Notes and Observations in International Commodity Markets

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by Guy H. Allen – Senior Economist, International Grains Program, Kansas State University


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Commodities have a mixed week, as Chinese Yuan Reaches a Three-Year High

GHA – On Friday, July corn traded firmer before succumbing to late session selling. Soybeans and winter wheat markets were under pressure for much of the day, closing lower, while Minneapolis wheat bucked the bearish trend, finishing higher on freeze and dryness concerns.

New crop corn sales continue to increase to record levels due to forward purchasing activity by China. Looking back the past 20 years, the largest new crop corn book seen by early June was approximately 5.8 mmts in 2012. After this week’s reports, we are likely to be in excess of 14.25 mmts heading into 2021/22.

Oilseed complex was relatively quiet on Friday.
The Chinese yuan extended this week’s rally up to a new 3-year high of 6.3630 yuan/USD. The yuan is climbing on signs the People’s Bank of China may tolerate a stronger yuan to contain the recent increase in price pressures. The yuan has been climbing since last Friday when a PBOC official said in an article published by China Finance, a magazine run by the PBOC, that China should let the yuan appreciate to offset the rising cost of commodity imports.

On Friday, the June U.S. Dollar Index was trading up 0.056 at 90.015. The Dow Jones Industrial Average is up 112.8 points at 34,577.45. June gold is up $5.00 at $1,900.70, July silver is down $0.01 at $27.94 and July copper is up $0.0040 at $4.6670. July crude oil is down $0.51 at $66.34, July heating oil is down $0.0164, July RBOB is down $0.0174 and July natural gas is up $0.027.

U.S. market participants are looking for a long three-day Memorial Day weekend break ahead of next week’s activity!

- **China’s U.S. corn demand yet to disappoint despite lurking doubts**
  
  *Braun, Reuters* - Earlier this month, USDA projected China would import 26 mmts of corn in 2021/22, the same as this year. China’s known U.S. purchases through May 20 cover 41% of next year’s expected needs.

  Some market-watchers have noted the timing of the recent purchases ahead of Thursday’s discussion between China’s Vice Premier Liu He and U.S. Trade Representative Katherine Tai, their first virtual call. A Chinese commerce ministry spokesman told the press after the meeting that China and the United States should work together to push for the implementation of the Phase 1 trade deal.

  That deal, signed in January 2020, suggested China would significantly boost U.S. farm imports. Despite strong purchases, China missed its 2020 target. The 2021 goal is even larger, but the Biden administration has so far been relatively quiet on this topic.

  Traders have been waiting for larger U.S. corn volumes to start heading to China in order to ship the entire book by August 31st. USDA’s export sales report on Thursday showed shipments to China in the week ending the 20th of May reached 847,000 mts, the second largest of the year after the prior week’s 1.01 mmts.

  Exports do not have to be that high to fulfill China’s 9.4 mmts outstanding balance by August 31st, as the required weekly average from now until then is about 650,000 mts.

  FY 2021 U.S. grain and feed exports are forecast at a record $41.2 billion, up $3.4 billion from the February forecast, driven by corn and sorghum. Corn exports are forecast at $17.2 billion, up $3.2 billion, reflecting the record volume and higher unit values. U.S. exports to countries in Asia, North Africa, the Middle East, and the Western Hemisphere have been robust due to competitive prices and limited supplies from other exporters.

  Foreign demand for U.S. corn is expected to remain strong and is supported by unfavorable crop prospects in South America, in particular for second crop corn in southern Brazil.

  Sorghum exports are forecast at $2.4 billion, up $300 million on both higher unit values and volumes driven by demand from China.

  Feed and fodder exports are unchanged at $8.1 billion as higher unit values offset lower volumes.

  Wheat exports are forecast at $6.9 billion, unchanged from the previous forecast. Unit values have surged higher due to dry growing conditions in some Northern Hemisphere wheat areas and rising corn prices. However, this is offset by a lower export volume forecast. Tighter U.S. wheat supplies and uncompetitive prices, relative to other major exporters, are expected to limit prospects for new-crop wheat exports.

  Rice exports are forecast at $2 billion, unchanged from the February forecast. Higher exports to the Western Hemisphere and Africa are offset by weaker sales to the Middle East.

  FY 2021 oilseed and product exports are forecast at a record $40.6 billion, up $2.3 billion from the February forecast.

  Soybeans account for the majority of the gains, as values are forecast up $1.5 billion to a record $28.9 billion. Soybean export volumes are forecast at record levels due to surging demand from China. Tight U.S. stocks are driving prices higher. Soybean meal exports, also at record levels, are up $300 million to $6.0 billion on higher unit values only. Soybean oil exports are forecast at $1.2 billion, unchanged from the previous forecast.

  FY 2021 cotton exports are forecast up $200 million from the February forecast to $6.1 billion on higher volumes. Rising global use in major consuming countries including China, Vietnam, and Pakistan has propelled recent shipments.

  Overall livestock, poultry, and dairy exports are projected to increase to $34.2 billion, $1.6 billion higher than the February projection, due to increases in the dairy, pork, and beef forecasts.

  Dairy exports are forecast at $7.0 billion, up $500 million due to higher volumes and unit values, particularly for skimmed milk powder and whey and whey products.

  The forecast for pork exports is up $400 million, on higher unit values and recovering demand in several markets. Beef and veal, beef and pork variety meat, and poultry and product exports are projected up $200 million each.

  The forecast for horticultural exports is reduced by $400 million to $34.1 billion due to lower tree nut unit values.
Exports for China are raised $3.5 billion from the February forecast to a record $35.0 billion due to record shipments of soybeans, corn, tree nuts, beef, wheat, and poultry products. China is forecast to remain the largest market for U.S. agricultural exports in FY 2021, followed by Canada and Mexico.

U.S. agricultural imports in FY 2021 are projected at $141.8 billion, up $4.3 billion from the February forecast. This increase is primarily driven by expected rising imports of livestock, horticultural, and sugar and tropical products.

Asia

The export forecast for China is raised $3.5 billion from February to a new record high of $35.0 billion. Six months into the fiscal year, U.S. shipments of soybeans, corn, tree nuts, beef, wheat, and chicken paws have remained at record levels, while total U.S. agricultural exports to China reached $22.2 billion, 179% higher than the same period last year. Outstanding sales of corn remain at unprecedented levels.

Forecast exports to Taiwan and South Korea are up $100 million and $300 million, respectively, based on strong corn and soybean sales to date.

Exports to Southeast Asia are forecast higher by a collective $500 million. Vietnam accounts for $300 million of the increase due to higher shipments of soybeans, corn, and soybean meal. The export forecast for Indonesia and the Philippines are each projected up $100 million, buoyed by strong soybean meal performance and, in the case of Indonesia, surging soybean exports as well. The export forecast to India is lowered by $200 million due to weaker-than-expected tree nut shipments.

Western Hemisphere

The export forecast for Canada is raised by $600 million to $21.6 billion on account of robust horticultural product, soybean oil, and soybean sales.

Forecast exports to Central America and Caribbean are raised by $300 million and $100 million, respectively, on the strength of corn and soybean meal shipments.

Forecast exports to South America are up $500 million, driven by higher projections for Peru (corn), Venezuela (rice, soybean meal, and soybean oil), and Brazil (rice and horticultural products).

Europe, Africa, the Middle East, and Oceania

Exports to Other Europe are projected up $200 million on higher-than-expected horticultural product and soybean sales to Switzerland.

Forecast exports to Turkey are reduced by $200 million due to lower-than-expected cotton and tree nut shipments.

The export forecast for North Africa is up $900 million, led by a $500 million rise in export forecast for Egypt, underpinned by strong soybean, corn, and wheat sales. Bourgeoning corn shipments to Morocco, Tunisia, and Algeria are behind the remaining $400-million increase.

The forecasts in this report are based on information available at the time of the May 12 World Agricultural Supply and Demand Estimates (WASDE) release. Further, the adoption of the World Trade Organization (WTO)’s internationally recognized definition of “agricultural products” will take effect in the August release.

- **IGC expects fifth consecutive drawdown of grain stocks**

IGC - Despite an anticipated 72 mmts increase in total world grain production in 2021/22, a fifth annual drawdown of grains stocks is anticipated, according to the International Grains Council (IGC) May Grain Market Report.

Total grain production is estimated at 2.292 billion mts, up from a downward revised estimate of 2.22 billion mts in 2020/21. The increased projection for global production partly offsets tighter beginning stocks.

Led by higher use of wheat and corn, global consumption is estimated to increase 59 mmts, to 2.297 billion mts, the IGC said. Ending stocks are estimated 15 mmts lower month-over-month to a seven-year low of 595 mmts.

While China’s grain imports are expected to remain high, they may not match the 2020/21 season, the IGC said, contributing to the first drop in world grains trade in three years to 415 mmts in 2021/22.

Total grain production for 2020-21 was revised downward to 2.22 billion mts mainly because of a downgrade for Brazilian corn. That is still a 35 mmts increase from 2019/20. The increased supply is expected to be more than absorbed by higher consumption, the IGC said, leading to the fourth consecutive drawdown of stocks.

World trade is estimated at an all-time high of 420 mmts, a 26 mmts y/o/y increase, led by higher-than-expected imports by China, the IGC said.

Soybean production in 2020-21 is estimated at 361 mmts, up 7% year-over-year. Because of smaller carry-ins and record consumption, stocks are expected to contract for a second successive year, the IGC said.

High prices are expected to encourage larger plantings pushing world output in 2021/22 to expand 6% year-over-year to 383 mmts.

**US DOLLAR & FOREIGN EXCHANGE**

- **US Dollar Index Posts A 1½ Week High On Strong U.S. Economic Data**

The dollar index (DXY00) on Friday rose to a 1-1/2 week high. The dollar garnered support Friday from better-than-expected U.S. economic data that is hawkish for Fed policy. The dollar’s upside was contained Friday from higher U.S. stock index futures, which reduced the liquidity demand for the dollar, along with strength in the Chinese yuan, which climbed to a 3-year high against the dollar.

The dollar index on Friday rose +0.064 (+0.07%). June euro-fx futures closed up +0.0002 (+0.02%), and EUR/USD rose +0.0002 (+0.02%). June yen futures closed up +0.0005 (+0.01%), and USD/JPY fell -0.01 (-0.01%).
EUR/USD rebounded from a 1-1/2 week low Friday and was little changed on better-than-expected Eurozone economic data. USD/JPY fell back from a new 1-1/2 month high Friday and was little changed as the yen recovered from early losses after T-note yields declined.

Friday’s US economic data was supportive of the dollar. US April personal spending rose +0.5% m/m, right on expectations. Apr personal income fell a record -13.1% m/m (data from 1946), although it was stronger than expectations of -14.2% m/m. Also, the Apr PCE core deflator rose +3.1% y/y, stronger than expectations of +2.9% y/y and the largest increase in 29 years. In addition, the May MNI Chicago PMI unexpectedly rose +3.1 to a 47-1/2 year high of 75.2, stronger than expectations of a decline to 68.0.

A decline in T-note yields was negative for the dollar after the 10-year T-note yield on Friday fell -1.7 bp to 1.589%, which weakened the dollar’s interest rate differentials. 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 11-1/4 month low of 23,073 on Thursday. Globally, Covid infections have risen above 169.719 million, with deaths exceeding 3.527 million.

EUR/USD on Friday recovered from a 1-1/2 week low and posted modest gains. Friday’s Eurozone economic data was hawkish for ECB policy and bullish for EUR/USD. Eurozone May economic confidence rose +4.0 to a 3-1/3 year high of 114.5, stronger than expectations of 112.3. Also, the German Apr import price index rose +10.3% y/y, stronger than expectations of +9.9% y/y and the fastest pace of increase in 10-1/3 years.

EUR/USD on Friday initially fell to a 1-1/2 week low after ECB Executive Board member Schnabel signaled the ECB would maintain its pace of bond buying when she said higher bond yields are a "natural development at a turning point in the recovery," but a premature withdrawal of monetary or fiscal support would be a mistake, and that new data must be assessed before deciding on the pace of bond buying.

USD/JPY on Friday fell back from a 1-1/2 month high and was little changed. A decline in T-note yields on Friday sparked short-covering in the yen. USD/JPY initially rose to a 1-1/2 month high Friday as the yen weakened when Japanese Prime Minister Suga extended a state of emergency from May 31 to June 20 for Tokyo, Osaka, and seven other prefectures that compromise half of Japan’s economy in an attempt to slow the pandemic. Friday’s economic data was also negative for the yen after the Japan Apr jobless rate rose +0.2 to 2.8%, showing a weaker labor market than expectations of 2.7%.

The Chinese yuan on Friday extended this week’s rally up to a new 3-year high of 6.3630 yuan/USD. The yuan is climbing on signs the People's Bank of China (PBOC) may tolerate a stronger yuan to contain the recent increase in price pressures. China's Securities Times newspaper reported Thursday that the PBOC has exited regular intervention in the yuan exchange rate and is more tolerant with fluctuations in the currency and that the market should decide the yuan exchange rate in the long term. The yuan has been climbing since last Friday when a PBOC official said in an article published by China Finance, a magazine run by the PBOC, that China should let the yuan appreciate to offset the rising cost of commodity imports.

**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.
China's massive livestock sector is set to snap up millions of tonnes of wheat from the country's winter harvest that began this month, extending a run of crop-switching in animal feed and further cooling demand for corn imports.

At the same time, China's feed sector purchased record volumes of cheaper wheat from the 2020/21 season for use as a substitute for corn, traditionally the main grain in animal rations. "Feed demand for wheat is expected to remain very high in the new crop year, as wheat still has obvious advantages against old corn, based on current prices," said Li Hongchao, a senior analyst with trade website Myagric.com.

While China caps low-tariff corn imports at 7.2 mmits a season, buyers imported a record 11.29 mmits in calendar 2020, mainly from the United States, as high domestic prices made imports economical even when paying tariffs.

Feed lots began large-scale wheat substitution from late 2020, effectively easing tight corn supplies and securing domestic feed grain supplies, said Qi Chiming, an analyst with the China National Grain & Oils Information Center (CNGOIC), an official think tank. The new wheat crop is expected to further dim demand for imports, with CNGOIC predicting a record harvest in 2021 of 136.4 mmits.

"We are waiting for the new wheat and will buy whenever there is an opportunity," said a purchasing manager with a major poultry producer in northern China, who declined to be named as he was not authorized to talk to the media.

"The grain production will keep increasing and China's food security will be absolutely guaranteed during the 14th Five-Year Plan period," said Mei Xurong, vice president of the Chinese Academy of Agricultural Sciences and International Food Policy Research Institute, forecasts the country's total grain production at 692 mmits by that year. China's overall grain output in 2020 was 669 mmits, the report said.

"The grain production will keep increasing and China's food security will be absolutely guaranteed during the 14th Five-Year Plan period," said Mei Xurong, vice president of the Chinese Academy of Agricultural Sciences. The five-year plan runs from 2021 to 2025.

China, the world's biggest wheat and rice producer, will continue to dominate global production in those two food grains. The USDA's Foreign Agricultural Service (FAS) projects China's wheat production to reach an all-time high of 136 mmits in 2021/22. It also forecasts wheat imports at 10 mmits, the second highest on record.

The main 2021 wheat harvest began this month in central and southern China and will peak in June when crops in top producing regions including Henan, Shandong, and Jiangsu are gathered.

The quality of some of the new crop in Hubei province, the first major producer to harvest, was hurt by heavy rains, but remains appealing for feed use, industry sources said. "We have bought some new wheat in Hubei. Quality was not super good, but ok to use in aquaculture feed," said a purchase manager with a major feed producer in the south. "Just buy more. For one, there is inflation. Secondly, there is indeed supply shortage with domestic corn," said the manager, adding that they will continue to buy new wheat to fill any supply gap in July and August before the next corn harvest in the autumn.

To tame rising crop prices, China's state stockpiler auctioned off 42.95 mmits of wheat reserves from last October through early May, up more than 38 mmits from the previous year, according to CNGOIC, citing data from the National Grain Trade Center.

The think tank expects China's grain market tightness to further alleviate. "There is a lot of wheat. Don't hoard, or scramble for it. Supplies are sufficient," CNGOIC's Qi said. ($1 = 6.3679 Chinese yuan renminbi)
The FAS also sees China setting a record rice output in 2021/22 at 149 mmts, with imports coming in at 2.7 mmts, the second lowest total in the past 10 years.

The story is different, however, when it comes to soybeans and corn. Although China is projected to harvest a record soybean crop of 19 mmts in 2021/22, it still will remain far and away the largest importer with a record 103 mmts, according to the FAS.

It forecasts a record corn crop for China at 268 mmts in 2021/22 but also 26 mmts of imports, equaling this year’s record and nearly four times the amount it imported three years ago.

- **CME CBOT Wheat Futures**

  Divergent weather causing diverging futures Friday as wheat trading ended the session mixed, as spring wheat prices were in the black though winter wheat futures closed weaker. **CBOT July 2021 Wheat Futures** settled on Friday at $6.63¾/bu, off 12½ cents on the day, and losing 11 cents for the week.

  The weekly Commitment of Traders report showed managed money funds liquidated long SRW positions through the week ending the 25th of May. The report showed managed money was left 4,534 contracts net long. Commercial SRW positions reduced their coverage to the lightest since 12/21 at 88,023 contracts net short.

  Heavy rains to hit much of SRW and HRW areas, but with late crop development and wheat already booked for feed, this all looks good, especially for double crop beans.

- **CME KC HRW Wheat Futures**

  Kansas July 2021 HRW Wheat Futures settled on Friday at $6.14¾/bu, off 11½ cents on the day, and down 8¼ cents for the week.

  HRW continues to struggle in export market with combined old/new unshipped export sales at 58 mbus, -32% last year. Protein scales were steady.

  The weekly Commitment of Traders report showed HRW, managed money Open Interest was 9,527 contracts lighter wk/wk, though the risk off trading only left the group 2,599 contracts less net long.

  NOAA’s updated 7-day QPF shows more rainfall for Texas and Kansas wheat. Rainfall accumulation is forecasted to be at least 2.5” over the coming week, with some isolated pockets in TX getting more that 5”.

French soft wheat conditions at 80% +1% LW. Sovecon lowered their Russian wheat crop to 80.9 mmts from 81.7 mmts, due to smaller winter area and worsening weather for spring.

Russia will start its floating export tax on June 2nd. The initial tax was placed at $28.10/mt. The tax is calculated by the 7-day export price published by a panel of experts and published by the Moscow Commodity Exchange. The export tax is only good for loadings that week.
**MGE HRS Wheat Futures**

**MGE July 2021 HRS Wheat Futures** settled on Friday at $7.27½/bu, up 10¼ cents on the day, and gaining 27 cents for the week.

The weekly Commitment of Traders report spec traders also reduced the spring wheat net long over the week. Data showed funds were 14,669 contracts net long in HRS as of 5/25, down 1,746 contracts.

NWS 6-10 day forecast is back to hot and dry for Dakota’s and some frost/freeze warnings the next 2 nights are not helpful either, as 82% of spring crop remains in drought.

**Boost in US HRW production offers safety net for Brazil**

*Gro Intelligence* - As corn prices hit 10-year highs in Brazil, meatpackers have started using wheat as a feed grain in an effort to lower costs. But if the dry conditions that have wreaked havoc on the country’s corn crop impact domestic wheat production, this rise in demand means Brazil will find itself with a serious wheat shortfall.

Gro’s Hard Red Winter Wheat Yield Forecast Model points to an ample US harvest, which was confirmed by last week’s Wheat Quality Council Tour. US producers will therefore be trying to find markets for their bumper crop. Brazil, which relies heavily on imported US hard red winter wheat in short crop years, would provide a welcome market.

Brazil is one of the largest importers of wheat. Argentina is the main source, because of a long-standing import duty of 10% on wheat from outside the Mercosur trade bloc.

However, Brazil implemented an annual duty-free tariff rate quota (TRQ) of 750,000 mts of wheat imports in 2019.

Most wheat enters Brazil through its Northeastern ports, and Argentina wheat prices into those ports are still more competitive than US wheat even when it comes in duty-free. But high production in the US is likely to drive down prices, and the last time Brazil saw a poor wheat harvest, it turned to the US to make up the shortfall.

In 2013, when domestic wheat production declined 25%, Brazil imported a record 3.5 mmts of US wheat, versus the typical volumes of 100,000 mts or less.

**COARSE GRAINS**

**China’s Scrutiny of Corn Imports Spurs U.S. Cargo Cancellations**

*Bloomberg* - China is clamping down on some corn imports amid concern that overseas purchases have spiraled out of control, prompting several feed mills to cancel their U.S. cargoes.

Chinese customs authorities are restricting imports into free trade zones, which are not counted toward an official annual purchase quota, according to people with knowledge of the matter. The total U.S. corn cancellations are estimated to be less than 1 million tons, said two of the people, who asked not to be identified as the matter is private.

The crackdown is targeted at businesses that have set up blending facilities in the free trade zones, according to the people. These facilities allow the firms to mix the imported corn with other raw materials to produce livestock feed that allows them to profit from zero-tariff imports, the people said. Calls to Chinese customs outside business hours went unanswered.

Those canceled shipments are a small amount compared to more than 20 million tons of American corn that China has purchased this season. The Asian nation has been a key source of demand for the grain to feed its recovering hog herd, helping to push prices to multiyear highs. Imports from the U.S. have soared as Beijing also seeks to fulfill its trade deal commitments.

China allocates annual corn import quotas to state and private firms. State-owned Cofco Corp may at times receive an allowance to buy an additional amount that it resells domestically to private mills or to replenish state reserves. The quotas for 2021 are set at 7.2 mmts. Imports outside the quota are possible, but may incur tariffs of up to 65% of the purchase price. Shipments into bonded zones are exempt from duties.

The proliferation of businesses that are shipping corn into bonded zones and blending them for animal feed has alarmed authorities, who are seeking to control imports and maintain the quality of feed products.

Last month, Shandong province shut down a feed producer located at a local bonded zone after its product was found to have fallen short of protein requirements. The plant mainly blended corn with a low amount of distillers dried grains, or DDGS, said one of the people.
All the cancellations will be of old U.S. corn crop from the 2020/21 marketing year, the people said. More than 15 mmts of American corn have been purchased for state stockpiles from old and new crops, two of the people said.

CORN

- **CME CBOT Corn Futures**

  CME Corn July 2021 closed on Friday at $6.56/bu, down 8½ cents on the day, but mostly unchanged for the week. Corn futures head into the Memorial Day weekend in the red, after futures corrected back from the Thursday gains. Old crop prices were 7¾ to 12¼ cents lower at the close.

  The weekly data release from CFTC showed corn spec traders had reduced their net long by 22,934 contracts through the week ending 5/25. The managed money long liquidation left the group 268,091 contracts net long, the weakest net long since December 21st. Commercials reportedly also covered shorts through the week, reducing their net short by 33,625 contracts to 594,313.

  CIF NOLA and barge freight remain clearly above DVE for all summer positions, as the eastern corn belt levels were impressively high as well.

  North Dakota cannot catch a break between early season dryness, wind shearing off crops to now frost. It will hard will it be for end users to buy corn with a persistent drought.

  Safras and Mercado updated their output forecast for Brazil’s corn crop to 95.2 mmts, which is a sharp 8.94 mmts below their previous estimate.

  The U.S. Grains Council released their 2020/21 export quality report for grain shipments MYTD. The report noted corn export quality was notably better compared to 2019/20, with higher test weight and lower BCFM specifically.

- **CME Corn December 2021**

  New crop contract settled on Friday at $5.45½/bu, down 9 ½ cents on the day, and off a penny for the week. New crop prices ended the last trade day of May with 8¼ to 9½ cent losses.

BARLEY

- **WTO creates panel in China-Australia barley row**

  Reuters - The World Trade Organization (WTO) agreed on Friday to establish a dispute settlement panel to resolve a row over anti-dumping and countervailing duties imposed by China on Australian barley, a trade source attending the meeting said.

  Australia launched a formal appeal to the WTO last year, seeking a review of China’s decision to impose hefty tariffs on imports of Australian barley, one of several current sources of friction between the two countries.

  “The DSB agreed to the establishment of a panel,” said the Geneva-based trade source who attended the private meeting of the WTO’s dispute settlement body.

  Australian Trade Minister Dan Tehan said earlier it would submit a request for a panel. Its first request for adjudication was blocked by China last month. However, Tehan said that Australia remained “open to further discussions with China with a view to resolving this issue”.

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China said at the meeting it was confident that its duty measures would be found to be consistent with WTO requirements, the trade source said. It also remained open to continued talks on the matter.

The panel typically concludes in six months although its conclusions are subject to appeal.

Australia's formal trade dispute submission in December was one of just five such requests made in 2020, WTO data showed, down from 20 the previous year.

The WTO's top adjudication panel, the Appellate Body, is currently paralysed after the administration of former U.S. President Donald Trump blocked new judge appointments.

**GRAIN SORGHUM**

- **U.S. sorghum set for record-breaking crop**

  *Texas FB* - U.S. sorghum appears set to bring in the most valuable sorghum crop in history this fall if predictions from the USDA WASDE Report hold true.

  USDA expects the 2021 U.S. sorghum crop to yield about 427 million bushels.

  While that is not a large crop by historic standards, the total value of the crop would be the largest ever if the projected price of $6.10 per bushel comes to fruition, according to National Sorghum Producers

  Demand, inflation and smaller crops in other parts of the world all contribute to the situation, National Sorghum Producer Executive Vice President John Duff said.

  Tightening supplies in global corn and soybean balances have led to an increase in those commodity prices, as well as for sorghum. Duff noted soybean prices are at a high not seen since 2012, when a vast majority of the U.S. was gripped by drought.

  Demand is strong right now, with Duff calling China's grain purchases "nothing short of spectacular. With the double whammy of demand that occurred when China substituted pigs wiped out by African swine fever with chickens, replaced the pigs and kept feeding the chickens, that country's grain needs have been insatiable," he wrote in a recent Southwest Farm Press commentary. "In addition, with millions still emerging from lockdown across the globe, there's a lot of pent-up demand, the effects of which we've only just begun to feel."

  The last time sorghum brought this much of a premium over corn, Duff said corn acres jumped and demand diminished. That drastically reduced sorghum prices and contracted the market. But this time, the U.S. seems to just be reaching the level of production needed to achieve sustainable growth. Dunn cautioned his prediction may not hold up in the long run, but he remains optimistic on sorghum's outlook.

  “Demand is real, and the growth there isn’t going away. And supplies are tight for the time being,” he said. “As long as farmers keep the fragility in mind and sell when they can lock in a profit, they’ll find ways to meet the needs of the world regardless of where the market goes.”

**ETHANOL**

- **CME Ethanol Futures**

  CME Ethanol June 2021 closed on Friday at $2.385/gallon, up 9½ cents on the day, but mostly unchanged for the week.

  Nearby cash ethanol outside of Chicago has been weak, especially spot R11-12 under Argo ITT or -.0225 under June CU, while mid-summer R11 ethanol basis decently strong +.02-+.03 prem to Argo on the back of summer corn basis strength.

  Wednesday's Energy Information Administration report showed overall ethanol plant production for the week ended May 21 dropped from a better-than one-year high, down 21,000 barrels per day (bpd) or 2% to 1.011 million bpd while the four-week average output was at 994,000 bpd.

  In their weekly DDGS export price update, the U.S. Grains Council said, “On the export front, DDGS prices are lower this week. Barge CIF NOLA prices are $25 per metric ton (mt) lower while FOB Gulf offers are down $35/mt at $270/mt for spot shipment. Prices for 40-foot containers to Southeast Asia are steady as the container market remains exceptionally tight with offers averaging $370/MT this week.”

  The average price for US domestic DDG’s from the 39 locations DTN contacted with spot offers for the week ending the 27th of May was $218/ton, down $14 from one week ago. DDG prices dropped lower this week despite the limit-up move in corn Thursday, but DDG prices are following the weakness in corn earlier in the week and the lower soybean meal prices as those markets remain volatile. DDG demand is still fairly good, but buyers are watching prices for now.
Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ending the 27th of May was 91.86% versus the three-year average of 110%. The value of DDG relative to soybean meal was 55.85% versus the three-year average of 42%. The cost per unit of protein for DDG was $8.07, compared to the cost per unit of protein for soybean meal at $8.22.

Ethanol demand focuses attention on US corn

Gro Intelligence - Travel restrictions led to sharp drops in ethanol demand last year, which helped balance surging global feed demand. As more Americans get vaccinated and COVID-19 restraints ease, the rise in US automobile miles driven is expected to increase, significantly increasing demand for gasoline and ethanol produced from corn, turning the screws on a corn market that is already tight.

In the most recent 4-week period (ending May 15th), US gasoline demand was up 34% from last year, increasing from 6.68 million barrels per day (bpd) to 8.94 million bpd. Since 35% of the US corn crop goes to making ethanol, higher demand for the fuel additive increases demand for corn.

Gro’s 2020/21 in-season forecast of corn used for ethanol is 5.103 billion bushels, 128 million bushels greater than the USDA’s projection in the May WASDE. Gro has long suggested that the USDA is too light on their overall corn demand projections, and consequently is overestimating carryout for 2020/21.

A sharp rise in prices has led the market to expect farmers to plant additional acres, but the uptick in ethanol demand, coupled with record new crop corn purchases by China over the past couple of weeks, could fully offset any additional supply. At this point, demand levels are such that carryout will be lower unless yield is significantly above trend. Gro’s in-season Corn Yield Forecast Model, which updates daily and provides a reading across the county, state, and national level, can be a useful tool for forecasting US supply.

Oilseeds Complex

AOF forecasts record Australian canola area of 2.9 mha

THE Australian Oilseeds Federation (AOF) has forecast a 2021/22 canola area of 2.9 million hectares (mha), a national record bolstered by very strong canola prices and favorable conditions in Australia’s biggest canola-producing states.

In its May crop report released which includes its first new-crop estimates, area is seen as up 25% on last year, and is 5% below the standing Australian Crop Forecasters estimate.

With a decade-average yield applied, total harvest could exceed last year’s record of 4.3 mmts. The 2020/21 crop delivered an above-average national yield, and if this were applied to new-crop area, would deliver a 5.3 mmts crop.

EU 2020/21 soybean imports at 13.51 mmts, rapeseed 5.82 mmts

Reuters - European Union soybean imports in the 2020/21 season that started last July had reached 13.51 mmts by May 23rd, data published by the European Commission showed on Tuesday. That compared with 13.56 mmts cleared by the same week last season, the data showed.

EU rapeseed imports in 2020/21 had reached 5.82 mmts, compared with 5.61 mmts a year ago.

Soymeal imports so far in 2020/21 were at 15.13 mmts against 16.10 mmts a year earlier, while palm oil imports were at 4.67 mmts versus 5.26 mmts a year ago. 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.
**Argentina soybean production unchanged, favorable weather continues**

Refinitiv Commodities Research - Favorable late season weather maintains 2020/21 Argentina soybean production at 46.1 [42.9–48.8] mmts, despite continued harvest delays.

Current estimate puts planted area at 17.8 million hectares, above 16.9-17.2 million hectares reported by Bolsa de Comercio in Rosario and Bolsa de Cereales in Buenos Aires. In May’s WASDE (12 May), USDA placed Argentina soybean production at 47 mmts, down from its previous estimate of 47.5 mmts. Bolsa de Cereales in Buenos Aires and Bolsa de Comercio in Rosario currently forecast production at 43 and 45 mmts, respectively.

According to the Ministry of Agriculture, as of the 20th of May, soybean harvest was 81% complete nationally, behind last year’s 91%. Bolsa de Cereales in Buenos Aires also reported progress of 85%, still showing a delay in harvest despite a recent pickup. Continued dry conditions through next week (except in few areas of southeastern Buenos Aires) should allow farmers to get back to the fields and help facilitate harvest operations with fewer concerns.

**Argentine growers sell 19.4 mmts of 2020/21 soy, lagging 2019/20 tempo**

Reuters - Argentine growers have sold 19.4 mmts of soybeans from the current 2020/21 season, after clinching deals for 975,500 mts over the last week alone, the Agriculture Ministry said in a report on Tuesday. The data in the report was updated through the 19th of May.

With farmers hoarding soybeans as a hedge against an anemic local peso, this year’s sales rhythm is slower than last year’s when, by this point in May, farmers had sold 23.2 mmts of the oilseed.

**Russia to reduce soybean export duty to 20%, but at least $100/mt**

Interfax - The Russian government has confirmed a decision to impose a duty of 20%, but not less than $100/mt on soybean exports as of the 1st of July 2021, the Cabinet said in a press release.

The export duty is now 30%. "The reduction will, on one hand, allow agricultural producers to ship some product for export, and on the other hand maintain a barrier for the growth of prices for this product," the press release said.

The decision will be in effect until the 31st of August 2022, inclusive. It is intended to help maintain a balance on the domestic market for oil crops and their processed products. It was reported earlier that the Economic Development Ministry, in working out this decision, took into account the concerns expressed by soybean growers in Russia’s Far East. By "our estimates, which are confirmed by the calculations of our colleagues from the Agriculture Ministry, the approved option will make it possible to preserve the possibility for Far Eastern producers to export soybeans, at least in the amounts that do not find demand within Russia," the ministry said earlier, citing Deputy Economic Development Minister Vladimir Ilyichev.

"At the same time, we are assuming that such a duty will make it more lucrative to sell soybeans produced in central regions within Russia - they will still be accessible to processors inside the country," the ministry said. The Agriculture Ministry, in turn, said this measure "will make it possible to maintain a stable price situation on the market for soybean oil and meal used in livestock farming, as well as reduce the costs of livestock farms and prices for the end products of the food industry."

Despite strong current agricultural commodity prices, many farmers are opting to save by piling up soybean stocks that can be sold for dollars rather than hold a weakening peso. The currency has weakened 10.94% so far this year to 94.49 per U.S. dollar. Farmers in the South American grains powerhouse are currently harvesting 2020/21 soybeans and corn. The Buenos Aires Grains Exchange expects a soy crop of 43 mmts and 46 mmts of corn to be harvested this season.

Growers in Argentina have sold 28.2 mmts of 2020/21 corn, according to the ministry’s report, or 3.2 mmts more than what was sold by this point last year.

**China soybean crush rises again as demand for soymeal increases**

China’s weekly soybean crush volume increased again last week, supported by growing demand for soymeal and the need to clear out harder-to-store Brazilian soybeans, data from China’s National Grain and Oil Information Centre (CNGOIC) showed Thursday.

The crushing volume across the country rose 40,000 mt on the week to 1.92 mmts, down 180,000 mts year-on-year but still ahead of a 50,000 mts average recorded over the past three years.
Soy and oil exports to China also rose, but at a lower level (22% and 27%). Together, the three products correspond to 81% of everything the country exports to China. "Brazil has competitive products and a favorable exchange rate. Exporters gain markets wherever possible. Thus, China will continue to be the main destination [for Brazilian exports]," according to Mario Cordeiro, chief economist at the Centre for Foreign Trade Studies Foundation (Funcex).

The increased demand for high-priced commodities already makes experts predict an exceptional year for the foreign trade sector. In a report obtained by O Estado de Sao Paulo newspaper, the AEB estimates a record trade surplus of US$79.8 billion for 2021, exceeding the level in 2017 (US$67 billion).

"We have a favorable situation. Everything is going to grow compared to last year, which was weaker. The problem is that we have to pray every day that the demand in China will continue doing well," AEB President Jose Augusto de Castro said.

China's growth as a buyer of Brazilian products has also increased the share of commodities in Brazilian exports, and led to a reduction in manufactured goods.

According to the AEB, all top ten products exported by Brazil are agricultural and mineral commodities, and China is the largest buyer of six of these products (soybeans, iron ore, crude oil, beef, poultry, and cellulose). Castro recalls that 75% of Brazilian exports are commodities, while 85% of imports are manufactured products.

According to Welber Barral, former secretary of Foreign Trade (2007-2011) and founding partner of BMJ Associated Consultants, the increase in Brazilian exports is related to rising prices and not necessarily to a higher volume. "There was restrained demand and the Chinese economy recovered quickly. In addition, problems with the supply of iron ore caused prices to rise," Barral says.

SOYBEANS

CME CBOT Soybeans Futures

Very quiet news day in beans. Nice rains across much of the U.S. filling in some areas that had been starting to be concerning.

The lead contract CME July 2021 Soybean Futures settled on Friday at $15.28¾/bu, off 8¾ cents on the day, but gaining 4 cents for the week.

Main fundamentals to watch are the somewhat slow export sales of late and also the poor meal export pace that may reduce US crush 25 mbu at some point in coming reports. Processor basis has been defensive the past two weeks with limited pushes needed. SN/SQ inverses easing 1¼ to +48½. This week, new crop X/F spreads traded to carries.

Illinois River export basis remains above delivery value in spot through FH August. The processor basis has eased back but it is still well above export parity and so the river draw is still relatively small.
Brazil continues to ship soybeans at a very aggressive pace with exports last week totaling 3.8 mmts, 9% more than a year ago. Shipments the first three weeks of May are 20% (2.1 mmts) greater than 2020 at 12.6 mmts.

New crop **CME November 2021 Soybean Futures** settled on Friday at $13.71¼/bu, off 7 cents on the day, but gaining 13 cents for the week.

Commitment of Traders weekly data release showed managed money reduced their net long by 50% on the week to 25,323 contracts. That was the 3rd largest net long reduction for any week on record beginning June of ’06.

The weekly Chinese crush rose 2% to 1.92 mmts according to CNGOIC but was 8% below a year ago. Crush since the 1st of October continues to run ahead of the USDA forecast, up 6.4% vs a 4.9% annual growth rate expected.

**VEGETABLE OILS**

- **CME Soybean Oil**
  
  CME July 2021 Soybean Oil Futures settled on Friday at $65.82 65.48/cwt, off 99 cents on the day, but gaining $0.34 for the week. Soybean oil futures were weaker on Friday ending the session with 64 to 102 point losses.

- **India’s vegetable oil imports set to drop due to second Covid-19 wave**
  
  *AgriCensus* - A drop in India’s demand for vegetable oil is expected in the coming months due to the country’s second COVID-19 wave, reported on 7 May.

  However, demand for soft oils, mainly consumed by households, was expected to be less impacted, according to the report.
“Palm oil import demand is expected to slow down sharply in May and June as refiners stall buying due to lockdowns as the country tries to mitigate the devastating impact of Covid-19 infections,” Palm Oil Analytics owner and co-founder Sathia Varqa told AgriCensus.

Preliminary import data for April recorded total edible oil imports at 1.1 mmmts, of which 756,000 mts was palm oil, according to Mumbai-based vegetable oil broker Sunvin Group, with a decline in volumes expected over the next two months.

Total inventories were reported at just below 1.69 mmmts on the 1st of April, according to data from the Solvent Manufacturers Association of India (SEA), with that figure likely to shrink further in May due to falling imports.

However, Indian palm oil imports were expected to rebound from July due to an anticipated increase in shipments from Malaysia, the report said.

Meanwhile, there had been a sharp decline in sunflower oil imports due to tight supply from the Black Sea leading to rising prices, which in turn had caused buyers to switch to more affordable edible oils.

Indian imports of Ukrainian sunflower oil had dropped by almost 34% in April, at 212,680 mts, compared to the previous month, according to Sunvin Group data.

**India’s edible oil industry cautions against import duty**

Business Standard - Edible Oil industry players today cautioned the government against resorting to any knee-jerk reaction of lowering import duties to cool down domestic prices, saying it could have a ‘very negative’ impact on oilseed farmers, kharif planting for which will start in the coming few weeks.

That apart, the global edible oil markets have already started softening which might lead to a drop in domestic prices in the next week to 10 days, the industry said.

The industry associations, traders and stakeholders expressed their views during a meeting called by the union government to solicit them and find a way forward to cool down the sharp rise in domestic edible oil prices.

Secretaries of departments of food, consumer affairs, agriculture along with representatives from state governments were part of the meeting.

Edible oil prices in the domestic markets have risen sharply in the last one year with retail rates of some such as soybean oil doubling from around Rs 90 per liter in May 2020 to almost Rs 165 to 170 per litre now.

Similarly, prices of other edible oils have also risen sharply and the main reason for the same is a spike in global markets as India imports more than 60 per cent of its annual requirement of edible oils.

We have seen that as soon as India lowers the import duties to cool down prices, international markets move up which negates the impact of duty cut and also does not lead to substantial gain for consumer while the Centre loses revenues by that much amount, Atul Chaturvedi, President of Solvent Extractors Association of India (SEA), who participated in the meeting said.

Chaturvedi said that apart from, opposing any move to reduce import duties on edible oils, the association has also urged the Centre to minimize speculative play on the exchanges by increasing margins and daily circuit limit, and also refrain from imposing the draconian Essential Commodities Act.

The Central Organization for Oil Industry and Trade (COOIT) was also against any reduction in import duties on edible oils but wanted the Centre to remove the GST of 5% on mustard seed and oil as it will help farmers and consumers both. At present, GST on mustard seed and oil is around Rs 7 to 8 per kilogram, COOIT said.

On its part, the Centre urged the state governments and all other stakeholders to take all possible help to cool down edible oil prices in the interest of consumers.

**CME Palm Oil Swaps July 2021**

CME July 2021 Palm Oil Swaps settled at $903.25 943.25/mt on Friday, down $28.00/mt on the day, and losing $40.00 for the week.

Note: it was reported by JCI that China’s Jan-Apr palm kernal meal imports grew by over 70% y/y.

**Malaysia limits palm oil workforce capacity to 60% amid Covid-19**

Malaysia imposed a stricter implementation of the Movement of Order Control (MCO) on agribusinesses, limiting workforce capacity on palm oil plantations to 60% in a bid to curb the spread of Covid-19, the government said in a statement Wednesday.
The stricter policy is effective immediately and failure to comply will be subject to legal action taken against the business, the Plantation Industries and Commodities Minister Mohd Kairuddin Aman Razali said in the statement. “All sectors under the agri-commodity industry such as palm oil, rubber, lumber, cocoa, pepper, kenaf and biodiesel are allowed to operate with a capacity of only 60% of workers,” he said. “In this regard, all industry players and employers must ensure that employees always follow the new standard operating procedures (SOP) that have been set. More frequent monitoring by employers on compliance by employees should be implemented,” the minister added.

Similar Covid-19 measures were taken by Malaysia during the first half of 2020, limiting the production of palm oil due to a lack of labour and causing prices of the tropical oil to heat.

**PLANT PROTEIN MEALS**

- **CME CBOT Soybean Meal**

Commitment of Traders weekly data release showed Bean Oil specs had done little over the week ending the 25th of May 25th, but add 2,161 new longs. Traders surveyed ahead of Tuesday’s Fats and Oils report expect to see April’s bean crush at 171.1 mbt. If realized that would be down from 183.4 mbt in April 2020 as the 3rd consecutive month with lower crush yyr. NOPA members reported processing 160.3 mbt of soybeans in April. The average trade estimate for soy oil stocks is 2.171 billion lbs..

- **India’s soybean meal prices doubled; should permit import at zero duty**

AIPBA - Expressing concern over rise in animal feed prices in the domestic market, the All India Poultry Breeders Association (AIPBA) on Sunday demanded the government to reduce import duty on soybean meal to zero for at least five months.

Soybean meal remains the most common protein source for all compound feeds for poultry, dairy cattle and pigs in the country and worldwide.

In a letter to Union Minister for Animal Husbandry, Livestock, Dairying and Fisheries Giriraj Singh, AIPBA Chairman Bahadur Ali said, “There is an acute shortage of soybean in the supply line, leading to massive price escalation. The only option is now to ensure import to cool down the prices to save livestock farmers.”

Domestic prices of soybean, from which soybean meal is made, have doubled in a year to Rs 81,000 per tonne from Rs 36,420 per tonne. But, in the global market, prices of soybean and soybean meal are half the Indian rates, he said.

This price rise is "unsustainable" and is killing small farmers due to reduced demand and high risk. Most of the farmers are not placing new chicks in the farmers, he added.

Seeking urgent government intervention, the AIPBA chairman demanded reduction in import duty on soybean to zero for five months till harvesting starts in India. This will have no impact on farmers' prices because world market prices are not less than the minimum support price.

The association also demanded the Centre to ensure key soybean-growing states to issue orders for checking hoarding of soybean and make all warehouse owners to declare stocks with available them. Madhya Pradesh, Maharashtra and Rajasthan are major soybean-growing states that produce 98% of soybean in India. The government should curb speculation in the futures market by increasing the margin money on soybean futures by 30%, it said. That apart, the government should minimize trade distortion and its impact on farmers by allowing only GST-registered feed mills to import the soymeal under specified conditions, it said in the letter.

"Unless quick decisions are not taken in this regard, the livestock sectors and livestock farmers will suffer another massive financial loss, soon after huge losses suffered during the first wave of COVID-19 and subsequent lockdowns," the association noted.
OTHER RELATED NEWS

Soaring meat prices fuel US food inflation

Gro's US Ag Price Index includes high-frequency local cash price data and is modeled based on consumer spending on food (grains, vegetable oils, fresh produce, proteins, etc.). The Index includes corn and sugar, which are closely tied to energy markets, and therefore provides a broad reflection of agricultural prices. Gro also offers a Food Price Index which excludes these commodities and is a reflection of food prices only. The index is provided at a monthly frequency, comparable to official government inflation statistics. The current month's forecast is revised daily.

Gro Intelligence - We noted at the end of April that Gro’s US Ag Price Index was at its highest level in 15 years, and it is even higher now. On the 24th of May it hit 104.48, compared to a 5-year average of 99.78.

The index uses high-frequency local cash price data and is modeled based on US food manufacturing input costs. It is updated daily and provides an inflation estimate for the current month, up to 6 weeks ahead of when official data becomes available from the US government.

The data shows that soaring beef and chicken prices are among the biggest drivers of this inflationary trend. Spurring the rallies in meat prices are sharply higher prices for grains used in animal feed, coupled with distribution snags as pandemic restrictions on restaurants are relaxed.

Corn is a key feed input for cattle and has a major influence on beef prices. Academic studies show that an increase in corn price of a dollar a bushel tends to cause a 16-cent-per-pound increase in beef carcass prices. July corn futures are up 36% so far this year, to $6.58 a bushel. At the same time, the USDA’s national select-grade composite beef price, commonly known as the beef cutout, rose 54%.

During the first half of 2021, loin prices (above) exhibited far more strength than chuck prices. Differences within an animal’s cutout were seen across all species as quarantine orders were lifted and restaurant visits increased. The charts are overlain by year so that seasonality may be accounted for. Each shows a pronounced spike in the spring of 2020 from the COVID-19 effect.

As restaurants increasingly are able to open, demand for certain cuts of beef and chicken is accelerating. For example, prices of beef loin primals, whose higher-value cuts tend to find their way into restaurant dishes, have jumped 86% so far in 2021. By contrast, beef chuck primals, which contain many grocers’ meat-case cuts, have risen just 31%.
Though increased restaurant traffic lifted all cuts’ prices, chicken breast prices (right) fared far better than drumstick prices (left) during the first half of 2021. By May 17, drums rallied 47% while breasts rallied 124%. Differences within an animal’s cutout were seen across all species as quarantine orders were lifted and restaurant visits increased.

Chicken cuts favored by restaurants also have seen the biggest price jumps. While chicken breast prices are up 132% year to date, prices of drumsticks, sold largely in grocery stores, have increased just 45%.

The easing of pandemic-related restrictions has caused supply chains to shift their focus away from last year’s more grocery-targeted demand to a more historically normal balance of retail and food service. That has prompted some price disparities as the industry readjusts. Meanwhile, shortages of grains used as animal feed are expected to maintain upward pressure on meat and chicken prices for some time to come.

**India - Inflation Concerns Lead to the Removal of Import Restrictions**

On the 15th of May 2021, India’s Ministry of Commerce and Industry issued Notification S.O. 1858 (E), which amends the import policy for select pulses (i.e., pigeon peas (Cajanus cajan), mung beans (Vigna radiata), and urad/black gram lentil (Vigna mungo), specifically removing these select pulses from the restricted list and placing them on the free list. The notification authorizes the unrestricted import of consignments with bills of lading issued on or before October 31, 2021 and cleared by Indian Customs before November 30, 2021.

The measure removes quantitative import volume restrictions on these commodities.

**LOGISTICS**

**Argentina’s Naval Prefecture issues permits for stranded ships**

Argentina’s Naval Prefecture has started to issue the first permits allowing seven stranded bulk carriers to depart from grain ports in the Up River hub, the head of the Chamber of Port and Maritime Activity, Guillermo Wade, said.

The ships became stranded after a combination of industrial action delayed their departure from the berth while falling water levels meant that they exceeded permissible draft levels as port workers got back to work.

Wade said that the Naval Prefecture had initially allowed the bulk carrier Leon, which is expected to carry 36,925 mts of soymeal to Jordan, to depart from the Molinos Agro San Benito port, although its departure was delayed again by strong winds.

“Other maritime agencies are sending requests to the Naval Prefecture to obtain similar permits. I believe that all the involved ships will depart from the grain ports during Sunday (May 23rd) as following the departure of the Leon, all navigation in the river was suspended due to the strong winds affecting the area,” Wade said.

The Chamber of Port and Maritime Activity, the Chamber of Private Commercial Ports and the Maritime Centre of Rosario had issued a joint statement requesting national government intervention.

**Ship traffic stops at Argentine grains hub Rosario due to strike**

Reuters - Ships were unable to move at the Argentine grains hub of Rosario on Wednesday due to a strike by tugboat captains and other maritime port workers demanding access to COVID-19 vaccinations.

A second wave of infections has hit the country, spurring the government to strengthen lockdown measures against the pandemic, but the rollout of vaccines has been slow.

“We can load and unload ships. But we cannot berth and unberth them. That is the restriction,” Guillermo Wade, manager of Argentina's Chamber of Port and Maritime Activities (CAPyM), told Reuters on Wednesday.

Eleven unions, representing workers key to the docking and undocking of cargo ships, issued a statement on Tuesday announcing their second 48-hour work stoppage. The first, last week, paralyzed traffic at Rosario, a constellation of ports that ships about 80% of Argentina's agricultural exports.

The workers demand to be designated as "essential" in order to get priority vaccinations. Last week's strike by the same unions caused delays in shipping from Rosario and other ports.

The unions said the new strike was called for "given the exponential increase in cases, the regrettable loss of several colleagues and the failure of all negotiations we have held with national authorities."

So far, 75,056 people have died from the virus in Argentina, according to official data. Lockdown measures, including a nightly curfew, have been strengthened nationwide.

The only labor groups given priority for vaccines in Argentina have been health workers, police and educators.

The country is the world’s No. 3 corn supplier and top exporter of soymeal livestock feed used to fatten hogs and poultry from Europe to Southeast Asia.

The strikes are occurring during high export season. Argentine farmers are currently harvesting soybeans and corn, the country’s two main cash crops.
GOVERNMENT

➢ U.S. Senators introduced a new bill to Increase sales to Cuba

Farms.com - U.S. Senators have introduced a new bill designed to secure market access in Cuba for American farmers.

Sens. Jerry Moran (R-Kan.), Amy Klobuchar (D-Minn.) and Patrick Leahy (D-Vt.) together introduced the Freedom to Export to Cuba Act. If passed, this bill would eliminate barriers preventing American industries like agriculture from doing business in Cuba. Sens. Klobuchar and Leahy, along with former Senator Mike Enzi (R-Wyo.) introduced a similar piece of legislation in 2019.

American farm products have been entering Cuba since President Clinton signed the Trade Sanctions Reform and Export Enhancement Act of 2000. Since December 2001, the U.S. has exported almost $6.3 billion worth of farm goods to Cuba, says Economic Eye on Cuba, a publication of the U.S. Trade and Economic Council.

But because of the trade embargo the U.S. has had in place with Cuba since the 1960s, American farmers are at a disadvantage compared to other countries. “The unilateral trade embargo on Cuba blocks our own farmers, ranchers and manufacturers from selling into a market only 90 miles from our shoreline, while foreign competitors such as China benefit at our expense,” Sen. Moran said in a statement. “This legislation will expand market opportunities for U.S. producers by allowing them to compete on a level playing field with other countries. It is time to amend our own laws to give U.S. producers fair access to market to consumers in Cuba.”

Farm groups support normalizing trade with Cuba. Agriculture is a bipartisan issue and both parties should be working together to secure more markets for farmers, said Paul Johnson, chair of the U.S. Agriculture Coalition for Cuba (USACC). “All markets are important to farmers and Cuba is a market with 11 million people, geographically it’s close to the U.S. and we think we can do better than what we’ve done before,” he told Farms.com.

The USACC is a 24-member organization whose goal it is to improve ag trade with Cuba. Its members include the National Corn Growers Association, American Soybean Association and National Association of Wheat Growers.

In addition to increased exports, the U.S. can also provide some of its ag expertise to Cuban farmers, Johnson said. “We can work with Cuban farmers to improve local production and fill in gaps where they need to export products,” he said. “The policies that are in place now are outdated, it’s time for a change and agriculture can help be part of that positive change.”

➢ China to strengthen commodity price controls in five-year plan

Reuters - China will strengthen price controls on iron ore, copper, corn and other major commodities in its 14th five-year plan for 2021 to 2025 to address abnormal fluctuations in prices, the state planner said on Tuesday.

The country will also step up monitoring and analysis of commodity prices such as crude oil, natural gas and soybean, the National Development and Reform Commission (NDRC) said in a statement.

“(Local governments) should study and judge the import impact in depth, promptly make suggestions... (on matters) such as reserves, import and export, fiscal and taxation, and financial adjustment measures,” the statement said.

The NDRC also said authorities would “reasonably adjust cotton target price levels” and stick to the country’s minimum purchase price policy framework for rice and wheat, it said. The government buys these grains from farmers at a minimum price when the market drops below that level.

The move comes as Beijing prioritises guaranteeing food security for its population of 1.4 billion. The NDRC said it will build a solid grain supply and stabilise prices.

In energy markets, the state planner said China will adopt a new pricing mechanism for pumped storage and promote price reforms in transmission and distribution of electricity, in order to improve flexibility in the grid system. "For high-energy intensity and high-emission industries, (China) will implement differential and tiered electricity prices... to promote carbon reduction," the statement said.

Commodities prices in the world’s second biggest economy have seen big swings this year driven by post-pandemic demand recovery, global liquidity easing and speculative trading.

Beijing’s recent moves come after soaring metals prices contributed to a spike in factory gate prices and slower growth in industrial output in April.

Government watchdogs have repeatedly urged industrial metal firms to maintain market order, pledged tougher inspections on physical and derivative markets and probes into behaviour that bid up prices.

Futures prices for commodities such as iron ore and corn on the Dalian Commodity Exchange, steel and copper on the Shanghai Futures Exchange all hit historic highs this year.

Premier Li Keqiang also said on Monday that the government will strive to prevent rising commodity prices being passed on to consumers.

➢ China flags greater oversight as financial risks multiply

The South China Morning Post - China’s leadership is growing increasingly alert to financial risks amid rising commodity prices, potential property bubbles in some large
cities and volatility in cryptocurrency speculation, signaling tighter oversight and more intervention in coming months to maintain stability.

At a meeting chaired by Vice-Premier Liu He on Friday, the Financial Stability and Development Commission (FSDC) said China must make a “full assessment” of financial threats and act firmly to prevent them affecting social stability. The statement from the nation's top financial regulator was much stronger than what followed the previous meeting in early April and shows growing unease in Beijing with the rapidly changing international economic environment.

The Politburo, the Communist Party's top decision-making body, began to subtly change its tone in late April, when it said the 18.3% annual rise in first-quarter gross domestic product had created a window to address outstanding economic risks. Since then, soaring prices for everything from industrial goods to agricultural commodities, caused by strong post-coronavirus demand around the world, have ratcheted up official concern.

As a major buyer of iron ore, copper, crude oil and other raw materials, China has been hit hard by the price increases, particularly small businesses that have little margin to absorb higher costs. China's producer price index, a gauge of the prices producers charge customers, rose to a three-and-a-half year high of 6.8% in April, with signs that some companies are charging more to offset higher production costs.

The FSDC statement highlighted several areas for immediate scrutiny, including small and medium-sized financial institutions trying to reduce exposure to credit risks, digital platforms running financial businesses, and bitcoin mining and trading operations. At the same time, the regulator said it would maintain the stability of stock, bond and foreign exchange markets amid the risk of "external shocks".

"We must effectively counter imported inflation, enhance expectation management and market supervision, and prepare contingency plans and reserve policies," the statement said.

The combination of uncertainty around the pandemic, international inflation, rising commodities prices and the prospect of US monetary policy tapering had "led to a rebound in risks to financial markets", Zhou Hao, deputy dean and professor at Tsinghua University's school of finance, said at a financial forum at the weekend.

Raymond Yeung, chief Greater China economist of ANZ Bank in Hong Kong, said imported inflation would not undermine China's financial system as a whole, but authorities should nevertheless remain on high alert. "So much money has been printed globally. While there is excess liquidity, it is an issue of how to guide it to support the real economy," he said.

Yeung said he expected debt reduction and financial de-risking to be high on the work agenda of financial regulators for the next two or three years. China began slowly reducing monetary policy stimulus in the second half of last year and is likely to use supervision measures and window guidance to defuse financial threats, he said.

But other risks are emerging, such as rising bond default rates at corporations, funding troubles in local government financing vehicles, curbs on the financial business of platform companies and the potential for higher bad asset ratios at rural commercial banks, said Zhou.

Li Bo, deputy governor of the People's Bank of China, said tighter supervision was needed to deal with potential risks in property finance, cross-border capital flows and bond markets. "It is vital to monitor leveraging, debt and financial cycles," he said at the forum. "[We should] create targeted policy tools and gradually include systemically important financial activities, institutions, markets and infrastructure into macro prudential management."

After three years of haggling, EU farm deal expected this week

Reuters - European Union agriculture ministers said negotiators are close to a deal that aims to reform the bloc's huge farming subsidy program, protect small farms and bring agriculture in line with environmental goals.

The EU's Common Agricultural Policy (CAP) will spend 387 billion euros ($474 billion), around a third of the EU's 2021-2027 budget, on payments to farmers and support for rural development. The new rules kick in from 2023.

Ministers from the 27 member states began two days of talks in Brussels on Wednesday, a day after negotiators from the European Parliament, member states and the European Commission began their final meeting of a nearly three-year struggle to reform the CAP.

"We are reaching the finishing line," German agriculture minister Julia Kloeckner said.

Negotiations are scheduled to finish on Wednesday, but are expected to overrun.

The CAP reform aims to align agriculture with the EU's green goals, by curbing the 10% of EU greenhouse gases emitted from farming and reducing the pressure on natural habitats from intensive practices, including pesticide use and irrigation.
Negotiators are tussling over plans to spend between 20% and 30% of payments to farmers on schemes that protect the environment, such as organic farming or restoring wetlands to absorb CO2 from the atmosphere.

Environmental campaigners say the reforms lack firm targets - for example, to reduce greenhouse gas emissions - and would do little to reduce industrial farming. The reforms will also attempt to halt the loss of Europe's small farms, by stopping big businesses sucking up most of the money.

EU climate policy chief Frans Timmermans has said 80% of CAP payments go to 20% of the beneficiaries, with big landowners and agro-industry firms profiting while family farms "get the short end of the stick".

Proposals under discussion could cap the amount of cash that each recipient gets or require countries to redistribute part of their CAP funds to smaller farmers. Negotiators on Tuesday agreed to scrap a contentious plan that would have banned food companies from comparing plant-based products to dairy in their marketing, for example by labelling almond-based drinks as creamy.

Pekka Pesonen, secretary-general of European farmers and agri-cooperatives group Copa Cogeca, said the reforms must ensure Europe’s farmers remain competitive. "We are facing international competition that clearly doesn't follow the same set of rules that European farmers have to comply with," he said.

**International Crop & Weather Highlights**

- **USDA/WAOB Joint Agricultural Weather Facility – 22nd May 2021**
  - **Europe** – Cool And Rainy, But Dry In Spain
    - Cool, rainy weather favored reproductive winter wheat and rapeseed in England and France and maintained good early-season prospects for vegetative to reproductive winter crops elsewhere.
    - Despite the wet weather pattern, dry and warm conditions in Spain reduced soil moisture for filling winter grains and emerging summer crops.
  - **Western FSU** – Rain In The West, Hot And Dry In The East
    - Additional rain in Ukraine and western Russia benefited vegetative (north) to reproductive (south) winter wheat, barley, and rapeseed.
    - Hot, dry weather in Russia’s Volga District promoted fieldwork but rapidly reduced soil moisture for spring grain establishment.
  - **Eastern FSU** – Continued Dry And Very Hot
    - Dry, very hot weather accelerated wheat and barley sowing in northern Kazakhstan and central Russia but further depleted topsoil moisture for spring grain establishment.
    - Much-needed rain in eastern-most spring grain areas eased heat and improved soil moisture.

- **Middle East** – Dryness And Heat Lingered
  - Dry, hot weather further trimmed yield prospects for reproductive to filling winter wheat and barley in Turkey. Drought- and heat-affected winter grains in Syria, Iraq, and Iran were nearing maturity.

- **South Asia** – Tropical Cyclone Tauktae
  - A severe tropical cyclone (Tauktae) skirted the western coast of India, producing heavy showers in coastal areas, while a new tropical cyclone approached eastern India.

- **East Asia** – Favorable Moisture For Rice; Beneficially Dry For Winter Crops
  - Wet weather in southern China benefited reproductive early-crop rice, while dry weather in the east supported maturing wheat as well as rapeseed harvesting.

- **Southeast Asia** – Southwest Monsoon
  - Despite the start of the southwest monsoon in Thailand and environs, rainfall was confined to southern-most sections, while monsoon showers were more widespread in the Philippines, encouraging sowing of rice, corn, and other seasonal crops.

- **Australia** – Mostly Dry In The Wheat Belt
  - In the west and most of the east, sunny skies and adequate to abundant topsoil moisture maintained good early-season winter crop prospects and allowed summer crop harvesting to proceed.
  - In the south, more rain would be welcome to help promote winter crop germination and emergence.

- **South America** – Unfavorable Dryness Persisted Over Much Of Brazil
  - Showers returned to southern wheat areas, but key corn and cotton areas throughout central Brazil remained unfavorably dry.
  - Heavy rain slowed summer grain and oilseed harvesting throughout central Argentina.

- **Mexico** – Showers Continued In Eastern Farming Areas
  - Rain benefited corn, sugarcane, and other summer crops in eastern production areas.

- **Canada** – Much-Needed Rain Overspread The Prairies
  - Showers provided timely moisture for germinating spring grains and oilseeds.

**Web Site:** [https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf](https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf)

**Source:** USDA [https://www.usda.gov/oce/weather-drought-monitor/publications](https://www.usda.gov/oce/weather-drought-monitor/publications)
U.S. National Agricultural Summary 17 – 23 May 2021

The eastern one-third of the nation was drier than normal, along with most of California and the Southwest. In contrast, much of the Mississippi Valley, Nevada, southeastern Oregon, the southern Plains, and the Rockies received at least twice the normal amount of rain. Large parts of the Gulf Coast region in Louisiana and Texas received weekly rainfall totaling 6 inches or more. Meanwhile, much of the West was cooler than normal. Parts of Montana recorded temperatures 9°F or more below normal. Most of the southern Delta, Southeast, and Texas were also cooler than normal. In contrast, the Great Lakes, central and northern Great Plains, mid-Atlantic, Midwest, and New England were warmer than normal. Portions of northern Minnesota recorded weekly temperatures 12°F or more above normal.

Corn: By May 23rd, producers had planted 90% of the nation’s corn, 3 percentage points ahead of last year and 10 points ahead of the 5-year average. 97% of Iowa’s intended corn acreage was planted by week’s end, equal to last year but 7 percentage points ahead of average. 64% of the nation’s corn had emerged by May 23rd, three percentage points ahead of the previous year and 10 points ahead of average.

Soybean: 75% of the nation’s soybean acreage was planted by May 23, twelve percentage points ahead of last year and 21 points ahead of the 5-year average. At the end of the week, soybean planting progress was ahead of average in 17 of the 18 estimating states. 41% of the nation’s soybean acreage had emerged by May 23rd, eight percentage points ahead of last year and 16 points ahead of average.

Winter Wheat: By May 23, 67% of the nation’s winter wheat was headed, 1 percentage point ahead of the previous year but 2 points behind the 5-year average. On May 23, 47% of the 2021 winter wheat crop was reported in good to excellent condition, 1 percentage point below the previous week and 7 points below the same time last year. In Kansas, the largest winter wheat-producing state, 56% of the winter wheat crop was rated in good to excellent condition.

Cotton: Nationwide, 49% of the cotton crop was planted by May 23rd, 3 percentage points behind both the previous year and the 5-year average. Planting progress was furthest advanced in Arizona and California, with 92% and 90% planted, respectively.

Sorghum: Thirty-three% of the nation’s sorghum acreage was planted by May 23, five percentage points behind the previous year and 4 points behind the 5-year average. Texas had planted 75% of its sorghum acreage by May 23rd, 9 percentage points behind last year and 7 points behind average.

Rice: By May 23rd, producers had seeded 95% of the nation’s 2021 rice, 7 percentage points ahead of the previous year and 5 points ahead of the 5-year average. At the end of the week, planting progress was ahead of average in 5 of the 6 estimating states. By May 23rd, 76% of the nation’s rice had emerged, 7 percentage points ahead of last year and 2 points ahead of average. On May 23rd, 71% of the nation’s rice was rated in good to excellent condition, 3 percentage points below the previous week but 9 points above the same time last year.

Small Grains: Nationally, oat producers had seeded 96% of this year’s acreage by May 23rd, 4 percentage points ahead of the previous year and 5 points ahead of the 5-year average. Oat planting progress was at or ahead of average in 8 of the 9 estimating states. 83% of the nation’s oats had emerged by May 23rd, 6 percentage points ahead of both last year and the average. 24% of the nation’s oats had headed by May 23rd, 1 percentage point behind last year but equal to the average. On May 23rd, fifty-three% of the nation’s oats were rated in good to excellent condition, 4 percentage points above the previous week but 21 points below the same time last year. 91% of the nation’s barley was planted by May 23rd, 7 percentage points ahead of last year and 4 points ahead of the 5-year average. 64% of the barley had emerged by May 23rd, 5 percentage points ahead of the previous year and 3 points ahead of average. On May 23rd, 47% of the barley was rated in good to excellent condition, 20 percentage points below the same time last year. By May 23rd, 94% of the nation’s spring wheat had been seeded, 16 percentage points ahead of last year and 9 points ahead of the 5-year average. Planting progress was at or ahead of average in all 6 estimating states. By May 23rd, 66% of the spring wheat had emerged, 18 percentage points ahead of the previous year and 10 points ahead of average. On May 23rd, 45% of the spring wheat was rated in good to excellent condition.

U.S. Agricultural Weather Highlights – Friday 28th May 2021

In the West, cool weather lingers from the Pacific Northwest to the northern Rockies, while building heat in California and the Southwest is aggravating drought impacts. With high-elevation snow mostly melted and runoff being absorbed by parched soils, many Southwestern reservoirs are not being adequately recharged, leaving limited reserves for irrigation.

On the Plains, cool, mostly dry weather prevails in the wake of a departing storm system. However, a few thunderstorms linger across the southern Plains, while cloudiness associated with a new Pacific cold front is overspreading Montana. Current weather conditions favor fieldwork, including planting activities, except in areas where recent rains have resulted in soggy soils. On May 23, topsoil moisture rated surplus ranged from 16 to 26% in Kansas, Oklahoma, and Texas.

In the Corn Belt, freezes were noted early today in parts of North Dakota and northern sections of Minnesota and Wisconsin. In eastern North Dakota, this morning’s low temperatures dipped to 29°F in Grand Forks and 31°F in Fargo. Meanwhile, a chilly rain is falling across much of the eastern Corn Belt. Today’s high temperatures will remain below 60°F in a large Midwestern area stretching from Iowa to Michigan. The rain and below-normal temperatures are slowing fieldwork and crop development—but boosting moisture supplies for corn and soybeans.

In the South, hot, dry weather in the southern Atlantic region is reducing topsoil moisture and increasing stress on pastures and summer crops. On May 27, Wilmington, North Carolina, reported a daily-record high of 98°F. Farther west, however, showers and thunderstorms are returning across the Mississippi Delta and environs. On May 23, Louisiana led the nation with topsoil moisture rated 58% surplus.
On the same date, Louisiana was furthest behind schedule among major production states in planting progress for cotton (50% vs. 85%, on average) and soybeans (58% vs. 85%).

**Outlook:** A storm system moving into the eastern U.S. will linger through the weekend along the middle and northern Atlantic Coast, generating widespread showers. Meanwhile, a slow-moving disturbance currently crossing the Northwest will effectively stall over the central and southern Plains, producing as much as 2 to 5 inches of rain during the next 5 days. However, only light rain will fall across the northern Plains, upper Midwest, and Southeast, while dry weather will prevail west of the Rockies. The Western dryness will be accompanied by building heat, with the hot spell peaking early next week. In contrast, cool air will overspread most areas east of the Rockies, with frost possible in the upper Midwest at the beginning of Memorial Day weekend. The NWS 6- to 10-day outlook for June 2 – 6 calls for the likelihood of near- or above-normal temperatures nationwide, except for cooler-than-normal conditions from the southern Rockies into the lower Mississippi Valley. Meanwhile, below-normal rainfall across the northern Plains and Northwest should contrast with wetter-than-normal weather across much of the South, East, and lower Midwest.


> **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
June Crop Calendar

- **Canada**
  - Spring Wheat & Canola (Rapeseed): Vegetative
  - Corn, Soybeans, & Sunflower: Planting
  - Winter Wheat: Harvesting

- **United States**
  - Spring Wheat & Rapeseed: Heading*
  - Cotton, Rice, Corn, Sorghum & Groundnuts: Vegetative
  - Sunflower & Millet: Planting
  - Winter Wheat: Filling

- **Europe**
  - North: Spring Wheat (Sweden): Heading*
  - Winter Wheat & Rapeseed: Filling-Maturing
  - Corn, Soybeans & Sunflower: Vegetative
  - South: Corn & Cotton: Flowering*
  - Sorghum: Vegetative
  - Winter Wheat (Italy): Harvesting

- **FSU**
  - North: Spring Winter (West): Heading
  - Corn, Cotton: Filling
  - Winter Wheat: Harvesting

- **China & East Asia**
  - Spring Wheat: Flowering*
  - Early Rice: Filling
  - Winter Wheat & Rapeseed: Harvesting
  - Cotton, Single Rice, Corn, Sorghum, Soybeans, Sunflower & Groundnuts: Vegetative

- **NW Africa & Egypt**
  - Cotton (Egypt): Flowering*
  - Wheat: Harvesting
  - Rice (Egypt): Vegetative

- **West Africa**
  - Coastal: Rice, Corn & Sorghum: Flowering*
  - Sahel: Corn, Sorghum & Groundnuts: Vegetative

- **Turkey, Middle East & Afghanistan**
  - Wheat (Highlands): Harvesting
  - Cotton, Rice & Corn (Turkey): Vegetative

- **South Asia (India)**
  - Cotton (South), Corn, Sorghum, Rice, Rice, Millet, Groundnuts & Sunflower: Planting

- **East Africa**
  - Kenya: Corn (Main): Silking
  - Ethiopia: Wheat, Rapeseed, Sorghum, Corn & Millet (Meher): Vegetative
  - Sorghum (Belg): Harvesting
  - Sudan: Sorghum: Planting

- **Southern Africa**
  - Wheat (Western Cape/Free State): Planting
  - Corn: Harvesting

- **Argentina**
  - Cotton, Late Corn, Sorghum, Rice, Millet & 2nd Soybeans: Harvesting
  - Wheat: Planting

- **Brazil**
  - Center West:
    - Corn & Cotton (Safrinha): Harvesting
  - South: Wheat: Planting

- **Australia**
  - Millet, Sorghum, Corn & Cotton: Harvesting
  - Wheat & Rapeseed: Planting

*Crop stage sensitive to moisture and temperature stresses.*

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**USDA**
- 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](https://ipad.fas.usda.gov/ogamaps/images/may_calendar.gif)