound vessels with nearly 500 barges were halted due to safety concerns.

  The reopening came after the Tennessee Department of Transportation conducted several analyses and determined barge traffic was safe as long as there was no automobile traffic on the bridge.
  The Hernando Soto Bridge carries Interstate 40 across the Mississippi River between Memphis, Tennessee and West Memphis, Arkansas.

- **Seven ships stranded Up River by Argentine strikes, low river level**
  Seven bulk carriers loading at Argentine grain ports have become stranded in the Up-River hub after strike action and falling water levels meant the vessels surpassed the maximum draft authorized by the country’s Naval Prefecture, head of the Chamber of Port and Maritime Activity, Guillermo Wade, said.
  It is the latest in a series of logistics issues that could hamper exports from the country, which is a major exporter of soymeal, soyoil and corn, and comes as strike action shutdown export activity at most of the country’s major ports.
  The vessels are thought to be six panamax-sized ships, with deadweights of up to 70,000 mts, and one handysize vessel of up to 45,000 mt.
  The delay to the vessels, which are mostly carrying soymeal to Asian destination markets, was chiefly caused by a combination of a decline in water levels in the Parana River and a 48-hour strike action carried out by several maritime workers, which fully paralysed activity at all grain ports.
  Wade highlighted that all the involved ships exceeded the authorized draft issued by the Naval Prefecture, which was 9.46 metres for May 20th. The executive also explained that another 13 ships have stopped loading grain in order to avoid the same scenario.
  The Chamber of Port and Maritime Activity, the Chamber of Private Commercial Ports and the Maritime Centre of Rosario have issued a joint statement requesting national government intervention to resolve the issue and are urging the temporary relaxation of limits to allow the ships to sail immediately.
  The Chamber noted “the impossibility of lightening them due to the lack of the necessary elements in the area to unload seven larger vessels with enough time,” given the current low water levels and the “projected decline in water levels forecasted for the next few days.”
  “If they are not authorized to set sail, these ships will remain for several months obstructing seven port terminals, which will not only affect logistics, but also they would cause a collapse of the entire system,” the agencies warned.
  Bulk carriers already have to load less grain and either complete loads at ocean ports in Buenos Aires Province or sail with smaller cargoes because of the low water levels, with the river undergoing emergency dredging in a bid to keep ships moving.
The issue is a long-running problem that has dogged activity in the Up-River complex in recent years, as key supply waterways leading from Argentina and Paraguay become harder to navigate amid drier conditions.

**Low Water on Parana River at Rosario will Probably Get Worse**

Michael Cordonnier/Soybean & Corn Advisor, Inc. - Low water levels on the Parana River at the Port of Rosario in Argentina may again impact grain shipments according to the Rosario Grain Exchange. The Grain Exchange estimates that as much as 10% of the grain scheduled to be shipped through the month of May from Rosario may have to be relocated to Atlantic ports due to the low water level.

The water level has been dropping for three consecutive months and the minimum draft needed for vessels to be fully loaded is 34 feet at Rosario and the current draft is 31 feet. The draft today means that a vessel would have to reduce its capacity by 4,500 to 5,500 mts or approximately 10%.

There are also problems with low water levels on the Paraguay River and the Parana River in Paraguay as well where there are 600,000 mts of soybeans being held at local ports waiting for improved water levels.

The situation is not expected to improve any time soon. Over the last several months, parts of south-central Brazil has entered into the driest weather in 40 years and there is very little relief in the forecast as Brazil enters into its annual dry season. As a result, the water level on the Parana River will probably continue to decline and will only improve when the summer rainy season returns to southern Brazil in September or October.

Last year Argentina negotiated with Brazil and Paraguay to increase the discharge of water from the Itaipu dam in order to increase the water level of the Parana River.

Once they started to release more water, the situation at the Port of Rosario improved significantly. It may be more difficult to convince Brazil and Paraguay to release more water this year because Brazil is already concerned about low water levels in the country's reservoirs and the potential for shortages of electricity.

**Argentina grains exports snarled after port workers launch strike**

Reuters - Argentina's grains exports were snarled on Wednesday after port workers launched a strike over what they described as a lack of COVID-19 vaccinations among members, the head of the Port and Maritime Activities chamber told Reuters by telephone.

In a statement, the port worker unions said they had launched the 48-hour strike that will run until late Thursday over a lack of COVID-19 vaccinations among members.

Dock workers who prepare ships to sail were among those on strike, along with tugboat captains and sailors who guide cargo ships to and from port, according to the statement. "All shipping is stopped," Guillermo Wade, head of the CAPyM chamber said.

Argentina is the world's top exporter of processed soy and a major producer of corn and wheat.

**Argentine port workers say to hold another 48-hour strike next week**

Reuters - Argentina's grains exports remained paralyzed on Thursday due to a strike by port workers demanding to be vaccinated against COVID-19, with the labor groups threatening another 48-hour work stoppage next week. Argentina's Port and Maritime Activities chamber told Reuters the strike on Wednesday and Thursday had halted port activity. Industry leaders agree port workers should be protected from COVID-19, but Argentina's vaccination program has had a slow roll-out.
After a meeting with government officials late on Wednesday, the unions issued a statement saying they would "continue the struggle to protect our health and are ready to call a new 48-hour strike starting at 00:00 hours on Wednesday May 26."

Dock workers who prepare ships to sail after being loaded were among those on strike, along with tugboat captains and sailors who guide cargo ships to and from port. In addition, dock-side grains inspectors represented by the powerful Urgara union said on Wednesday they were joining the work stoppage.

Port workers are "essential" to the economy, and thus entitled to be vaccinated, the unions have said.

A spokesman for the health ministry did not respond to a request for comment.

"We as an industry recognize that all employees must be vaccinated. The government is trying to handle the situation as best it can. It is important for the ports to continue operating while coordinating future vaccination programs," said Gustavo Idigoras, head of the CIARA-CEC chamber of export companies.

Argentina is the world's top exporter of soymeal livestock feed, used to fatten hogs and poultry form Europe to Southeast Asia. The South American grains powerhouse is also the world's No. 3 corn supplier and a major wheat exporter.

The strike hits during the high export season as Argentine growers harvest their main cash crops of soybeans and corn. Agriculture is Argentina's main source of export dollars as the country struggles to get out of a three-year recession that has been exacerbated by the COVID-19 pandemic.

**GOVERNMENT**

- **Argentina's new biofuels law could increase soyoil export capacity**

The potential approval of a draft bill to set a new biofuels law with new blending mandates is likely to increase the volume of soyoil available for export from the country, Victor Castro, director at Argentine biodiesel producers' lobby Carbio, said.

"This will certainly impact Argentina’s soyoil exports as the volume of soyoil which will not be used for biodiesel production will have to go to the export market. An additional 500,000 mts of soyoil will be oriented to the export market if the new regulation is approved," Castro said. "Argentina has a share of 50% of the global soyoil export market and the increased offer of these 500,000 mt will also have an impact on the Argentina soyoil FOB price," the executive said.

However, the new biofuels law is unlikely to have an impact on exports of Argentine biodiesel as biofuels produced to fulfill the new blending mandate is produced by SMEs that are not able to send their production into the export market, Castro said.

Argentina’s current biodiesel law, which was set to expire on May 12th but was extended by a government decree for an additional two-month period, currently has a mandate of 12% for bioethanol in gasoline and 10% for biodiesel in diesel.

The decree stipulates that the current biodiesel law will now remain valid until the 12th of July or "until a new biofuels regulatory framework comes into effect, whichever comes first."

The draft bill being advocated by lawmakers from Argentina's ruling coalition Frente de Todos, stipulates that the biodiesel mandate will be reduced to 5% although the Energy Secretariat would have the flexibility to increase the blending mandate or reduce it to as low as 3% depending on market conditions.

The bioethanol mandate will remain at 12%, with a division of 6% for sugarcane-based ethanol and 6% from corn-based ethanol. The bill stipulates that the ethanol mandate could also be increased or reduced by the Energy Secretariat depending on certain market conditions.

The bill stipulates that the new biodiesel regulation will be valid until the end of 2030, with the measures being implemented as the country battles domestic inflation and the sliding value of the peso against other international currencies.

Claudio Molina, executive director of Argentina’s Biofuels Association told Agricensus that oil companies are not currently meeting the blending mandates stipulated in the biofuels law.

**Argentina farm tensions build over government beef export ban**

Reuters - Argentine farm groups will halt trading of livestock in protest against a 30-day government ban on beef exports aimed at bringing down domestic prices, the country's main producer groups said in a joint statement on Tuesday.

The South American country's center-left Peronist government unveiled the 'emergency measure' to tamp down high inflation on Monday, putting it on a potential collision course with the powerful farm sector that drives exports.

"Producers reject an export closure that will undoubtedly harm all of Argentina," the country's four main rural associations said in a statement announcing a nine-day halt in livestock trading starting on Thursday in protest.

The standoff underscores the fragile balance the government needs to strike between supporting farm exports that bring in much-needed foreign currency and bringing down damaging runaway inflation that is set to near 50% this year.

The farm sector, dominated by grains including soy and wheat, has a history of clashes with Peronist governments over tax hikes and export caps, including with former President Cristina Fernandez de Kirchner, who is now Vice President.

**China Exports** - Argentina is the world’s No. 5 beef exporter and has been increasing sales to markets like China, which has bolstered the country’s ranchers, but stoked fears about inflation, especially with poverty levels soaring amid a long recession.

President Alberto Fernandez has in recent weeks criticized rising local beef prices and pointed to profit making by exporters who can charge higher prices to overseas buyers.
Omar Perotti, the governor of important farming province Santa Fe and part of the ruling coalition, said that the export ban was not the way forward and that it could harm the sector. "The solution is to increase production and not close exports," he wrote on Twitter. "We have the conditions to supply the internal and external market, maintaining the possibility of exporting our products to the world."

Argentina is famed for its cattle ranches and sizzling cuts of steak, which are a central part of the local social fabric, with many gatherings of families and friends held around the "parrilla" barbecue grill at the weekend.

However, rising meat costs have come under fierce scrutiny in recent months. Some consumers - already hit hard by three straight years of recession - say they are no longer able to afford beef. Inflation has sapped growth and spending power.

**Argentine farm groups probe grain sales halt over beef export ban**

Farmers in Argentina have threatened to target grain sales in an escalating dispute with the country’s government over the imposition of a temporary ban on beef exports, a source at the local rural lobby group CRA has said.

"Halting grain commercialization is a possibility that is under analysis. Farmers are really angry about the beef export ban and are asking the sector’s entities to include the suspension of grain sales in the protest action," the source said, stating that CRA would discuss the possibility with other rural lobbies including the Rural Society, FAA and Coninagro.

According to a report published by local newspaper La Nacion, the head of farming association Carbap, Horacio Salaverri, said the association has proposed adding the cessation of grain sales to the ongoing protests being carried out by farmers.

The decision, which was made official on the 20th of May, exempts beef exports under certain quotas to Europe and the United States.

The country’s main agricultural entities confirmed they will cease commercialization of cattle during the 9 days starting on May 20th and added that the government’s export ban will have no effect on domestic prices and could negatively affect beef stocks in the medium term.

**Philippines lowers pork tariffs and raises quota volume**

Responding to surging pork prices due to African swine fever’s devastating impact on the hog sector, the Philippines has temporarily lowered pork tariff rates and increased the quota volume.

On the 15th of May 2021, President Duterte issued Executive Order 133, setting pork tariffs significantly lower than the original 30% in-quota and 40% out-quota rates.

EO 134 follows considerable pushback by domestic industry and Congress to Executive Order 128, which the President issued on April 7, 2021 and set rates at 5 percentage points lower than EO 134.

The President also issued Executive Order 133 on the 11th of May 2021, raising the Minimum Access Volume or tariff rate quota of pork imports from 54,210 mts to 254,210 mts.

**International Crop & Weather Highlights**

**USDA/WAOB Joint Agricultural Weather Facility – 15th May 2021**

**Europe** – Additional Timely Rain
- Additional timely rain improved moisture for reproductive winter wheat and rapeseed in England and France while maintaining good early-season prospects for winter crops elsewhere.
- Despite the wet weather pattern, dry and warm conditions in northeastern Europe eased developmental delays for winter grains and oilseeds brought on by a recent cold spell.

**Western FSU** – Cool And Drier In Ukraine, Soaking Rain In Russia
- Cool but dry weather in Ukraine favored vegetative to reproductive winter wheat, barley, and rapeseed.
- Heavy rain in western Russia slowed spring grain and summer crop planting but maintained good prospects for reproductive (south) to vegetative (north) winter wheat.

**Eastern FSU** – Hot And Mostly Dry
- Hot, mostly dry weather accelerated wheat and barley sowing in northern Kazakhstan and central Russia but further depleted topsoil moisture, although some showers grazed southern grain areas.
- Widely scattered showers in Uzbekistan and environs caused localized cotton planting delays.

**Middle East** – Dryness And Heat Lingered
- 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.

**South Asia** – Tropical Cyclone Tauktae
- Tropical Cyclone Tauktae approached the western coast of India, as the periphery of the storm produced heavy showers in Kerala.
- Growers across India continued to prepare fields for the start of the main growing season.

**East Asia** – Beneficial Showers
- Wet weather across eastern and southern China benefited establishment of recently-planted summer crops as well as reproductive early-crop rice.

**Southeast Asia** – Southwest Monsoon
- The southwest monsoon was underway across Thailand and environs as well as the Philippines, encouraging sowing of rice, corn, and other seasonal crops.

**Australia** – Welcome Rain In The Southeast
- In the west, sunny skies and abundant topsoil moisture were ideal for early winter crop development.
- Needed rain arrived in the southeast, helping to trigger winter crop germination and emergence.
- In the northeast, showers benefited winter wheat but slowed local summer crop harvesting.

**South America** – Dry Weather Dominated Argentina And Brazil
- Dry weather persisted throughout Brazil’s main farming areas, further reducing moisture for immature second-crop corn and cotton.
- In Argentina, conditions favored harvesting of summer grains, oilseeds, and cotton.

**Mexico** – Beneficial Rain Overspread The Southern Plateau
- Locally heavy showers provided much-needed moisture for germinating corn.

**Canada** – Dryness Favored Spring Fieldwork
- Conditions favored spring grain and oilseed planting across the Prairies, though moisture remained limited for normal establishment. Rain benefited corn and other emerging summer crops in eastern sections of the southern plateau.


**U.S. National Agricultural Summary 10 – 16 May 2021**

Weekly National Agricultural Highlights Summary provided by USDA/NASS

Most of the Nation remained drier than normal, but parts of the central Plains, Gulf Coast, Rockies, Southeast, and Texas received at least twice the normal amount of rain. Above-normal precipitation was also observed in portions of Ohio and Pennsylvania. Some locations in Louisiana near the Gulf Coast received more than 6 inches.

Meanwhile, much of the central and eastern U.S. was cooler than normal. Large sections of the Great Lakes, Great Plains, mid-Atlantic, and Mississippi Valley recorded temperatures 6°F or more below normal. In contrast, most of the western one-third of the nation was warmer than normal. Parts of California, the Pacific Northwest, and the Southwest recorded temperatures 6°F or more above normal.

**Corn:** By May 16, producers had planted 80% of the nation’s corn, 2 percentage points ahead of last year and 12 points ahead of the 5-year average. 94% of Iowa’s intended corn acreage was planted by week’s end, 1 percentage point behind last year but 13 points ahead of average. 41% percent of the nation’s corn acreage had emerged by May 16th, 1 percentage point ahead of the previous year and 6 points ahead of average.

**Soybean:** 61% of the nation’s soybean acreage was planted by May 16th, 10 percentage points ahead of last year and 24 points ahead of the 5-year average. Soybean planting progress was ahead of average in 17 of the 18 estimating states at the end of the week. 20% of the nation’s soybeans had emerged by May 16th, 4 percentage points ahead of last year and 8 points ahead of average.

**Winter Wheat:** By May 16, 33% of the nation’s winter wheat was headed, 1 percentage point behind the previous year and 5 points behind the 5-year average. On May 16th, 48% of the 2021 winter wheat crop was reported in good to excellent condition, 1 percentage point below the previous week and 4 points below the same time last year. In Kansas, the largest winter wheat-producing state, 54 percent of the winter wheat was rated in good to excellent condition.

**Cotton:** Nationwide, 38% of the cotton was planted by May 16th, 4 percentage points behind the previous year and 2 points behind the 5-year average. Progress was furthest advanced in Arizona and California, with 87 and 85 percent planted, respectively.

**Sorghum:** 27% of the nation’s sorghum was planted by May 16th, 4 percentage points behind the previous year and 5 points behind the 5-year average. Texas had planted 73% of its sorghum acreage by May 16th, 6 percentage points behind both last year and the 5-year average.

**Rice:** By May 16th, producers had seeded 87% of the nation’s 2021 rice acreage, 8 percentage points ahead of the previous year and 6 points ahead of the 5-year average. At the end of the week, planting progress was ahead of average in five of the six estimating states. By May 16th, 63% of the nation’s rice had emerged, 8 percentage points ahead of last year but 1 point behind average. On May 16th, 74% of the nation’s rice was rated in good to excellent condition, 11 percentage points above the same time last year.

**Small Grains:** Nationally, oat producers had seeded 92% of this year’s acreage by May 16th, 7 percentage points ahead of the previous year and 8 points ahead of the 5-year average. Oat planting progress was at or ahead of average in eight of the nine estimating states. 73% of the nation’s oats had emerged by May 16th, 6 percentage points ahead of last year and 7 points ahead of average. On May 16th, 49% of the nation’s oat acreage was rated in good to excellent condition, 2 percentage points above the previous week but 26 points below the same time last year. 83% of the nation’s barley was planted by May 16th, 13 percentage points ahead of last year and 7 points ahead of the 5-year average. Progress was furthest advanced in Idaho and Washington, both with 98 percent planted by week’s end. 50% of the nation’s barley had emerged by May 16th, 9 percentage points ahead of the previous year and 6 points ahead of average.

By May 16, 85% of the nation’s spring wheat had been seeded, 28 percentage points ahead of last year and 14 points ahead of the 5-year average. Planting progress was...
at or ahead of average in all six estimating states. By May 16th, 47 percent of the nation’s spring wheat had emerged, 19 percentage points ahead of the previous year and 11 points ahead of average.

Other Crops: Nationally, producers had planted 40% of the 2021 peanut acreage by May 16th, 3 percentage points behind the previous year and 9 points behind the 5-year average. Producers in Georgia, the largest peanut-producing state, had planted 42% of the 2021 intended acreage by week’s end, 3 percentage points behind the previous year and 11 points behind average. 6% of the nation’s intended 2021 sunflower acreage was planted by May 16th, 2 percentage points ahead of last year but 1 point behind the 5-year average.

- U.S. Agricultural Weather Highlights – Friday 21st May 2021

In the West, a slow-moving storm system over the Intermountain region is resulting in cool conditions and scattered rain and snow showers. The showers are providing a slight boost in topsoil moisture and are highly beneficial for rain-fed crops and drought-affected rangeland and pastures; however, Western drought remains deeply entrenched. According to the May 18 U.S. Drought Monitor, extreme to exceptional drought (D3 to D4) covers 53% of the 11-state Western region.

On the Plains, cold air, accompanied by drought-easing rain and snow showers, continues to settle across Montana and portions of neighboring states. This morning’s low temperatures fell to 25°F or below across the central one-third of Montana. Elsewhere, rain showers are providing localized drought relief in the Dakotas, while warm, dry weather favors fieldwork and crop development on the central and southern Plains.

In the Corn Belt, rain showers extend northward from Missouri into the upper Great Lakes region, slowing fieldwork but generally benefiting recently planted corn and soybeans. Meanwhile, warm, dry weather across the eastern Corn Belt is promoting planting activities, as well as corn and soybean germination and early-season growth.

In the South, moderate to locally major flooding continues along several rivers in the western half of the Gulf Coast region, primarily across eastern Texas and southern Louisiana. For example, the lower portion of the Neches River in eastern Texas has climbed to its highest level since the Hurricane Harvey-induced flood of 2017. Currently, locally heavy showers continue in that portion of the Gulf Coast region, where Lake Charles, Louisiana, reported 16.73 inches of rain from May 17-20. In stark contrast, warm, dry weather is further reducing Southeastern topsoil moisture reserves.

Outlook: A disturbance over the western Gulf of Mexico has a slight chance of becoming a tropical cyclone before moving inland tonight. Regardless of development, the disturbance could spark another round of heavy rain in already flooded areas across eastern Texas and southern Louisiana. During the weekend, the interaction between a plume of tropical moisture and a storm system emerging from the western U.S. will result in rain and snow showers across the Intermountain West; scattered showers and thunderstorms in the nation’s mid-section; and the potential for heavy precipitation (locally 1 to 3 inches) on the drought-affected northern Plains. In contrast, warm, dry weather will prevail during the next 5 days throughout the Southeast. Dry weather will also cover much of California and the Desert Southwest. The NWS 6- to 10-day outlook for May 26 – 30 calls for the likelihood of warmer-than-normal weather from the central and southern Rockies to the Atlantic Coast, while near- or below-normal temperatures will prevail in the Far West and from the northern Rockies into the upper Great Lakes region. Meanwhile, wetter-than-normal conditions across large sections of the Plains and Midwest should contrast with near or below-normal precipitation in the West, Deep South, and Atlantic Coast States.

Web Site: https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf

- Reference: 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
May Crop Calendar

*Crop stage sensitive to moisture and temperature stresses.

USDA FAS OGA – May Crop Calendar

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