Notes and Observations in International Commodity Markets

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Commodities Rally as we move into Summer Weather Markets

GHA – With the crop mostly planted the focus now turns to growing conditions and the weather. It is now the 6 to 10 day weather forecast that will drive the supply side of the equation. Rising temperatures in the Western Corn Belt and the Northern Plains, sent soybeans, corn and Minneapolis wheat sharply higher again on Friday, as funds bought heavily.

On the demand side, data remains firm as export sales and shipments remain supportive. Domestic ethanol and crushing margins are positive. The greatest negative remains feeding margins for the livestock sector.

With the continuation of extreme volatility over the past few months, the strength of the soybean and soybean oil markets has negated any bearish news, as oil rallied sharply to new highs on stronger close for the week.
At the close on Friday the June U.S. Dollar Index is trading down 0.351 at 90.150. The Dow Jones Industrial Average is up 155.08 points at 34,732.12. August gold is up $19.80 at $1,893.10, July silver is up $0.41 at $27.89 and July copper is up $0.0575 at $4.5205. July crude oil is up $0.63 at $69.44, July heating oil is up $0.0148, July RBOB is up $0.0055 and July natural gas is up $0.058.

Global prices for agricultural commodities are expected to remain elevated over the next 12 months on the back of strong demand and questionable seasonal conditions across a number of key production areas around the world.

- **USDA Revises Mexico’s grain production data**

  USDA GAIN - Mexico’s wheat production in marketing year 2021/22 is revised downward 50,000 mts to 3,000 mmts, based on more complete figures from the Secretariat of Agriculture and Rural Development (SADER). This data includes figures for the 2020/21 fall/winter crop cycle, as well as the planting intentions for the 2021 Spring/Summer crop cycle as of April 30, 2021. Import of wheat were left unchanged at 5.10 mmts for 2021/22.

  Mexico’s projected corn production for 2020/21 was increased slightly from USDA/Official data to 27.275 mmts. The main factor driving the decline in the 2020/21 fall/winter harvest is the extreme drought situation in most of the country’s states.

  Drought conditions have been particularly impacting Sinaloa, which is Mexico’s largest corn producer in the 2020/21 fall/winter crop cycle. Imports are currently estimated at 16.500 mmts. Corn production for 2021/22 stands at 28.000 mmts, imports estimated at 17.00 mmts.

  According to the SMN, the northwest and northeast of Mexico have recently moved from severe to extreme drought conditions. Private analysts project some crop production to suffer, such as white corn in Sinaloa. Some Sinaloa farmers anticipate crop losses and warn that prices will spike. Drought conditions have also negatively impacted other important corn producing states such as Tamaulipas. The last two severe droughts in Mexico occurred in 1996 and 2011.

  Mexico’s grain sorghum production estimate for 2020/21 has been revised downward 430,000 mts to 3.870 mmts based on the more recent official data from SADER, also reflecting the severe drought that has affected the main producing areas. Y/o/Y import of sorghum have drop sharply to only 10,000 mts on strong buying competition from China.

  The rice production estimate for 2020/21 (October to September) was revised slightly upward from USDA/Official estimates to 306,000 mts (rough rice production). The increased rough rice production is equivalent to 210,000 mts of milled rice. Imports are forecasted to remain steady at 800,000 mts. The 2021/22 rice production stands at 326,000 mts.

  Industry sources state that the lack of water in dams along with the severe drought-like conditions during critical phases of the grain sorghum crop development in Tamaulipas (which accounts for approximately 80% of the fall/winter cycle) have resulted in irreversible yield losses. Some sorghum farmers in Tamaulipas had to reseed due to the damage from a severe frost in February 2021 that affected the initial stage of the crop. Due to a combination of frost damage, delayed planting, low levels in water reservoirs, and lack of rainfall (as of the 30th of April 2021), an area of 306,000 ha has been reported as damaged. Consequently, the production estimate in Tamaulipas is just 952,000 mts, which is approximately 47% lower that the volume obtained in the previous crop cycle. Private sources concur that this cycle could be the lowest in the last twenty years. The production estimates for 2019/20 and 2021/22 remain unchanged.

  Private sources note that Mexico’s geographical location and its climate make the country extremely vulnerable to droughts and periods of high rainfall. Surviving the dry season depends in large part on how much water has been accumulated during the wet months. In 2020, the rains were not sufficient to fill all the country’s network of dams. As a result, more than half of the 210 biggest dams in Mexico are at less than 50% of their capacity. Furthermore, 61% are at critical levels, with less than 25% capacity, mostly in northern and central Mexico.

**High Corn Prices Lead to Increased Tortilla Costs**

Mexico’s tortilla industry continues to publicly call for government support to prevent increases in the cost of tortillas, Mexico’s staple food product.
Mexico is self-sufficient in white corn used for human consumption, so even drought related impacts and modest decreases in white corn production are not the main driver of tortilla price increases.

The National Chamber for Corn Dough and Tortilla Production (CNIPMT) alleges multiple factors are driving higher tortilla prices, such as severe drought conditions across Mexico, an up to 40% increase in inputs and services for tortilla makers, and a discretionary governmental food policy that maintains large storage quantities of corn while market prices rise.

However, while these issues may marginally affect tortilla prices, the main driver for increased tortilla costs continues to be high international corn prices. While there have been increases in associated costs and services, especially fuel prices, the fundamental cause of the increase in the price of tortillas is primarily the increase in international corn prices.

**Australia’s winter crop planting rises again**

Rabo Bank – Australia is looking at another consecutive near-record year of winter crop planting, as excellent prices and good seasonal conditions see planted area increase, according to a Rabobank 2021/22 Winter Crop Outlook.

The bank says the just completed winter crop planting is forecast at 22.93 million hectares, up 2% on last year when planted area had soared on a return to positive seasonal conditions following three years of drought conditions.

2020/21 came within 1% of the nation’s record-high winter crop planting set in 2016/17, and represents an increase of 8% above the five-year average.

With the recent Chinese tariff on Australian barley and canola prices near record highs, Australian grain growers have reacted and switched their production in favor of canola. With the shift in planted area from barley and oats to canola, there is also a noticeable move away from non-GM to GM canola varieties, particularly in Western Australia.

Australian barley, pricing will continue to be reliant on the ongoing patronage of Saudi Arabia and Thailand. In addition, with less malt barley being planted and world demand for malt demand recovering, Rabo sees the premium for malt barley over feed barley increasing this season from its current lows.

Rabo Bank says they expect to see Australia on track to deliver an above-average winter grain crop for this season, with an estimate 28.9 mmts of wheat, 10.0 mmts 10 mts, and 4.1 mmts of canola. The bank is forecasting a 3% increase in wheat planting this year to 13.3 mha, barley planting is down an estimated 6% to 4.2 mha, with oats declining 8% to 0.9 mha, and canola is expected to climb by 14% to 2.7 mha.

Report co-author, Rabobank grains and oilseeds analyst Dennis Voznesenski said with substantial rainfall and good soil moisture profiles across many parts of the country coming into this year’s planting, Australia was overall set up for another very strong winter grain crop. In addition, “the Bureau of Meteorology forecasting a 60% to 75% chance of the east coast and South Australia exceeding median rainfall for the next three months, this should set crops up well and have a positive impact on yields in those regions,” he said.

Some states had, however, are faring better than others with seasonal conditions as the country came into planting, the report noted. Most regions had excellent opening rainfall, particularly in Western Australian and northern New South Wales.

Western Australia conditions have been very favourable for the planting season due to the rainfall as a result of Cyclone Seroja. While Western Australia forecast to receive average to below-average rainfall in the next three months, the possible impact will be softened by the adequate soil moisture at the beginning of the season and at planting.
But not all have been so fortunate. Parts of South Australia and western Victoria, less favorable conditions have meant year-on-year increases in planted area has not been realized, despite prices incentivizing expansion in planting.

- **Rain adds potential to Western Australia’s record winter crop seeding**

  Neil Lyon - The promising start to the Western Australian winter cropping season just keeps rolling on with widespread rains over the weekend and Monday adding further potential to what is already shaping as a record seeding.

  The Grain Industry of WA (GIWA) last month forecast the state would sow 8.6 million hectares (mha) of winter crop, up slightly from last year’s record area of around 8.5 mha. All eyes will be on GIWA’s next crop report which is due out next week.

  Bolstering the state’s figures is a record canola planting, estimated in GIWA’s report last month to be nudging 1.5 mha.

  GrainGrowers Western Region (WA) regional co-ordinator Alan Meldrum said while the rain of the past few days wasn’t as widespread as forecast with lighter falls in the south east and eastern areas, conditions throughout the cropping belt were “damp enough”.

  “When you have a young crop in the ground you don’t need a bucketload of water. It is enough to keep things going along very nicely,” he said.

  “The rainfall was west-coast-centric from Mullewa east of Geraldton down to the south coast where they got ridiculous amounts of rain. Albany had 100mm of rain over the weekend. So, there are some waterlogging issues on the south coast in places. But generally everything is in excellent condition. For most people the rain was a good top up.”

  Mr Meldrum said WA’s main seeding was almost completed with most growers wrapping up the last of their paddocks this week.

  “It has been the first seeding in many years when there hasn’t been constant dust and dry conditions. It has been ideal,” he said. “Everyone has been busy. They have had to stop seeding to put nitrogen on canola and do post-emergent spraying. Growers are looking forward to good weed control with effective herbicide applications.”

- **Canola Record**

  Mr Meldrum said with the massive canola planting, there was potential for both a record acreage as well as record production this year.

  “1.4 million sheep disappeared last year, so a lot of that is going into crop which means the area will be as big as it’s ever been, if not more. There is excellent potential,” he said.

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**US DOLLAR & FOREIGN EXCHANGE**

- **US Dollar Index retreats from 3-week high**

  The dollar index on Friday fell back from a 3-week high and posted moderate losses. The dollar gave up overnight gains and turned lower after U.S. May payrolls rose less than expected, which dampened speculation the Fed would soon begin tapering its bond purchases. Lower T-note yields on Friday also weighed on the dollar.

  ![Dollar Index Graph](chart.png)

  The dollar index on Friday fell -0.374 (-0.41%). June euro-fx futures are up +0.0044 (+0.36%), and EUR/USD rose +0.0039 (+0.32%). June yen futures is up +0.0052 (+0.57%), and USD/JPY fell -0.74 (-0.67%).

  EUR/USD on Friday recovered from a 3-week low and moved moderately higher. The weaker-than-expected U.S. May payroll report undercut the dollar and gave EUR/USD a boost. USD/JPY on Friday retreated from a 4-week high and posted moderate losses as weakness in T-note yields supported gains in the yen.

  Friday’s U.S. May payroll report was mixed for the dollar. On the negative side, U.S. May nonfarm payrolls rose +559,000, weaker than expectations of +675,000.

  Conversely, the May unemployment rate fell -0.3 to a 14-month low of 5.8%, showing a stronger labor market than expectations of 5.9%. Also, U.S. May average hourly earnings rose +0.5% m/m and +2.6% y/y, stronger than expectations of +0.2% m/m and +1.6% y/y.

  Fed comments on Friday were bearish for the dollar after Cleveland Fed President Mester said the Fed should be “deliberately patient” and wait to see more evidence...
that the U.S. labor market has made more progress before they consider tapering their asset purchases.

Weaker T-note yields are bearish for the dollar as the 10-year T-note yield on Friday fell to a 1-week low of 1.555%.

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 a new 14-month low of 15,477 on Thursday. Globally, Covid infections have risen above 172,974 million, with deaths exceeding 3.719 million.

EUR/USD on Friday recovered from a 3-week low and posted moderate gains. Weakness in the dollar following the release of the U.S May payroll report sparked short-covering in the euro. EUR/USD initially dropped to a 3-week low Friday on the -3.1% m/m decline in Eurozone Apr retail sales, weaker than expectations of -1.5% m/m. Lower German bund yields were another bearish factor for EUR/USD as the 10-year German bund yield fell to a 4-week low Friday of -0.217%.

USD/JPY on Friday retreated from a new 4-week high and moved moderately lower. USD/JPY fell as the yen strengthened after Friday’s smaller-than-expected increase in U.S. May payrolls undercut T-note yields. The yen also garnered support from Friday’s news that Japan’s Apr household spending rose by a record +13.0% y/y (data from 2001), stronger than expectations of +8.7% y/y. In addition, an increase in Japanese government bond yields is supportive for the yen after the 10-year Japan JGB bond yield on Friday climbed to a 3-week high of 0.092%.

**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.

**WHEAT**

- **Australia’s April wheat exports highest in 10 years**

  Agricensus – Australia’s wheat exports continue to show a strong pace with data for April confirming the country’s ports handled their biggest volume of at least the last ten years, according to government data released on Thursday.

  The figure represented an increase versus March and was the highest figure for the month in at least a decade. Official data showed April wheat exports came in at 2.46 mmts, up 8% compared to the previous month and almost three times higher compared to the same month in 2020.

  Indonesia was the lead buyer taking 734,541 mts, followed by Vietnam (239,835 mts), Thailand (231,118 mts), China (173,656 mts), and Japan (141,808 mts). Exports to Saudi Arabia were almost absent, while 86,000 mts was exported to Egypt.

- **French wheat shipments hit may low, Barley buoyed by China**

  Reuters - French soft wheat shipments outside the European Union fell to their lowest in at least a decade for May, with steady loadings for Algeria standing out in an end of season lull, Refinitiv data showed.

  Soft wheat exports to destinations outside the EU-27 and Britain totalled 273,600 mts in May, the 11th month of the 2020/21 season, an initial estimate based on Refinitiv loading data showed.

  That was the lowest May volume in Refinitiv data going back to 2009/10 and less than half April's 665,600 mts.

  Shipments tend to slow towards the end of the season as supplies diminish and availability has been further curbed by a smaller French harvest last summer.

  French soft wheat exports outside the EU are expected at a four-year low over the full July-June 2020/21 season. Algeria accounted for three quarters of the May soft wheat shipments from France, importing 212,900 mts.

  No shipments were sent to Morocco in May after the country led in volumes from France in the previous two months, while a pause in wheat loadings for China also continued after high volumes earlier in the season.

  Cuba was the second largest non-EU importer of French soft wheat, accounting for 25,000 mts.

  **Barley** – Feed barley exports reached 236,500 mts in May, all destined for China and above April’s 168,900 mts that were also exclusively for China.

  There was also one 30,000 mts shipment of malting barley to Mexico last month, the Refinitiv data showed.

  Grain shipments to all destinations from French ports - including maize, waxy maize, malt and durum wheat - reached 782,700 mts, also the lowest May volume on record. Most French grain exported inside the EU is transported via non-maritime routes.
**CME CBOT Wheat Futures**

The wheat futures markets closed with double digit gains ahead of the weekend. CBT SRW rallied 10 3/4 to 11 3/4 cents on Friday. KC wheat futures ended the session 10 3/4 to 12 1/4 cents higher. MGE spring wheat ended with 18 3/4 to 35 1/4 cent gains in the front months.

**CBOT July 2021 Wheat Futures** settled on Friday at $6.85/bu, up 8¾ cents on the day, and gaining 21¼ cents for the week.

Warmer weather this week should help to bring winter wheat along after the slow down last week and early harvest getting underway on the far Southern Plains. Other Northern Hemisphere weather will continue to be watched as well with little fresh news on the front.

CFTC data showed managed money was 3,227 contracts net long in Chicago wheat on the 1st of June. That was a 1,307 contract reduction to their net position as the group’s OI dropped 10,723 contracts.

USDA’s weekly Export Sales report showed importers canceled 33,260 mts of old crop wheat bookings and 398,300 mts of new.

Weather premium being added with HRS up 35, HRW up 12 and SRW up 12. KC continues at a 52-cent discount to Chicago, with Minneapolis at a 106-cent premium, holding new highs.

The market is debating the forecast with the Euro drier than the GFS.

**CME KC HRW Wheat Futures**

Kansas July 2021 HRW Wheat Futures settled on Friday at $6.34/bu, up 9¾ cents on the day, and up 19¼ cents for the week.

KC July wheat on the chart has remains below the 20-day at $6.46 with the lower Bollinger Band below that at $5.73.

In HRW, managed money funds were 4,415 contracts less net long to 19,086.

Nearby Mpls futures breached the high made in 2017 just over $8.00. Just for fun the high made in 07/08 was $24.00. The HRS c/o is most likely under 150 mbu and if acreage is on the low end, it may challenge a 100 mbu c/o!

HRW harvest is behind average, but recent warm temps should help speed this up. Enid, OK is expecting HRW harvest in another 10-days.

With the larger HRW crop size and poor export picture, it would make one bearish the board spreads. Contrary to that opinion, there is still demand for feed wheat and ROI considerations for space. Some are wondering what type of protein the Kansas crop may be, and, if the old deliverable stocks may have some value due to higher protein.
MGE HRS Wheat Futures

The hard red spring wheat market has become one of the more interesting in the grain and oilseed complex. **MGE July 2021 HRS Wheat Futures** settled on Friday at $8.19¼/bu, up 35¼ cents on the day, and gaining 91¾ cents for the week. HRS spring wheat lead the rally as hot dry weather persists across the primary growing areas. 100 degree temps forecast this weekend across the HRS belt. The mid-day GFS was drier for North Dakota as well. As expected in any drought, farmers are wanting to buy back harvest contracts and will be very slow to sell any additional bushels.

The weekly CoT report showed managed money at 13,462 contracts net long in HRS futures and options on 6/1. That was a 1,207 contract reduction over the week.

Coarse Grains

**Drought drops Brazil’s second corn crop to five-year low**

Reuters - Due to a severe drought, Brazil’s second corn crop is expected to reach a five-year low, according to AgRural, Reuters reported. Brazilian farmers in the center south are expected to produce 60 mmts of second corn, a drop of 5 mmts from the May forecast and a 17 mmts drop from the consultancy’s first projection. Expected yields of 77.5 60-kg bags per hectare is the lowest for the region since 2016, Reuters said.

**Argentina export uncertainty could tip 8% of corn area to soybeans**

Political instability and uncertainty surrounding logistics and import taxes in Argentina is fueling uncertainty for farmers as they face a key decision-making period around planting, trade sources said Friday. The net effect could see corn, largely an export market, substituted for soybeans, where demand tends to be dominated by local crushing capacity, when farmers return to their fields later this year to plant.

One trade source estimated that the switch could amount to as much as 500,000 ha of corn, 8% of the current acreage, being lost to soybeans. The latest interventionist measure imposed by Argentina’s government, namely a 30-day export ban on beef to control domestic inflation, has caused concern about what the government will do next and if it will touch other products, such as grains.

"Market players in the industry are very worried about what is happening, and what the government can do next," an Argentine grain broker told Agricensus. There is a risk that if the government imposes further interventionist measures in grains, some farmers may migrate to soybean planting instead, as farmers see it as a ‘safe haven’.

If farmers switch, most of the land would be expected to come from peripheral areas, where corn yields are not as high as in the main growing central regions of Argentina. Farmers will be taking planting decisions between now until August, for the crop that is due to be planted in the southern hemisphere’s spring.

Key remains concerns over domestic inflation, with beef part of a staple diet that has seen prices jumping higher in recent weeks.

"The food inflation issue is weighing here as much as it is worldwide," a second trade source said. "The government claims that if we disconnect the domestic market from the export market, inflation will no longer be a problem," the source said, although beef prices have jumped 17% since the ban was introduced.

Current tensions in the livestock export sector have ignited worries that the government will indirectly intervene in the grains sector by interrupting export registries, in a similar move to 2006, when an export beef ban was imposed and lasted for 10 years.

"Agricultural producers are expecting the worse [on export taxes] …and decisions for which crop to plant next are being taken very cautiously," said the grain broker.

Corn and wheat have a current export tax pegged at 12%, while the soybean export tax is pegged at 33%.

"Grain export taxes can easily be moved upwards if the government needs the revenues…which it does" said the first source, adding “tax changes post-elections are very possible”.

7
According to USDA data, 72% of Argentina’s corn production is expected to end up heading to the export market this year, with just 13.5% of Argentina’s soybean production expected to be exported.

Currently, the USDA expects Argentina to produce 47 mmts of both crops.

“The rhetoric points towards defending the table of Argentinians, that is, cheap beef, cheap bread, cheap feed... that means they could punish exports by adding more export taxes,” the second source said.

**CORN**

**CME CBOT Corn Futures**

CME Corn July 2021 closed on Friday at $6.81/bu, up 19 cents on the day, and gaining 25 cents for the week.

On the July contract, chart resistance is the 20-day at $6.69.

Markets are now being driven by the developing crop and related weather forecasts, along with strong export shipments and a pull back in the US dollar. U.S. weather trends are lightly drier with midday forecasts likely to give more direction into the weekend.

About 28% of US corn belt is too dry, normally this time of year its around 20% and back in the last major drought 2012 the corn belt was 60% too dry. Perfect weather would mean a US 192 bus/acre national yield, while 2012 type year problem would net a 140 bus/acre national yield, quite the range.

USDA’s Export Sales data showed 531,106 mts of corn booked through the week ending the 27th of May. That was above pre report expectations, but still down 5% week to week. Japan and China were the top buyers for the week. The report also showed 2.127 mmts of shipments, drawing old crop’s outstanding sales down to 17.84 mmts. Of that, China holds 47%. China has also been the destination for nearly 1/3 of the 51.3 MMT accumulated exports.

For new crop USDA showed 439,493 mts of corn bookings. That was within the range of estimates. Unknown destinations, Japan, and Mexico were the top buyers for new crop corn last week.

US ethanol margins remain solid with strong gasoline prices despite the corn rebound. With tight stocks going into the summer with good demand in export sales this week of 531,100 mts of old crop and 439,500 new. Old crop corn basis should remain flat to weaker near term, with more attention going to new crop. July CIF NOLA values estimated at +61CN, still about nickel above DVE.

Brazilian weather looks mostly unchanged short term as the crop advances with crop estimates edging lower.

CME Corn December 2021 new crop contract settled on Friday at $5.90½ 5.45½/bu, rallying 24 cents on the day, and gaining 45 cents for the week.

CFTC data showed managed money funds were 289,936 contracts net long in corn on Tuesday. That was a 21,845 contract build week on week, as funds both covered shorts and added new longs. Commercials were seen 33,978 contracts more net short, after adding protection on the week.
**BARLEY**

- **China to follow WTO procedures regarding Australian barley dispute**

  Reuters - China will handle disputes regarding anti-dumping and countervailing duties on barley imported from Australia in line with settlement procedures of the World Trade Organization, the state news agency Xinhua reported, citing the commerce ministry.

  Last week, the WTO agreed to establish a dispute settlement panel to resolve the China-Australia barley row, according to a trade source attending the meeting.

  In response to the WTO’s recent establishment of a panel to resolve the disputes, ministry spokesman Gao Feng said the Chinese government had always respected WTO rules and managed its foreign trade accordingly, Xinhua report added.

- **Australian April sorghum exports triple, ytd barley sales nudge 5Mt**

**Australian feed barley exports for February, March and April 2021.**

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**Australian malting barley exports for February, March and April**

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<tr>
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<th>March</th>
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Liz Wells – Australia’s total barley sales dropped to 689,182 mts, down from 964,792 mts exported in March, according to the latest export data from the Australian Bureau of Statistics (ABS).

Bulk cargoes to Mexico and Vietnam bolstered the malting number, while the feed figure fell, and Saudi Arabia on 186,604 mts dropped into second place behind Thailand on 208,437 mts.

Market Check head of strategy Nick Crundall said Saudi Arabia and Thailand have continued their run as pillars of demand for Australian barley in the current season.

“Barley exports continue to charge ahead, with April being another strong month in volumes,” Mr Crundall said. “The October-April shipment total is nearing 5 mmts, with another big month expected for May and, to a lesser degree, June.

“This will likely result in initial export volume projections increasing as we track towards 6.5 mmts for the full 2020/21 season.”

Mr Crundall said the cheap relativity of Australian barley will keep it competitive into the back end of the marketing year. “We should see continual demand popping up out of South-east Asia.”

**GRAIN SORGHUM**

- **Australian April sorghum exports triple**

**Australian sorghum exports for February, March and April 2021.**

<table>
<thead>
<tr>
<th>SORGHUM</th>
<th>February</th>
<th>March</th>
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<td>Saudi Arabia</td>
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<td>TOTAL</td>
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</table>

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Mr Crundall said the cheap relativity of Australian barley will keep it competitive into the back end of the marketing year. “We should see continual demand popping up out of South-east Asia.”
Liz Wells - Southern Queensland’s sorghum harvest started in earnest in April as Australian exported 155,083 mts of sorghum in April, more than triple the amount shipped in March, according to the latest export data from the Australian Bureau of Statistics (ABS).

The jump in sorghum shipments reflects the availability of new-crop sorghum, which is still being shipped out of Brisbane and Newcastle, and demand from China for the red grain.

Sorghum exports finally ticked higher, notching up over triple the March volume as exports to China ramped up. Demand outside of China was fairly weak with Japan the only other country who stepped up for any real volumes. May shipping stem has a few bulk vessels on it but nothing particularly noteworthy.

**ETHANOL**

- **CME Ethanol Futures**

CME Ethanol June 2021 closed on Friday at $2.3350/gallon, down up 5½ cents on the day, and off 3 cents for the week.

DTN - The average price for domestic distillers dried grains (DDG) from the 40 locations DTN contacted with spot offers for the week ended June 3 was $211 per ton, down $7 from one week ago.

DDG prices moved lower again as run rates at plants increase. While domestic demand is still good, the extra product from higher run rates needs to move so it doesn’t build up, noted a merchandiser. Adding pressure to DDG prices is the weaker soymeal futures and hence cheaper cash meal price.

- **EIA: Ethanol production up 2%, stocks up 3%**

U.S. fuel ethanol production expanded by more than 2% the week ending May 28, according to data released by the U.S. Energy Information Administration on June 3. Ethanol stocks were up my more than 3%.

Ethanol production for the week ending May 28th reached 1.034 million barrels per day, up 23,000 barrels per day when compared to the 1.011 million barrels per day of production reported for the previous week. When compared to the same week of 2020, production was up 269,000 barrels per day.

Ending stocks of fuel ethanol increased to 19.588 million barrels, up 608,000 barrels when compared to the 18.98 million barrels of stocks reported for the previous week. When compared to the same week of 2020, ethanol stocks for the week ending May 28th.

- **India brings forward by 2 years 20% ethanol blend to gasoline**

Reuters - India's government will bring forward to 2023 from 2025 the possibility of fuel companies selling gasoline containing up to 20% of ethanol (E20), according to brokers and a publication in the country's official gazette on Wednesday.

It is the second time India's government anticipates sales of the E20 fuel, which originally would happen only in 2030, as the country seeks to cut its oil import bill and reduce carbon dioxide pollution in cities. read more

"The central government hereby directs that the oil companies shall sell ethanol blended petrol with percentage of ethanol up to 20% as per the Bureau of Indian Standards specifications, in the whole of the states and union territories," the publication said.

The move from India towards higher production and use of ethanol is expected to cut the country's exportable surplus of sugar, potentially leading to higher international prices for the sweetener.

Most of the additional ethanol production in the country will come from sugar cane processing, so less cane will likely be used to make sugar.

Wednesday's publication comes after changes earlier this week by the government on rules for companies to set up standalone ethanol production units, aiming to facilitate those projects.

India has also been giving soft loans to sugar mills to increase ethanol production capacity by adding distillation infrastructure to existing plants.

Large volumes of E20 by 2023, however, will depend on how quick car manufacturers can adapt, since it will require new engine specifications.
### OILSEEDS COMPLEX

- **Brazil exports over 16 mmts of soybeans, a record for May**
  
  Brazilian soybean exports reached 16.4 mmts in May, a record for this time of the year and less than 1 mmts below the all-time record shipped in April, official customs data showed Tuesday.

  The country loaded 781,114 mts of beans per working day in May, down from daily shipment rates above 880,000 mts at the beginning of the month, but still 10.7% higher on the year.

  May bean exports came slightly above the 16.2 mmts forecast set by the Brazilian grain exporters association Anec in the week prior.

  Looking ahead, over 8.2 mmts of beans are scheduled to leave Brazilian ports in the coming weeks, line-up data from shipping agency Cargonave showed Tuesday.

  Despite the record export level, the agency’s data shows that the share of beans heading to China declined from May 2020, with the full official statistics to be released in the coming days.

  The country exported 13,919 mts of corn in May at a daily average of 663 mts, 46.8% lower on the year. That said, Brazilian corn exports are typically very low at this time of the year and, despite the expected shortfalls in the second crop safrinha due to dry weather conditions, volumes shipped should pick up from the second semester.

- **Argentine growers sell 20 mmts of soy in 2020/21 as harvesting ends**
  
  Reuters - Argentine farmers have sold 20 mmts of soy from the 2020/21 season, after transactions for 606,000 mts were registered over the past week, the Agriculture Ministry said in a report on Tuesday, including data updated through May 26th.

  With growers finishing this season’s harvest, the rhythm of soybean sales in Argentina is behind that of the previous season, when sales of 23.8 mmts had been registered by this date, according to official information.

  The soybean harvest is expected at 43.5 mmts, according to the Buenos Aires Grains Exchange, versus 49 mmts estimated by the exchange to have been brought in during the 2019/20 season.

  Sales for 2021/22 soy are at 616,100 mts, almost double the amount registered on the same date last year, the ministry said in the report.

  Argentina needs export dollars to boost its recession- and inflation-battered economy as the country gets hit by a second wave of coronavirus infections.

  Regarding 2020/21 corn, which is also being harvested, the government said in the report that sales had been registered for a total 28.6 mmts, 3.2 mmts more than those registered by the same date last year.

- **EU 2020/21 soybean imports 13.84 mmts, rapeseed 5.88 mmts by May 30**
  
  Reuters - European Union soybean imports in the 2020/21 season that started last July had reached 13.84 mmts by the 30th of May 2021, data published by the European Commission showed on Wednesday.

  That compared with 13.86 mmts cleared by the same week last season, the data showed.

  EU rapeseed imports in 2020/21 had reached 5.88 mmts, compared with 5.71 mmts. Soymeal imports so far in 2020/21 were at 15.46 mmts against 16.50 mmts a year earlier, while palm oil imports were at 4.79 mmts versus 5.33 mmts a year ago.

  Since the 1st of January, 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.

- **Argentina’s beef export ban to boost soybean plantings: study**
  
  Argentina’s decision to halt beef exports to lower domestic inflation could lead to increased output of exportable crops such as soybeans as farmers look to limit their exposure to domestic policy shifts, a new study from the University of Belgrano said.

  Víctor Beker, director of the Center for the Study of the New Economy (CENE), explained that similar measures were taken during the government of Cristina Fernández de Kirchner, which resulted in increased soybean output due to its role as one of the main crops not to be consumed domestically.

  Soybean sowing went from 16.6 million ha in the 2007/2008 marketing year to 19.8 million ha in 2014/2015. That trend has since reversed, however, returning to 16.9 million ha in the 2019/2020 marketing year.

  “The government’s apparent intention is to return to the almost 20 million ha of soybean sowing reached in 2015, discouraging the use of the land for alternatives, such as cattle or the cultivation of wheat,” the study said.

  It comes after Argentina announced a 30-day ban on beef exports last month in a bid to curb rampant domestic inflation. While agriculture industry groups warned the plans were futile, the government has opted to press ahead with the strategy and said exports will only resume once a solution to the high prices can be found.

  Shifting away from crops with a big domestic market fits with government strategy, Beker said, with the concentration of exports in a single crop that has only limited appeal to domestic consumers lowering the effects of global price fluctuations on domestic food prices.

  However, the scheme is not without its risk, the report warned. “The risk of such a strategy lies in dependence on exports of a single product and, therefore, on fluctuations in its price. The Argentine economy would be even more dependent on soybean prices,” the report said.

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SOYBEANS

Gro Intelligence - Recent weakness in the soybean market has been placed on hold as weather conditions in the US warrant close monitoring.

CBOT July soybeans rallied this week, finding support from a generally dry forecast for the northern Plains and concerns about the impact of cold temperatures over the weekend. In addition, The Drought Index continues to show worsening conditions for North Dakota, one of the nation’s top soybean producing states, suggesting since mid-March that perfect growing conditions will be needed this season to assure adequate supplies of both corn and soybeans in the US.

The domestic soy complex ended the last trade day of the week with +1% gains. Beans were 21 to 34 1/2 cents higher on the day. Soymeal closed Friday with $4 to $4.60 gains. Front month soybean oil prices ended 249 to 253 points in the black. July BO was just 29 points off the LOC high of 72.13 cents set before yesterday’s pullback.

Prices at key export locations in the US and South America can help assess the impact of logistical issues on global soybean markets as well as predict demand for exports.

Demand for soybeans also is high. Brazilian FOB soybean values remain elevated versus the 5-year average, suggesting world demand should keep a floor under soybean prices worldwide. Brazil, the largest global supplier from March through September, has shipped 33.1 mmts of soybeans in 2021, an increase of 4% from this time last year.

Soybean stocks in the US will end the current marketing year at the tightest level on record, while 2021/22 supplies, with a projected stocks-to-use ratio of 3.2%, are expected to be the third-smallest ending stocks in history.

We can expect that a sizable and sustained decline in soybean futures won’t come without the reassurance of adequate 2021/22 soybean supplies, driven by above-trend yields.

CME CBOT Soybeans Futures

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Forecast back to hot and dry saw the market take off. The lead contract CME July 2021 Soybean Futures settled on Friday at $15.82½/bu, up 32¼ cents on the day, and gaining 53 ½ cents for the week.

On the July soybean chart, support is the 20-day at $15.61, with resistance the upper Bollinger Band at $16.30. Prices appear to be trying to consolidate in the upper end of the recent range.

There is little fresh news at the moment with oil is leading the product complex. Meal is $1.00 to $2.00 higher and oil is 2.40 cents to 2.60 cents higher. The “cash crush” is being supported by oil, and remains a healthy at $2.75/bu for the central belt, East at $3.00 and West $3.45. Despite the monster margins, bean basis continued its slide lower this week as most processors rolled to the August or November Futures.

The weather pattern should allow for planting to wrap up with the warmer and drier short-term weather.

Weekly export sales were soft at 17,800 mtx of old crop, 180,300 mtx of new; meal sales were 217,700 mts old and 22,500 mts of new, and 1,000 mts of oil.

The US basis remains stable as the crushing margins seem to be rangebound, with meal still struggling to hold gains. June CIF NOLA bids are down 4 cents dropping down to delivery value, July bids at +67n are 2 cents over DVE.
South America should continue to see shipping progress short term. The weekly CoT report from the CFTC showed light long liquidation from soybean spec traders during the week ending the 1st of June. On net funds were 602 contracts less net long at 138,788.

The weekly Export Sales report showed 17,762 mts of old crop beans were booked during the week ending the 27th of May. That was the lowest since 90,000 mts were canceled during the week of April 1st. Japan and Colombia were net buyers, along with a handful of smaller sales to other nations, offset in part by reductions to unknown destinations. The report noted 4.071 mmts of old crop beans are still on the books, which is the lowest unshipped book for week 39 since the 2015/16 MY. Weekly data had accumulated shipments at a record 57.5 mmts (2.11 bbus) through the 27th of May. That is 92.6% of USDA’s full year forecast.

For new crop, USDA’s weekly data release showed 180,300 MT of soybeans were sold. That was in line with expectations and set the total forward book at 7.45 mmts.

**VEGETABLE OILS**

- **Growth Of US biofuels heightens demand for soybean oil**

  *Gro Intelligence* - The ongoing expansion of US biofuel production continues to have cascading effects on the agricultural value chain, as supply aims to keep up with growing demand. Demand for renewable diesel feedstock has compounded historic vegetable oil inflation.

  Soybean cake and meal - Futures Prices, Rolling Front Month, Settle (currency/mass) - United States (Gro Derived)

  This display shows the Chicago Board of Trade front month continuous soybean meal (in blue) and soybean oil (in green) futures, from 1994 to present.

  Soybean oil prices are at 12-year highs, with the increase in price outpacing that of soybean meal. As a result, soybean oil share — the contribution of soybean oil value to the total margin from crushed soybean — has risen to 40%-45% as compared with recent averages of 30% - 35%, the US Soybean Export Council reports.

  And in the coming two years, US production of vegetable-oil-based biofuels is expected to expand even further, increasing pressure on domestic and international stocks of vegetable oil. According to analyst estimates, US production of renewable diesel in particular is slated to almost quadruple from 2020 to 2022, going from approximately 550 million gallons (1.6 billion mts) to 2 billion gallons. Production in 2021 is projected to be 750 million gallons.

  About 60%-70% of US vegetable-oil-based biofuels are currently generated from soybean oil. Assuming this proportion stays constant, over 3 mmts of soybean oil will have to be added to renewable diesel feedstock by 2022.

  Domestic production of soybean oil in 2020 was about 11.57 million tonnes. This came from a little more than half of total US production of soybeans — 112.5 mmts (4 billion
bushels). About 3.9 mmts of domestically produced soybean oil was processed into biofuels, and another 1 mmts were exported.

Future biofuel feedstock needs will therefore drive-up US vegetable oil imports and domestic oilseed production and processing capacity. Recent news reports have focused on several million-dollar investments toward ramping up domestic vegetable oil processing capacity.

These upcoming vegetable oil processing facilities and renewable diesel plants will have localized and broader-scale impact on farmers. Crushing plants produce both soybean meal and oil, and those plants with easy access to renewable diesel plants may contribute more soybean meal to the livestock industry, as they aim to meet demand from the biofuel plants. And markets for soybeans and other oilseeds, alongside higher prices, will also factor into farmers’ planting decisions.

Last month’s cyberattack on the Colonial Pipeline has highlighted the potential of biofuels to ease dependence on crude oil, in turn raising questions about how the growth in renewable diesel capacity will shift the agricultural sector.

The weekly CoT report from the CFTC showed in soybean oil, spec funds were reported at 86,084 contracts net long and added to the position.

USDA export data showed soybean oil sales were at the low end of estimates as 1,018 MT were booked. Jamaica’s 4k MT purchase was mainly offset by a 3k MT reduction from Colombia.

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CME Soybean Oil

Nearby CME Soybean Oil futures made new all-time and contract highs on Thursday, touching $72.13/cwt, and for the week up a whopping 8.4%. CME July 2021 Soybean Oil Futures settled on Friday at $71.45/cwt, up $2.60 on the day, and gaining $5.63 for the week.

Sharp gains in Dalian soybean oil prices were also made this week as the nearby July contract reached RMB9,472/mts on Friday.

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CME Palm Oil Swaps July 2012

CME July 2021 Palm Oil Swaps settled at $981.75 903.25/mt on Friday, up $9.50/mt on the day, and gaining $78.50 for the week.

Influx of soybean oil from Nepal hurting domestic industry and farmers

As cooking oil prices touch record high levels, the edible oil industry has alleged that illegal import of palm and soyabean oils from Nepal into India has threatened the survival of the industry and farmers. In a letter written to the central government, Solvent Extractors Association (SEA) has claimed that palm oil and soyabean oil from other origins is being routed into India through Nepal to take advantage of zero duty imports from Nepal. “What started as a trickle in the beginning has assumed alarming proportions and is now threatening the very survival of the vegetable oil refining industry in eastern and northern India but also resulting in huge revenue loss to the government of India.

It destroys our markets and the very purpose of keeping high import duties on edible oils is getting negated," the SEA letter said. Goods exported to India by five Least
Developed SAARC Countries are fully exempted from customs duty since November 2011. "Taking advantage of this exemption, import of palm oil and soybean oil started from Nepal and Bangladesh at zero duties in substantial quantities.

Nepal has no production of soyabean and a very small capacity for crushing imported soybean, " alleged SEA. The Association in its letter said that Nepal does not produce any palm oil. "The palmolein being imported from Nepal is from Indonesia and Malaysia origin and soybean oil is from South America origin, routed through Nepal or Bangladesh by flouting the Rules of Origin for getting the duty exemption for such imports.

In fact, to check misuse of 'Rules of Origin', the Ministry of Finance had issued notification in August, 2020 imposing strict regulation. Still import of soybean oil entering into India at nil duty flouting the rules of origin, " the letter added.

India considers edible oil import tax cut to lower prices

Reuters - India is considering reducing import taxes on edible oils after cooking oil prices hit record highs last month, two government and two industry officials told Reuters, to reduce food costs in the world's biggest vegetable oil importer.

While no decision has been made, the tax reduction could lower local prices and boost consumption, giving support to Malaysian palm oil, along with soy and sunflower oil prices, and dampening prices of local oilseeds such as rapeseed, soybean and groundnut.

"A proposal to lower the import duty on edible oils is under review," a government official with knowledge of the matter who asked to remain unidentified said on Wednesday.

The government will make a final decision to cut the taxes sometime this month, said an official at the Ministry of Consumer Affairs also involved in the process who asked to remain unidentified.

Domestic soyoil and palm oil prices have more than doubled in the past year, hitting consumers already stung by record fuel prices and reduced incomes amid the COVID-19 pandemic.

India meets nearly two-thirds of its edible oil demand through imports, levying a 32.5% tax on palm oil imports, while crude soybean and soyoil are taxed at 35%.

It buys palm oil from Indonesia and Malaysia, and soyoil and sunflower oil come from Argentina, Brazil, Ukraine and Russia.

"There are different views about it. One view is to first monitor the planting of Kharif (summer-sown) oilseeds and see how it pans out," said the first official. "The other view is to evaluate the impact of lowering the duty," he said, noting this has to be weighed against the risk of suppliers raising prices.

However, some in the industry are opposed to cutting import duties because that may only help overseas suppliers and discourage farmers from expanding oilseed acreage, said the consumer affairs official.

"Revenue is not an issue. The government's tax collection would remain the same as last year since prices have gone up in the world market," the official said.

The average landed price of crude palm oil at Indian ports was US$1,173/mt in April 2021 compared to US$599/mt a year ago, according to data from the Solvent Extractors' Association of India (SEA), a trade body.

During a meeting with government officials last week on reducing edible oil prices, the SEA suggested using the taxes to subsidize sales to consumers, said the group's head B.V. Mehta. "The government can help poor people even without cutting import tax by providing subsidized edible oils," Mehta said.

PLANT PROTEIN MEALS

CME CBOT Soybean Meal

CME July 2021 Soybean Meal Futures settled on Friday at $395.20/short ton, up $3.60/ton on the day, and losing 10 cents for the week.

The weekly CoT report from the CFTC showed spec traders were 4,347 contracts less net long in soymeal over the same week, also from long liquidation.

USDA export data showed 217,704 mts of soymeal was booked during the week ending the 27th of May. That was an 11 week high.
**Transportation**

- **Baltic Dry Freight Index 4th straight weekly dip on capesize retreat**
  The Baltic Dry Index fell for the 8th straight session to 2,438 on Friday, a new low since April 19th, amid concerns over demand, price controls of key commodities and delays at Shenzhen’s port of Yantian after a Covid-19 outbreak earlier closed part of the facility.

  The Baltic Dry Index fell 6% in the first week of June, the fourth straight weekly decline.

  The capesize, which tracks iron ore and coal cargos of 150,000-tonnes, slumped 65.3 to 2,524, a near two-month low. Meanwhile, the panamax index which tracks cargoes of about 60,000 to 70,000 mts of coal and iron ore, rose 1.3% to 2,933, the highest since the 14th of May. Among smaller vessels, the supramax index edged up 8 points to 2,449.

  The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea. The index is a composite of three sub-indices that measure different sizes of dry bulk carriers: Capesize, which typically transport iron ore or coal cargoes of about 150,000 tonnes; Panamax, which usually carry coal or grain cargoes of about 60,000 to 70,000 tonnes; and Supramax, with a carrying capacity between 48,000 and 60,000 tonnes. The Baltic Dry Index takes into account 23 different shipping routes carrying coal, iron ore, grains and many other commodities. Source: [https://www.tradingview.com/chart/?symbol=INDEX%3ABDI](https://www.tradingview.com/chart/?symbol=INDEX%3ABDI)

**Logistics**

- **Argentine meat strike to end Wednesday, could resume include grains**
  Reuters - Argentine cattle ranchers will end their meat sales ban at midnight on Wednesday, but the protest over the government's suspension of beef exports could resume to include a grains sales strike, the leader of a top farm group said.

  Argentina is the world's No. 5 meat exporter, with most of its shipments destined for China. In a move to help control inflation, expected at about 50% this year, the government imposed a 30-day ban on meat exports.

  Farmers halted the domestic trade of livestock to protest the ban. But Carlos Achetoni, president of the Argentine Agrarian Federation (FAA), said the protest may be restarted over the days ahead to include a sales strike by grain farmers.

  "Today, the sales strike ends," Achetoni told Reuters. "What is being analyzed is whether or not, if there is no agreement with the government in the coming days, to extend the strike to include grains sales as well."

  The country's pro-free-markets farm groups distrust the left-of-center government of Peronist President Alberto Fernandez. That branch of Peronism locked horns with the country's key agricultural sector in an all-out farm sector strike in 2008 that crippled Latin America's No. 3 economy.

  Those political tensions are near the surface of today's debate over state intervention in the meat export market.
**Ghosts of 2008** - "Today we are concerned about the conflict over meat exports, but yesterday it was over soybean export taxes and constant attempts to violate private property," the Rural Society of Tucuman Province said in a statement.

"It is inevitable to ask ourselves what comes next?" it said. In a sign that today’s Peronists may be more pragmatic than those in power in 2008, Fernandez’s government early this year backed away from plans to cap or increase taxes on wheat and corn exports after an outcry from growers.

The agricultural sector wants a quick end to the meat export suspension. Ranchers and farmers say export caps are not an effective way to control inflation, and that they have a deadening effect on farm investment and production.

Other farm sector leaders joined in the threat to suspend sales of soy and corn, Argentina's two main cash crops, if the government does not agree to end the meat export suspension.

"In the event of redefining the sales strike as a sector-wide action, the strike would not only be for on meat sales but for the sale of all agricultural products," farm association CRA, which represents mid-sized growers, wrote in a tweet.

The government needs grains export dollars to replenish central bank reserves strained by a long recession, which has been exacerbated by the coronavirus pandemic.

**OTHER RELATED NEWS**

- **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 (Vigna mungo), specifically removing these select pulses from the restricted list and clearing by Indian Customs before November 30, 2021.

  The measure removes quantitative import volume restrictions on these commodities.

- **Brazil finalizing rule to pay farmers to preserve land**

  Reuters - The Brazilian government is finalizing legislation that will allow farmers to get paid to preserve undeveloped rainforests and savannah, Agriculture Minister Tereza Cristina Dias said during an online event on Tuesday.

  Dias said the new rules would allow farmers to get paid if they decide not to clear land for agriculture or to raise livestock, even as in some regions of Brazil they would be legally permitted to.

  Brazil has been under increasing international pressure to curb deforestation, which has spiked in recent years amid lax enforcement under the right-wing government of President Jair Bolsonaro.

  The minister, who did not provide a timeline for enacting such a bill, said Brazil has a strict forestry code that allows farmers to clear portions of their land depending on the region where they operate.

  In some places, it remains possible to chop down trees to create space for livestock or to grow crops, but the new rules would provide incentives for farmers not to do so.

  "This is a business that will grow a lot in Brazil over the coming years," Dias said. "It could become the second or even the main business for the Brazilian farmer and rancher."

  Once the new regulatory framework is in place, each farmer would be able to survey their property and make the best choice, she said.

  "They will opt for the best deal, whether it is to plant soy or raise cattle, or to preserve the forest."

- **US Justice Dept Requires Substantial Divestitures in Zen-Noh-GrainCorp Acquisition of US Grain Elevators**

  The Department of Justice announced that it will require Zen-Noh Grain Corp. (ZGC) to divest nine grain elevators in nine geographic areas located in five states along the Mississippi River and its tributaries in order to proceed with its proposed $300 million acquisition of 35 operating and 13 idled grain elevators from Bunge North America Inc. The Justice Department’s Antitrust Division filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia to block the proposed merger. At the same time, the department filed a proposed settlement that, if approved by the court, would resolve the department’s competitive concerns.

  "American farmers produce the crops that feed our nation and the world," said Acting Assistant Attorney General Richard Powers of the Justice Department’s Antitrust Division. "Without this comprehensive divestiture, many American farmers would have faced lower prices for the corn and soybeans they produce. The divestiture of these assets protects vital competition in our nation’s agricultural industry."

  According to the complaint, the defendants are two of only a small number of competing grain purchasers in nine geographic areas. Without the required divestiture, the combined company likely would have been able to pay less for grain and lower the quality of services offered to farmers. The divestiture ensures that the buyer of the grain elevators will be well positioned to compete vigorously with the merged company in the purchase of corn and soybeans in the affected markets, preserving competition for the benefit of farmers in Arkansas, Iowa, Illinois, Louisiana and Missouri.

  The divestiture required under the settlement would, if approved by the court, require ZGC to sell the grain elevators to Viserion Grain LLC (Viserion) or an alternative acquirer approved by the United States. Viserion’s management team has substantial experience in the grain industry.
International Crop & Weather Highlights

- **USDA/WAOB Joint Agricultural Weather Facility – 29th May 2021**
  
  **Europe** – Continued Cool With Early-Week Rain
  - Cool temperatures and early-week rain favored reproductive to filling winter wheat and rapeseed across central and northern Europe, though crops were still vegetative in northeastern growing areas.
  - Drier weather later in the period favored late summer crop planting and other seasonal fieldwork.
  - Dry, warm conditions in Spain reduced moisture for filling winter grains and emerging summer crops.

  **Western FSU** – More Rain In The West, Heat And Dryness In The East
  - Additional rain in Ukraine and western Russia benefited reproductive to filling winter wheat, barley, and rapeseed, though there were enough days suitable for fieldwork for late summer crop planting.
  - Hot, dry weather in Russia’s eastern Volga District promoted fieldwork but rapidly reduced soil moisture for spring grain establishment.

  **Eastern FSU** – Drought And Excessive Heat
  - Extreme drought and excessive heat in northern Kazakhstan and central Russia continued to rapidly lower prospects for spring grain establishment.
  - Additional much-needed rain in eastern-most spring grain areas eased heat and drought locally.
  - Extreme heat and dryness in Uzbekistan and environs heightened irrigation demands for vegetative cotton; water supplies were already limited by the region’s cool-season drought.

  **Middle East** – Rain In The North, Dryness And Heat Lingered Elsewhere
  - Showers aided vegetative summer crops across northern portions of Turkey and Iran.
  - Dry, hot weather further lowered yield prospects for filling wheat and barley in central Turkey.

  **South Asia** – Tropical Cyclone Yaas
  - Tropical Cyclone Yaas moved into northeastern India, bringing downpours to major rice-producing areas, including in Bangladesh.

  **East Asia** – Rain In Southern China
  - Heavy showers in the Yangtze Valley boosted moisture supplies for vegetative summer crops.
  - Rainfall in northeastern China improved moisture conditions for corn, soybeans, and rice establishment, but some locales remained dry.

  **Southeast Asia** – Monsoon Showers
  - Wet weather overspread Thailand and the surrounding areas, boosting moisture supplies for rice and other wet-season crops.

  **South America** – Scattered Showers Brought Localized Relief From Brazilian Dryness
  - Rain benefited immature corn and emerging wheat in central and southern Brazil.
  - In Argentina, drier weather helped to improve conditions for summer crop harvesting.

  **Mexico** – Rain Continued In Eastern Farming Areas
  - Scattered showers benefited summer crops in eastern production areas, but farmers awaited rain for planting in western summer corn areas.

  **Canada** – Cool, Showery Weather Overspread The Prairies
  - Warmer weather was needed for developing spring grains and oilseeds.


**Brazil on drought alert, faces worst dry spell in 91 years**

Reuters - Brazil’s government agencies warned of droughts this week as the country faces its worst dry spell in 91 years, increasing fears of energy rationing, hitting hydroelectric power generation and agriculture while raising the risk of Amazon fires.

Late on Thursday, the Electricity Sector Monitoring Committee (CMSE), which is linked to Brazil’s Mines and Energy Ministry, recommended that the water regulator ANA recognize a state of “water scarcity,” after a prolonged drought hit Central and Southern parts of Brazil along the Paraná river basin.

Separately, a weather monitoring agency linked to the Agriculture Ministry issued its first “emergency drought alert” for June to September, saying rains are likely to remain scarce in five Brazilian states during that period.

The lack of rain across much of Brazil has negative implications for grain cultivation, livestock and electricity generation, as Brazil relies heavily on hydro dams for its power. The dry weather could lead to severe fires in the Amazon rainforest and Pantanal wetlands, scientists said.

The CMSE said the lack of rain makes it important to relax restrictions on some hydroelectric plants to allow greater energy generation or more storage in certain regions. That will require difficult talks with politicians, the ANA and environmental protection agency Ibama.
"Energy rationing is not envisaged, but if there is no relaxing of restrictions, there is no other way," said a source with knowledge of the situation.

Drier-than-normal weather has hurt production of sugar and coffee in Brazil, the world’s largest supplier of those products, pushing up futures prices for the commodities.

Coffee futures touched a fresh 4-1/2 year high on Friday with traders worried that critical soil moisture in Minas Gerais could affect the 2022 coffee crop as well.

The Mines and Energy Ministry said dry conditions will persist in coming months, particularly in the Southeast and Center West regions.

**USDA NASS - National Agricultural Summary 24 – 30 May 2021**

**HIGHLIGHTS:** Most of the western one-third of the nation remained drier than normal, as did much of the central Gulf Coast region, northern New England, and the lower Southeast. In contrast, higher-than-normal amounts of rain were recorded in large parts of the Great Lakes, Great Plains, mid-Atlantic, Mississippi Valley, Pacific Northwest, Northeast, northern Rockies, and Texas. Meanwhile, most of the county was cooler than normal. Portions of the northern Great Plains and the northern Rockies recorded temperatures 6°F or more below normal. In contrast, above-normal temperatures were recorded in much of the mid-Atlantic and Southeast. Large sections of the Carolinas recorded temperatures 6°F or more above normal.

**Corn:** By May 30th, producers had planted 95% of the nation’s corn, 3 percentage points ahead of last year and 8 points ahead of the 5-year average. Corn planting progress was at or ahead of average in 16 of the 18 estimating states. 81% of the nation’s corn acreage had emerged by May 30th, 5 percentage points ahead of the previous year and 11 points ahead of average. On May 30th, 76% of the nation’s corn was rated in good to excellent condition, 2 percentage points above the previous year.

**Soybean:** 84% of the nation’s soybean acreage was planted by May 30th, 10 percentage points ahead of last year and 17 points ahead of the 5-year average. By the end of the week, soybean planting progress was ahead of average in 16 of the 18 estimating states. 62% of the nation’s soybeans had emerged by May 30th, 12 percentage points ahead of last year and 20 points ahead of average.

**Winter Wheat:** By May 30th, 79% of the nation’s winter wheat was headed, 3 percentage points ahead of the previous year and 1 point ahead of the 5-year average. On May 30th, 48% of the 2021 winter wheat crop was reported in good to excellent condition, 1 percentage point above the previous week but 3 points below the same time last year. In Kansas, the largest winter wheat-producing state, 61% of the winter wheat was rated in good to excellent condition.

**Cotton:** Nationwide, 64% of the cotton was planted by May 30th, equal to the previous year but 1 percentage point behind the 5-year average. In Texas, 54% of the 2021 cotton acreage was planted by May 30th, 7 percentage points behind last year and 2 points behind average. 6% of the nation’s cotton had reached the squaring stage by May 30th, 2 percentage points behind last year and 1 point behind average. On May 30th, 43% of the 2021 cotton acreage was rated in good to excellent condition, 1 percentage point below last year.

**Sorghum:** 41% of the nation’s sorghum acreage was planted by May 30th, 7 percentage points behind the previous year and 4 points behind the 5-year average. Texas had planted 82 percent of its sorghum by May 30th, 5 percentage points behind last year and 3 points behind average.

**Rice:** By May 30th, 86% of the nation’s rice had emerged, 6 percentage points ahead of last year and 3 points ahead of the 5-year average. On May 30th, 74% of the nation’s rice was rated in good to excellent condition, 3 percentage points above the previous week and 5 points above the same time last year.

**Small Grains:** 91% of the nation’s oat acreage had emerged by May 30th, 6 percentage points ahead of last year and 5 points ahead of the 5-year average. 31% of the nation’s oats had headed by May 30th, 4 percentage points ahead of last year and 3 points ahead of average. On May 30th, 55% of the nation’s oats were rated in good to excellent condition, 2 percentage points above the previous week but 16 points below the same time last year. 95% of the nation’s barley was planted by May 30th, 3 percentage points ahead of last year and 1 point ahead of the 5-year average. 79% of the nation’s barley had emerged by May 30th, 7 percentage points ahead of the previous year and 3 points ahead of average. On May 30th, 48% of the nation’s barley was rated in good to excellent condition, 1 percentage point above the previous week but 21 points below the same time last year. By May 30th, 97% of the nation’s spring wheat had been seeded, 7 percentage points ahead of last year and 4 points ahead of the 5-year average. Planting progress was ahead of average in all 6 estimating states. By May 30th, 80% of the nation’s spring wheat had emerged, 15 percentage points ahead of the previous year and 7 points ahead of average. On May 30th, 43% of the nation’s spring wheat was rated in good to excellent condition, 2 percentage points below the previous week and 37 points below the same time last year.

**Other Crops:** Nationally, producers had planted 77% of the 2021 peanut acreage by May 30th, one percentage point ahead of the previous year, but 3 points behind the 5-year average. Producers in Georgia, the largest peanut-producing state, had planted 82% of the intended acreage by week’s end, 3 percentage points ahead of the previous year, but 1 point behind average. On May 30th, 65% of the nation’s peanuts were rated in good to excellent condition, 3 percentage points below the same time last year. 42% of the nation’s intended 2021 sunflower acreage was planted by May 30th, 13 percentage points ahead of last year and 7 points ahead of the 5-year average.

**U.S. Agricultural Weather Highlights – Friday 4th June 2021**

**In the West**, drought continues to worsen amid an early-season hot spell and negligible rainfall. In many areas, irrigation demands are unusually heavy for this time of year, while reservoirs are not receiving typical volumes of replenishing runoff due to premature melting of mountain snowpack and absorption of any moisture by parched soils.

**On the Plains**, blazing heat across Montana and the Dakotas contrasts with pleasant temperatures across the southern half of the region. On June 3, daily-record high temperatures included 99°F in Minot, North Dakota, and 100°F in Glasgow, Montana. Today's high temperatures could exceed 100°F in parts of eastern Montana and the Dakotas, bringing renewed stress to rangeland, pastures, winter wheat, and spring-sown small grains that benefited from late-May rainfall.

**In the Corn Belt**, mostly dry weather accompanies a warming trend. In fact, today's high temperatures should range from around 85°F in the Ohio Valley and the lower Great Lakes region to near 100°F in parts of the far upper Midwest. The hot weather is promoting a rapid pace of corn and soybean development, but further reducing topsoil moisture in areas of the northern Corn Belt already experiencing some dryness.

**In the South**, showers and thunderstorms are occurring in several areas, including the central Gulf Coast region and the middle Atlantic States. In the former region, which includes eastern Texas and southern Louisiana, the rain is perpetuating fieldwork delays and pockets of lowland flooding. In the Atlantic Coast States, showers are providing a favorable boost in topsoil moisture that has been sharply reduced in recent weeks.

**Outlook:** Shower activity in the middle and northern Atlantic States will diminish later today. Rain will linger, however, in the Southeast, where 5-day totals could reach 1 to 2 inches. Heavier rain (locally 2 to 5 inches) will fall in the western and central Gulf Coast States, potentially resulting in renewed flooding and lingering high river levels. Most of the remainder of the country, particularly from the Pacific Coast to the Plains and upper Midwest, will receive little or no rain during the next 5 days. In addition, above-normal temperatures in most of the dry regions could lead to stress on rangeland, pastures, immature winter wheat, and rain-fed summer crops, especially in areas already experiencing drought. Although the northern Plains’ heat wave should peak today or Saturday, temperatures will remain elevated (compared to normal for this time of year) into next week.

The NWS 6- to 10-day outlook for June 9 – 13 calls for the likelihood of near- or above-normal temperatures nationwide, except for cooler-than-normal conditions in the western Gulf Coast region and along portions of the Pacific Coast.

Meanwhile, near- or below-normal rainfall across the majority of the country should contrast with wetter-than-normal weather in the Pacific Northwest (west of the Cascades) and from the western Gulf Coast region northeastward into the Ohio Valley and mid-Atlantic.


**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

*Crop stage sensitive to moisture and temperature stresses.

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