Notes and Observations in International Commodity Markets

11th June 2021

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Contents

- Why China’s ASF Recovery Will Continue to Be a Mystery ................................................. 2
- US Dollar & Foreign Exchange .......................................................................................... 2
- US Dollar Index Rallies To 1-Week High On Technical Buying ........................................ 2
- ABARES forecasts 27.8 mmt wheat, 10.4 mmt barley, 4.2 mmt canola ................................ 3
- Wheat .................................................................................................................................. 4
  - USDA WASDE - Wheat .................................................................................................... 4
  - CME CBOT Wheat Futures .............................................................................................. 5
  - CME KC HRS Wheat Futures .......................................................................................... 5
  - MGE HRS Wheat Futures ............................................................................................... 6
- Coarse Grains ..................................................................................................................... 6
  - USDA WASDE – Coarse Grains .................................................................................. 6
  - Brazil declares first drought alert in a century ................................................................. 6
  - Recent Rains Came Too Late for Much of Brazil’s Safrinha Corn .................................. 7
- Corn .................................................................................................................................... 8
  - CME CBOT Corn Futures ............................................................................................... 8
- Ethanol .................................................................................................................................. 9
  - CME Ethanol Futures ...................................................................................................... 9
  - Weekly average DDG price drops ................................................................................... 10
- Barley ................................................................................................................................... 10
  - China to follow WTO procedures regarding Australian barley dispute......................... 10
  - France sees rebound in winter barley crop, rapeseed at 20-year low .......................... 10
- Grain Sorghum .................................................................................................................. 11
- Oilseeds Complex ............................................................................................................. 11
  - USDA WASDE – Oilseeds ............................................................................................. 11
  - EU 2020/21 soybean imports at 14.24 mmt, rapeseed 6.03 mmt .................................... 11
  - Paraguay’s soybean shipments decline 7.3% y-o-y in Jan-May ..................................... 11
- Soybeans ............................................................................................................................ 12
  - Brazilian May soybean exports at record-high, cargoes bound to the US .................... 12
  - China’s May soybean imports rise 29% on delayed Brazil arrivals .............................. 12
  - CME CBOT Soybeans Futures ...................................................................................... 13
  - ICE new crop canola futures rise to new contract highs on dry weather ..................... 14
- Vegetable Oils .................................................................................................................... 14
- Plant Protein Meals .......................................................................................................... 16
  - CME CBOT Soybean Meal .......................................................................................... 16
  - Argentina soybean crushing hits six-year high in April ............................................... 16
- Transportation .................................................................................................................... 16
  - Baltic Dry Freight Index posts best week since February .............................................. 16
  - China warns US against trade talks with Taiwan ......................................................... 17
- International Crop & Weather Highlights ....................................................................... 18
  - As India’s Monsoon Begins ........................................................................................... 18
  - USDA/WAOB Joint Agricultural Weather Facility – 5th June 2021 ........................... 19
  - USDA NASS - National Agricultural Summary - 31st May to June 6th 2021 ............. 19
  - U.S. Agricultural Weather Highlights – Friday 11th June 2021 ................................. 20
  - Reference: Conversion Calculations ........................................................................... 21
  - USDA FAS OGA – June Crop Calendar ....................................................................... 22

USDA WASDE Mixed Data, Market Returns to Weather

GHA – The USDA’s monthly WASDE and Crop Production reports this past Thursday were mixed. Markets traded higher before the 11 AM release, but fell after numbers were released and attention turned to the weather forecast.

Old and new crop US ending stocks for corn and wheat both came in below average trade guesses while higher for soybeans. World ending stocks were slightly higher than average trade guesses for corn, soybeans and wheat for 2021/22.

All winter wheat production was in line with average trade guesses, but above USDA’s previous month estimates. For hard red winter wheat, the USDA raised production 40 million bushels above last month and 12 million bushels higher than average trade guesses.
China imports for next year were held the same with 26.0 mmts for corn and 103.0 mmts for soybeans. Brazil corn production was slightly higher than expectations, but 3.5 MMT lower than USDA’s previous estimates.

Easing grains gave life to the cattle market this week. Feeder and Live cattle both surged Friday.

The CME said grain and oilseed options averaged 3.9M contracts of OI during the month of May which was a record. The average daily volume was also 2nd highest on record. July corn ended May with 41% implied vol which was the highest since 2007.

Market focus is now on the weather and wheat harvest. Expect continued volatility with an upside bias if weather isn’t nearly perfect.

**Why China’s ASF Recovery Will Continue to Be a Mystery**

U.S. Farm Report, By TYNE MORGAN - Conflicting reports continue to surface about the status of China’s hog herd and feed demand. China says the herd is well on its way to recovering from African swine fever (ASF), which wiped out more than half of its hog herd. China also has a robust start on feed demand, booking a record amount of corn for this time of year. Yet, 2020 went down in the record books of historic pork demand from China, a sign the country didn’t produce as much pork as Chinese officials led other countries to believe.

Reuters reported in May that, “Beijing-based Cofeed, a private consultancy set up almost 20 years ago, had established itself as what many in the market regarded as the most comprehensive supplier of information on grains and oilseeds in the world’s biggest buyer of soybeans. It stopped updating data on its website and in feeds to clients on April 29 without explanation.”

While some signs point to a recovery for China’s hog herd, Christine McCracken, senior analyst, animal protein, for Rabo Research, says reliable and consistent data out of China is more like a black hole.

“What part of the challenge right now is some of the traditional sources that we’ve used, are no longer available,” she says. “China really has clamped down on a lot of those traditional sources. And as a result, the flow of information is obviously slow. And you don’t necessarily have the same confidence in that data maybe you used to have.”

This week, reports showed China’s producer prices were rising at its fastest pace in 13 years, with China’s producer price index (PPI) climbing 9% in May. That marks the largest year-over-year increase since September 2008 and blew past economists’ forecasts.

The opposite is happening for pork. Pork prices, which have risen sharply in recent years because of widespread culling due to ASF, dropped 24% year-over-year.

“What I can tell you out about China is that it continues to be very volatile,” says McCracken. “Prices, as reported, are down some 50 plus percent. And actually now, most of those producers there are operating below break even. So, it is a bit of a struggle to piece it all together, especially with less reliable data.”

Dermot Hayes, an economist with Iowa State University, says the Chinese used that tactic to their advantage recently. He says China’s strategic decision to protect market intel helped the country buy grain at a cheaper price.

“China bought almost a billion bushels of corn from us at a relatively low price, or prices much lower than we would have sold it to them if we knew that they were going to buy a billion bushels, so it’s playing to their advantage and our disadvantage,” he adds.

So, is China’s pork industry well on its way to recovering from the ASF outbreaks as the country stated last year? Hayes says there are a few metrics he keeps his eye on closely.

“What I watch is the price of piglets, and they’re down, and the Chinese futures markets, which was way high until a couple of weeks ago, is now down, too. So, that suggests to me that they are making progress,” says Hayes. “But that’s progress that’s coming nine months after they claimed they were making progress.”

**US Dollar & Foreign Exchange**

**US Dollar Index Rallye To 1-Week High On Technical Buying**

[Graph showing US Dollar Index rally]

[Image of US Dollar Index rally chart]
The dollar index on Friday rallied moderately on some technical strength after edging to a 1-week high. The dollar also saw support from higher dollar interest rate differentials, with the 10-year T-note yield rising +3.0 bp to 1.462%.

The dollar index on Friday rallied moderately by +0.37 (+0.52%). June euro-fx futures closed -0.00665 (-0.55%), and EUR/USD fell -0.00643 (-0.53%). June yen futures closed -0.0023 (-0.25%), and USD/JPY rose +0.386 (+0.35%).

Friday's strong U.S. consumer sentiment report was also a supportive factor for the dollar. The preliminary-June University of Michigan U.S. consumer sentiment index rose by +3.5 points to 86.4, which was stronger than expectations for a +1.3 point increase to 84.2.

The markets are expecting the FOMC at its meeting next week to leave its key policy variables unchanged, but there is a good chance that the FOMC will start discussing when it should begin tapering its $120 billion per month QE program. The consensus is that the FOMC will not make a formal announcement on QE tapering until Q4 or later but the FOMC in the meantime may drop strong hints about the timing of QE tapering.

The dollar on Friday saw some carry-over support from Thursday's strong U.S. May CPI report, which was hawkish for Fed policy. On a 3-month annualized basis, the U.S. May headline CPI soared by +8.4%, and the core CPI rose by +8.3%. The Fed and the markets so far believe the current inflation surge is temporary, but the Fed will be under pressure to tighten monetary policy sooner than currently expected if the surge becomes persistent.

EUR/USD fell on Friday due to dollar strength. The euro was also undercut by some carry-over bearishness from ECB President Lagarde's dovish comments on Thursday when she said that that a premature end of fiscal stimulus would harm the recovery and that any talk about exiting the ECB's PEPP bond-buying program is "too early now" and will come in "due course."

USD/JPY on Friday closed higher on dollar strength. Japan's Q2 all-industry BSI Business Conditions index for large companies fell by -4.7 points, but that decline was stronger than market expectations for a -5.5 point decline.

**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.
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.
6. The wide U.S. budget and current account deficits.

Bearish factors for EUR/USD include:
1. The ECB's very low -0.50% deposit rate.
2. The ECB's 1.85 trillion-euro Pandemic Emergency Purchase Program and its regular 20 billion euro/month QE program.
3. The severe economic damage done to the Eurozone economy by the pandemic.
4. The extremely low 10-year bund yield, which illustrates the euro's poor interest rate differentials.

**ABARES forecasts 27.8 mmts wheat, 10.4 mmts barley, 4.2 mmts canola**

Grain Central - Australia is forecast to produce 27.8 mmts of wheat, 10.4 mmts of barley and 4.2Mt of canola from the crop just planted, according to the Australian Bureau of Agricultural and Resource Economics and Sciences’ (ABARES) Australian crop report – June 2020 released this week.

The wheat number from the national forecaster represents a 17% drop from the record 33.3 mmts crop grown last year, while the expected barley tonnage is down 21% from last year. In contrast, canola production is expected to rise 4%.
Area planted to wheat is forecast to increase by 1% to around 13.1 mha, while barley area at 4.2 mha is seen as down 4% on last year.

Canola area is forecast to increase 25% to almost 3 mha, Australia's third-highest canola planting on record. While dry conditions in South Australia have reduced its canola area from last year, increases have been seen in all other states. “Area planted to canola is expected to be boosted by favorable world prices and excellent planting conditions in Western Australia and New South Wales,” ABARES executive director Dr Jared Greenville said.

WA and NSW are Australia’s two biggest canola-producing states, and WA canola area is seen as up 35pc from last year, while NSW canola area is forecast to have risen 27%.

Tables below refer to crops planted in the year to 31st of March.

### WHEAT PRODUCTION

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<th>2019-20</th>
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### BARLEY PRODUCTION

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<th>2021-22 estimate</th>
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### CANOLA PRODUCTION

#### Wheat

**USDA WASDE - Wheat**

The outlook for 2021/22 U.S. wheat this month is for larger supplies, higher domestic use, unchanged exports, and slightly lower stocks. Supplies were raised as higher production more than offsets reduced beginning stocks.

All wheat production is projected at 1,898 mbus, up 26 mbus from last month on increased Hard Red Winter and Soft Red Winter production more than offsetting lower White Winter production. The “all wheat” yield is 50.7 bus/acre, up 0.7 bushels from last month.

US beginning stocks declined due to higher 2020/21 exports, which were raised 20 mbus to 985 mbus, primarily on larger recent monthly exports. Feed and residual use is raised 10 mbus to 180 mbus on the higher supplies as wheat is expected to be priced competitively with corn in the summer months.

Projected 2021/22 ending stocks are lowered 4 mbus to 770 mbus, down 10% from the revised 2020/21 ending stocks.

The projected 2021/22 US season-average farm price is unchanged at $6.50/bus, compared to $5.05/bus for 2020/21, which is also unchanged this month.

The global wheat outlook for 2021/22 is for larger supplies, higher consumption, increased trade, and higher stocks. Supplies are projected to increase 4.3 mmt to 1,087.9 mmt, mainly on higher production for the EU, Russia, and Ukraine as world production is projected at a record 794.4 mmt.

The EU is raised 3.5 mmt to 137.5 mmt on recent beneficial precipitation across Northern and Central Europe. The largest increases are for Germany, France, and Romania. Russia’s production is raised 1.0 mmt to a record 86.0 mmt.
Winter wheat production is increased on a higher yield with widespread spring rainfall across Western Russia, while spring wheat is raised on higher area, based on Agricultural Ministry estimates.

Ukraine is increased 0.5 mmmts to a record 29.5 mmmts on continued favorable weather conditions. Projected 2021/22 world consumption is raised 2.4 mmmts to a record 791.1 mmmts, primarily on higher feed and residual use by the EU and Russia on increased supplies.

Projected 2021/22 global trade is raised 0.8 mmmts to a record 203.2 mmmts, on increased exports by Ukraine and India.

Projected 2021/22 world ending stocks are raised 1.8 mmmts to 296.8 mmmts with China accounting for 48% of the total.

**CME CBOT Wheat Futures**

CBOT July 2021 Wheat Futures settled on Friday at $6.80 ¾ 6.85/bu, off 1¾ cents on the day, and losing 4¼ cents for the week.

Continued forecasts for warm weather again this coming week should help to bring winter wheat along and speed up harvest activities.

In the weekly CFTC data release, CBT wheat specs were back to net short after just 7 weeks of net long. The 4,601 contract swing from June 1st to the 8th was driven by long liquidation.

In their monthly forecast update, USDA raised EU wheat output by 3.5 mmmts to 137.5 mmmts. If realized that would be a 9.2% recovery from last season’s drought.

France’s AgriMer rated the wheat crop 81% good/excellent for the week ending June 7th. That is 1% above last week’s rating, and up from 56% good/excellent seen the same week last year.

The USDA also increased forecast for Russian and Ukrainian new crop outputs to 86 mmmts and 29.5 mmmts, respectively. While SovEcon sees Russian wheat output at 82.4 mmmts after an upward revision, and IKAR was 2 mmmts higher, at 82 mmmts, earlier this week.

**CME KC HRW Wheat Futures**

Kansas July 2021 HRW Wheat Futures settled on Friday at $6.38/bu, off 2¼ cents on the day, but gaining 4¼ cents for the week.

HRW harvest continues to creep North. Several days over 100 degrees finished the ripening quicker than many were ready. Test weights are intact and above 60 lbs per bushel. Protein content is the harder variable to predict and has been all over the board. We’ve heard from below 8% to above 16%. Daily averages for nearby terminals were around 11.30% protein in Enid, OK, but sample numbers still remain small. Given ideal filling periods in many areas lead to higher test weights, we’re expecting proteins will be in the low 11’s on average. Southern Oklahoma will likely have higher protein content yet again due to more stress. Look for next week’s market action to be primarily harvest results driven.

HRW board spreads were slightly firmer in the N/U, and slightly weaker Z forward. N/U is just below 4c/month with U/Z, and Z/H just below 3c/month (gross in each case).
After setting an all-time discount for HRW vs Corn futures earlier this week, wheat regained 12¾ cents today though still settled at a 46.5 cent discount to corn. Wheat is a feed grain; expect to see increased wheat feeding in both the last quarter of the 2020/21 and the first quarter of the 2021/22 marketing years, in not only the US, but in China and other countries as well. However, the sharp inverse in corn continue to change this relationship daily on the forward curve relationships making it difficult for feeders to book an extended supply.

A SoKor feeder booked Black Sea Feed wheat overnight, continuing to show global wheat feeding at an aggressive level.

In KC wheat futures and options, the CFTC showed managed money was 627 contracts more net long on 4,543 contracts lighter OI. The CoT report noted managed money at 19,713 contracts net long in HRW.

**MGE HRS Wheat Futures**

**MGE July 2021 HRS Wheat Futures** settled on Friday at $7.64¾/bu, off 10 ¾ cents on the day, and losing 54½ cents for the week.

HRS was the weakest of the wheats at 8¾ to 10¾ lower as scattered rains across key growing areas in both the US and Canada .

In the weekly CFTC data release data showed Spring wheat speculative traders also preferred a risk off through the week, cutting OI 1.5% to 15,178 contracts. Their net long was hardly changed through the week at 13,590 contracts.

**COARSE GRAINS**

- **USDA WASDE – Coarse Grains**
  
  This month’s 2021/22 U.S. corn outlook is for reduced beginning and ending stocks. Beginning stocks are down 150 mbus reflecting projected increases for 2020/21 in corn used for ethanol and exports. Corn used for ethanol is raised 75 mbus based on the most recent data from the Grain Crushings and Co-Products Production report, and weekly ethanol production and refiner and blender net inputs data during May which indicate demand is almost back to levels seen prior to COVID-19.

  US exports are raised 75 mbus, based on export inspection data for the month of May that implies continued robust global demand for U.S. corn, despite high prices. With no use changes for 2021/22, US ending stocks are lowered 150 mbus.

  The US season-average farm price received by producers is unchanged at $5.70/bu. This month’s 2021/22 non-US coarse grain outlook is for greater production, marginally higher trade, and larger ending stocks relative to last month.

  Barley production is raised for the EU, mostly reflecting forecast increases for Germany and France that are partly offset by a reduction for Spain. Barley production is also lowered for Turkey. Brazil corn production for 2020/21 is reduced on lower yield expectations for second-crop corn, based on below-normal rainfall in the Center-West and South during the month of May. Partly offsetting is greater indicated area for the second and third crops.

  Major global trade changes for 2021/22 include larger forecast barley exports for the EU with increased imports for China.

  For 2020/21, Brazil’s corn exports are lowered for the marketing year beginning March 2021. Non-US corn ending stocks for 2021/22 are raised relative to last month, mostly reflecting increases for Pakistan and South Africa that are partly offset by a reduction for Canada.

- **Brazil declares first drought alert in a century**

  Gro Intelligence - Brazil's corn production outlook continues to ebb due to ongoing drought that the government has now declared to be the worst in nearly a century. Gro's Brazil Corn Yield Forecast Model is pointing to sharply lower year-over-year corn production despite an increase in planted area.

  Gro expects the USDA's June WASDE report on Thursday will reduce its forecast for Brazilian corn production. In the May WASDE, the USDA estimated Brazilian corn output of 102 mmts, down 7 mmts from the April forecast.

  Gro's Brazil Corn Yield Forecast Model has projected production well below official forecasts since January as the drought presented significant risk and now unrecoverable damage.

  Gro also expects the USDA will once again raise its estimate for US corn demand. Corn used for 2020/21 US ethanol production has accelerated, and last week reached
the highest level in more than a year. In addition, as crop estimates for Brazil have fallen, China has accelerated purchases of US new crop corn, pushing new crop US corn sales to a record high.

**Drought - Drought Severity and Coverage Index - Brazil**

(Gro Drought Index)

Brazil's agriculture minister declared the first emergency drought alert in 91 years as chances for rain fade for key corn areas. May is the typical start of Brazil's dry season and with below-normal precipitation volume in the past few months, drought conditions show no signs of abating.

Most of Brazil's corn crop is grown in the central Brazilian states of Mato Grosso, Paraná, Mato Grosso do Sul, and Goiás. Since the end of March, the yield estimate for Mato Grosso has dropped nearly 10%, according to Gro's Brazil Corn Yield Forecast Model.

Brazil's current safrinha, or second, corn crop accounts for 76% of the country's total corn production and bridges the gap in global exports ahead of the US harvest in September. Expected production declines out of Brazil place great pressure on the US crop to achieve above-trend corn yields. You can follow Gro's in-season US Corn Yield Forecast Model for up-to-date readings on US corn supply.

**GHA:** Brazil’s safrinha corn production is going to be key to cover export demand in the critical time frame between northern hemisphere old crop – new crop supplies. With the July – December CME Corn Futures inverse at over 70 cents a bushel ($27.55/mt), the decline in these supplies will support the premium for early sales and shipments of new crop US corn.

**Recent Rains Came Too Late for Much of Brazil's Safrinha Corn**

Michael Cordonnier/Soybean & Corn Advisor, Inc. - The limited rainfall recently received by the safrinha corn crop was generally considered to be too little and too late for much of the crop. In addition to losses caused by drought, the safrinha corn in Paraná suffered additional losses due to recent frosts that hit some of the corn that was in a sensitive stage of development.

One concern on the horizon for Brazilian farmers is the fact that the Brazilian currency has been strengthening in recent weeks. At the close of trading last Friday, the Brazilian real was trading at 5.03 per dollar which was 3.4% stronger for the week. This was the strongest finish for the currency since the 10th of June 2020. A stronger domestic currency generally means that Brazilian farmers put less money in their pockets when they sell their grain.

**Mato Grosso Safrinha Corn 4 mmts Below Initial Expectations**

The technical director of the Mato Grosso Institute of Agricultural Economics (Imea) had originally estimated the safrinha corn production in the state at 36 mmts, but he has now reduced the estimate to 32 mmts with the potential of moving it even lower. The statewide corn yield last year was 109 sacks per hectare (104 bu/acre), but the yield this year is expected to be in the range of 93.8 sacks per hectare (89.4 bu/acre), which would be the lowest in four years.

The areas hardest hit by the dry weather was in southeastern Mato Grosso in the municipalities of Primavera do Leste and Rondonopolis. The mid-north municipalities of Lucas do Rio Verde, Sorriso, and Sinop were also impacted as well as the center-south municipalities of Tangara do Serra and Diamantino.

Farmers in western Mato Grosso have started to harvest some of their earliest planted corn. In the municipality of Sapezal located in western Mato Grosso, farmers think their yields to be lower than initial expectations due to a 45-day period without rain. The corn harvest in the state will peak during July and August.

While the yields might be disappointing, farmers are pleased with the prices. At the start of the 2020/21 growing season, farmers were forward contracting their corn for R$ 35 to R$ 40 per sack (approximately $3.00 to $3.45 per bushel). Farmers still have 30% to 40% of their corn left to sell and the current price is in the range of R$ 80 per sack (approximately $6.85 per bushel).

The state of Mato Grosso is the largest safrinha corn producing state in Brazil responsible for approximately 45% of the total production. While the weather in Mato Grosso has been better than in other parts of Brazil, the dryer than normal conditions have taken a toll on the crop.
Western Parana Corn Yields Could be Down as Much as 35% - The safrinha corn in the municipality of Cascavel in western Parana has been negatively impacted by a series of weather problems. The crop was planted much later than normal and then dry weather slowed its early development. More recently, a frost occurred last week impacting the crop when it was at a sensitive stage of development.

The Director of the Coopavel Cooperative in Cascavel indicated that the dry weather has reduced the corn yield potential by at least 30%. Additionally, a frost that occurred last week probably reduced the yield potential another 5%. Originally the corn yield was expected to be in the range of 100 to 120 sacks per hectare (95 to 114 bu/acre), but yields are now expected to be in the range of 65 to 78 sacks per hectare (62 to 74 bu/acre).

Since the corn was planted, the region has only received about 50% of its normal precipitation with most of the rainfall occurring shortly after planting. From March 15th to May 31st, the region has only received 15 mm of precipitation (0.6 inches).

The Department of Rural Economics (Deral) indicated that earlier last week 8% of the safrinha corn in Parana was in vegetative development, 44% was pollinating, 41% was filling grain, 7% was mature, and 1% was harvested. The corn was rated 32% poor, 46% average, and 22% good.

The main corn harvest will not start until July, so additional yield losses could still occur if there are frosts during the month of June. The state of Parana is Brazil's second largest safrinha corn producer responsible for approximately 17% of Brazil's safrinha production.

On the positive side, the high domestic prices for corn will compensate for some of the yield losses. The current spot price for corn in western Parana is approximately R$ 84.00 per sack (approximately $7.20 per bushel), which is 180% more than the price of corn in June of 2019. While these high prices are good for corn producers, they are negatively impacting chicken, hog, and dairy producers in the region.

CORN

CME CBOT Corn Futures

Corn futures head into the weekend with 5¼ to 14½ cent losses on Friday. July futures were the weakest on the day, reducing the inverse to 74.75 cents, down significantly from earlier year levels over $1.20/bu. Spread trade was nearly as volatile as futures though with CN/U trading in a 24 cent range, falling 21 cents and settling at 55 cent.

CME Corn July 2021 closed on Friday at $6.84½/bu, off 14¼ cents on the day, but gaining 3½ cents for the week.

The Buenos Aires Grains Exchange updated their 2020/21 corn production forecast to 48 mmts. They were previously at 46 mmts, now citing better than expected yields. In the WASDE Thursday the USDA maintained their 47 mmts forecast. Argentina’s export offers for JAS remain well below the US, as such, an increase in export business is doubtful.
CME Corn December 2021 new crop contract settled on Friday at $609¾, off 5¼ cents on the day, but gaining 19¾ cents for the week. The new crop December contract gapped higher to start the week, traded as much as 37 cents higher. So, have a gap to fill at 5.92¾.

Better rains in Dakotas, Minnesota and Nebraska, along with renewed pressure for refinery exemptions, drove corn futures lower on Friday. While a half-inch or more of rain reports across scattered areas of the west does not make the crop as record drought conditions persist, it kept the crop on life support for a little longer.

The NWS 10-day and 14-day forecasts remain dry, but changes from hot to warm for the western growing areas.

USDA’s weekly drought report noted that 35% of US corn area is experiencing some form of drought, which was up from a 24% reading last week. The updated 7-day QPF shows a return to dryness for the coming week after several areas got good rain totals this week and some were in fact flooding.

After the cash basis fell the last 2 weeks, bids seemed to find some footing and were generally steady this week. Index roll ended today and IWDS basis is 19 cent over DVE in the spot market and 9 cents over for LH July. This should keep the spread trade active as the markets determine if the inverse has done its work, or if cash buyers remain uncovered.

News stories are suggesting the Biden Administration might allow blenders out of their RIN obligations under the RFS. Reuters reported small refineries were asking the Biden administration for hardship relief, but given this administration’s push for renewables, it would seem like an easy “No!” for EPA, but we will see.

CFTC CoT data showed managed money funds were 275,599 contracts net long as of 6/8. That was a 14,337 contract weaker net long vs. the previous week as spec fund Open Interest dropped 1,533 contracts. Commercial positions added longs, reducing their net short to 603,651 contracts.

Watch the Sunday forecast and you will gain some insight where we open Sunday night. Have a great weekend.

ETHANOL

Karen Braun - US ethanol production has returned to "normal", and to pre-pandemic levels with output at 1.067 million bpd, a 15-month best. Though profit margins have fallen from strong mid/late May levels, they remain above recent averages for the time of year.

Gasoline demand has increased at a faster than normal rate in the last few months, but recently it has struggled to close the gap on prior years. The recent 4-week average is about 5% below the same period in the prior 3 years (2017-2019).

However, ethanol stocks have increased the last two consecutive weeks, suggesting the output pace has exceeded immediate demand levels. This is not of great concern as stocks are still near 7-year lows for this time of year.

CME Ethanol June 2021 closed on Friday at $2.31000/gallon, up 2.000 cents on the day, but off 2.500 cents for the week.
Weekly average DDG price drops

*DTN* - (DDG) with all 40 locations reporting this week ended June 10 was $206 per ton, down $3 from one week ago.

DDG prices were lower as, once again, increased plant production is adding more supply and buyers have pulled away from the spot market. It also doesn't help DDG prices that soybean meal price has crumbled; Thursday's close in the July meal futures was the lowest in six months.

Wednesday's Energy Information Administration report showed domestic ethanol plant production increased 33,000 barrels per day (bpd) or 3.2% to 1.067 million bpd, the highest level since the final week of February 2020, while four-week average output was at 1.036 million bpd, up 22,000 bpd from the four-week average the prior week.

Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ended June 10 was 82.52% versus the three-year average of 110%. The value of DDG relative to soybean meal was 53.98% versus the three-year average of 42%. The cost per unit of protein for DDG was $7.63, compared to the cost per unit of protein for soybean meal at $8.03.

In their weekly DDGS export price update, the U.S. Grains Council said, "On the export front, DDGS prices are mixed this week with bulk prices mostly steady while container rates are weaker. Barge CIF NOLA prices up $3 to $5/mt while FOB Gulf offers are steady/down $5/mt at $269/mt for spot shipment. Prices for 40-foot containers to Southeast Asia are down $14/mt with offers averaging $335/mt this week."

The U.S. Census Bureau reported June 8 that U.S. exports of DDGS totaled 862,736 mt in April, down from 882,553 mt in March, but up 13% from a year ago. Mexico was the top destination in April, taking 18% of U.S. exports, followed by Vietnam and South Korea. In the first four months of 2021, U.S. exports of DDGS are down 2% from a year ago.

**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.

France sees rebound in winter barley crop, rapeseed at 20-year low

Reuters - Winter barley production in France is expected to rebound sharply this year on the back of above-average yields, but the rapeseed crop is seen shrinking to a 20-year low after a decline in area, the farm ministry said on Tuesday.

In its first production forecasts for 2021, the ministry projected the winter barley crop at 7.74 mmts, up 19.3% from last year though 6.4% below the average of the past five years.

The rise in production in the upcoming harvest would be mainly due to an anticipated rise in yield to 6.41 mts/hectare (mts/ha) from 5.52 mts/ha in 2020, surpassing the five-year average, the ministry said. The winter barley crop area is estimated to have edged up to 1.21 million hectares from 1.18 million last year.

In contrast, winter rapeseed production was forecast to fall 9.2% to 2.95 mmts, below 3 mmts for the first time in 20 years, it said. That is 32% below the five-year mean.

The average yield was expected to rise to 3.00 mts/ha from 2.93 mts/ha last year, but the crop area was estimated to have decreased to 984,000 hectares from 1.11 million.

Rapeseed sowing in France was disrupted by drought at the end of last summer and a poor 2021 harvest could help sustain supply tensions that led to record prices this year.
Winter rapeseed represents almost the entire rapeseed crop in France, whereas barley production includes a significant volume of spring crop. The ministry raised slightly its projection of spring barley sowings to 600,000 hectares from 593,000 last month, still well below last year’s exceptionally high 795,000 hectares. It also maintained its expectation of reduced sowings of other spring crops, with grain maize projected down 11.5% and sunflower down 13.9%. Soft wheat, France’s main cereal that is almost exclusively a winter crop, is expected to cover 4.90 million hectares, up 15%. Frosts in April did not appear to have had a significant impact, except for the replanting of tens of thousands of hectares of sugar beet, the ministry said. The sugar beet area is estimated at 397,000 hectares, down 5.6% on the year.

**GRAIN SORGHUM**

**OILSEEDS COMPLEX**

- **USDA WASDE – Oilseeds**
  The 2021/22 global oilseed supply and demand forecasts include higher production and ending stocks compared to last month. Global oilseed production is forecast up 0.6 mmts to 632.9 mmts, with higher canola production partly offset by lower cottonseed. EU canola production is increased 0.6 mmts to 17.2 mmts as cool spring weather coupled with timely May rainfall boosted yield prospects particularly for France, Germany, and Poland. Australian canola production is also revised up 0.2 mmts to 3.7 mmts on higher area harvested and yield.
  Global 2021/22 soybean ending stocks are raised 1.5 mmts to 92.6 mmts, driven by higher beginning stocks for the United States and Brazil. Brazil’s 2020/21 soybean production is raised 1.0 mmts to 137.0 mmts, mainly on higher yields for Mato Grosso do Sul.
  Another notable oilseed change includes a 0.5 mmts reduction to 18.5 mmts for Malaysian 2020/21 palm oil production due to lower-than-expected recent monthly output.

- **EU 2020/21 soybean imports at 14.24 mmts, rapeseed 6.03 mmts**
  Reuters - European Union soybean imports in the 2020/21 season that started last July had reached 14.24 mmts by the 6th of June, data published by the European Commission showed on Monday. That compared with 14.30 mmts cleared by the same week last season, the data showed.
  EU rapeseed imports in 2020/21 had reached 6.03 mmts, compared with 5.78 mmts a year ago.
  Soymeal imports so far in 2020/21 were at 15.84 mmts against 16.96 mmts a year earlier, while palm oil imports were at 4.89 mmts versus 5.42 mmts a year ago.
  The Commission added, however, that figures for France in the latest weekly EU data only ran to June 2nd. Since January 1st, the European Commission’s data has covered the EU’s 27 countries only, whereas previous figures up to Dec. 31 covered both the EU-27 and Britain.

- **Paraguay’s soybean shipments decline 7.3% y-o-y in Jan-May**
  Paraguay exported a total of 2.97 mmts of soybeans in the first five months of 2021, down 7.3% compared with the 3.3 mmts registered in the same period of 2020, the latest data from the country’s central bank shows.
  Exports to Argentina, Paraguay’s largest soybean importer, amounted to 2.16 million mt in the January-May period, down 19.5% year-on-year and representing 72.9% of Paraguay’s total soybean exports in the period.
Meanwhile, Brazil acquired a total of 332,500 mt, up 41.2% from the 235,400 mt in the first five months of 2020 and accounting for 11.2% of total soybean exports.

Paraguay had exported a total of 6.62 million mt of soybeans last year, up 35% compared with the 4.90 million mt registered in 2019. Soyoil exports totaled 172,800 mt in the January-May period, down 14% from the 201,000 mt exported in the same period of 2020, while soymeal exports grew 2.1% to 639,700 mt over the period.

Daniel Hidalgo, head of BCP’s foreign trade department, said soybean exports this year are forecast to reach 6.1 million mt, down 7.8% compared to the previous year. “This reduction in grain shipments was due to drought problems that were experienced at the end of 2020 and reduced yields for this 2021,” Hidalgo said.

The official said that exports to Argentina are expected to represent nearly 75% of the country’s overall soybean exports this year.

According to its latest update, the USDA expects Paraguay’s soybean exports in 2020/21 to reach 6.6 million mt and soybean production to reach 9.90 million mt in the current crop cycle, down compared to 10.1 million mt in the 2019/20 cycle.

The USDA also forecasts exports of 2.05 million mt of soymeal and 620,000 mt of soyoil in the 2020/21 crop cycle.

For the 2021/22 cycle, the US agency expects a soybean production of 10.5 million mt while exports are forecast to reach 6.5 million mt.

Last year, Paraguayan exporters faced severe logistics issues as they tried to ship soybeans via the Parana River amid some of the lowest water levels ever recorded. Low water levels continue to affect Paraguay’s soybean shipments during 2021, with the next window of opportunity for Paraguayan barges expected for September.

SOYBEANS

Brazilian May soybean exports at record-high, cargoes bound to the US

Brazilian May soybean exports remained broadly flat versus April at 16.4 mmts, a historical record for the month with large volumes bound to China and shipments to other destinations picking up, including an unusual cargo to the US, official customs data showed Monday.

The United States imported 98,850 mt of Brazilian beans in May in an unusual move that points to how tight the US domestic market is and as much as 116,000 mt more could leave Brazilian ports heading to the North American country in June, line-up data from shipping company Cargonave shows.

May results were 16% higher on the year at an all-time record, matching April shipments that were revised downwards from 17.4 mmts, as reported in early-May, to 16.4 mmts, just about 25,000 mts above May’s results.

Most volumes were, as usual, bound for China, which was the destination of 11.2 mmts of beans, 68% of the total and below the 72% level recorded in April. Volumes heading to China fell 719,000 mts, or 6.1%, on the month but were 11% higher on the year and lifted total Brazilian exports to the Asian country to 34.1 mmts in the first five months of 2021, 2.5% above the year-ago level.

At the same time, exports to other destinations increased on the month with the main highlights being Turkey, the Netherlands, Thailand, Pakistan and Russia, which together imported 2.4 mmts, up by nearly 900,000 mts on the month, and equated to 14.3% of total monthly exports.

Most beans exported in May originated in the states of Mato Grosso (23%) and São Paulo (20%), followed by Paraná (12%) and Rio Grande do Sul (11%).

China's May soybean imports rise 29% on delayed Brazil arrivals

Reuters - China's soybean imports rose in May from the previous month, customs data showed on Monday, as more cargoes from top supplier Brazil cleared customs.

China, the world's top importer of soybeans, brought in 9.61 mmts of the oilseed in May, up 29% from 7.45 mmts in April, when some Brazilian shipments were delayed, data from the General Administration of Customs showed.

May's imports were also up from 9.38 mmts in the same month a year ago.
"The figures were within market expectation. Imports from May-July are usually quite large each year. There were also some delayed cargoes," said Wang Xiaoyang, analyst with Sinolink Futures.

Chinese crushers had stepped up purchases of beans from top supplier Brazil in anticipation of strong demand from a fast-recovering pig sector, but rains in the South American country slowed the harvest and exports of the oilseed.

Delayed cargoes began to arrive in China in large quantity from April, but the impact of the rains is still lingering. Traders said some cargoes would be rolled over due to the delays and arrive in China in June. Soybean arrivals in the next two months were expected to exceed 10 mmts, adding to already healthy supplies of beans, analysts said.

However, appetite for feed from the hog sector may be subdued in the short-term as a large volume of heavy pigs are sent to the market, China Construction Bank Futures said in a note last week.

Falling pig prices and rising feed costs were also expected to deter some farmers from restocking their herd, although soymeal demand is expected to be healthy in the long-term as China’s herd recovers from a devastating outbreak of African swine fever.

China brought in 38.23 mmts of soybeans in the first five months of 2021, up 12.8% from the same period last year, according to customs data.

GHA - Negative Chinese crush margins were seen this week for forward Oct-May crush, lagging 10% behind Sep-Apr. Soybean imports and pork prices are now running nearly 50% below a year ago. This might suggest first quarter 2021/22 US soybean exports may not be as robust as initially thought, below last fall’s 1.1 bbu program.

➢ CME CBOT Soybeans Futures

The lead contract CME July 2021 Soybean Futures settled on Friday at $15.08½/bu, off 34¾ cents on the day, and losing 74 cents for the week. The Friday soy market was mixed at the close, as a late session rally in meal helped mitigate the sharp drop in oil. As rains moved across the northwest growing areas on Thursday night soybean prices began weakening. Forecasts into next week bring more rain and a break in temps. Will that outlook confirm on Sunday night? There is also a tropical storm headed to the Gulf of Mexico expected to land late next week, heightening the chances of even more moisture. Despite rains in the driest part of the country, other than the Delta area which has had too much water, most analysts still anticipating lower crop ratings on Monday; perhaps a 2-3% drop.

USDA WASDE data released on Thursday expects global soybean carryout in September to be 88 mmts, up from 86.55 mmts in May. Trade estimates had ranged from a 2.1 mmts cut to a 3 mmts increase. A bigger than expected US old and new crop carryout, the bio-fuel blending discussion, and good ratings for crop prospects allowed the old crop spreads to weaken. The SN/SQ was weaker by 8 cents to 26 cents inverse; the SX/SF weakened back out to $.01¼ carry.
New crop soybean futures remained firm through the week after setting new contract highs on Monday, touching $14.80/bu.

For new crop, USDA WASDE expects soybean carryout at 92.55 mmts, up from 91.1 mmts forecasted in May. The 2021/22 marketing year export share estimate for US soybeans is to drop from this season’s 36.2% to 32.6%, unchanged from May’s estimates.

A Tennessee based Ag Research company refreshed their acreage numbers and pushed those out on Friday during the session. They put soybean acres at 89.065 million acres, which is 580,000 acres more than their May forecast; and 1.465 million acres more than the USDA’s number. The USDA will update their number on June 30th. There is a strong tendency for soybean acreage to increase from March to June acreage reports.

The weekly CFTC’s CoT report showed soybean spec traders were 2,695 contracts more net long in beans through the week ending the 8th of June. That net new buying left the group 141,483 contracts net long.

**ICE new crop canola futures rise to new contract highs on dry weather**

WINNIPEG, Manitoba, June 7 (Reuters) - ICE canola futures rose to contract highs on Monday on concerns about hot, dry Canadian weather stunting the crop’s growth.

Trading was more volatile than usual, with flurries of profit-taking dragging canola well off its intraday highs, a trader said.

Most-active November canola gained $8 to $771.60 per tonne. Its intraday high of $784.40 set a contract high.

November-January canola spread traded 3,638 times.

U.S. old-crop soybean futures fell on profit-taking, while contracts for later delivery were supported by an outlook for hot, dry Midwest weather.

Euronext August rapeseed futures finished higher.

**Vegetable Oils**

**Soyoil futures surge to all-time high on biofuel demand**

Reuters – On Monday US soybean oil futures rallied to a record high on Monday, with tight supplies in focus due to strong demand from the biofuel sector as drivers return to roads following COVID-19 related shutdowns.

On Monday, CBOT soybean oil for July delivery was up 0.37 cents at 71.71 cents per lb at 8:36 a.m. CDT (1336 GMT). Prices peaked at 73.74 cents, the highest ever, during the overnight trading session.

Soyoil futures have jumped 71.3% this year due to dwindling supplies of soybeans that have left end users scrambling to keep up with global demand for food and feed products, let alone greener fuels like renewable diesel.

Nearby CME Soybean Oil futures made new all-time and contract highs on Monday, touching $73.74/cwt, and for the week up a whopping 8.4%. CME July 2021 Soybean Oil Futures settled on Friday at $66.98/cwt, off $3.32 on the day, and losing $4.47 for the week and off $6.76/cwt from Monday’s contract highs.

The CME Synthetic Soy Crush spread was marginally higher at 71½ cents per bushel. CFTC reported Soybean oil spec traders were 4,764 contracts less net long on the week, as long liquidation offset the short covering. Managed money’s BO position size dropped 13,760 contracts from week to week.

Bean oil was down on possible administration relief from biofuel blending mandates. Wire service reports indicate that Delta Airlines (which owns a refinery) has halted buying RIN’s, thought to be in anticipation of an easing of blend requirements. Other reports suggest that Congressmen in states with refineries have been pushing for RFS waivers after previously criticizing the Trump administration for issuing same.

**Egypt’s GASC buys 60,000 mts soyoil and 40,000 mts sunoil**

Reuters - Egypt’s state commodities purchasing agency, GASC, said on Tuesday it bought some 60,000 mts of soyoil and 40,000 mts of sunflower oil in an international tender. GASC gave no details on prices. Traders also gave the same totals.

Traders said the soyoil was all bought at $1,299/mt C&F with 30,000 mts bought from trading house ADM and 30,000 mts from Cargill.
Traders said the sunflower oil was all bought at $1,368/mt C&F, with 30,000 mts purchased from COFCO and 10,000 mts from ADM.
The oils were sought for arrival in Egypt between August 1st to 20th with payment in 180 days.

**Argentine soyoil basis hits record low as CBOT surges pass 71 ct/lb**
Poor demand for physical soyoil from the world’s biggest exporter has driven a wedge between Argentina’s Up-River market and the underlying Chicago soyoil futures contract, which reported a surge in value as US stock levels tightened.

Basis premiums for physical soyoil in the Argentina Up-River hub have widened to a record low as tight US stocks support values on the exchange while a lack of buying appetite from India and China have pressured physical premiums.

July shipments of soyoil were valued at a 10.30 ct/lb discount to the CBOT futures for July delivery, double the minus 5 ct/lb quoted last week and compared to a 1 ct/lb premium over CBOT assessed this time last year.

“I believe this is the lowest level for Argentine basis ever,” an Argentine broker said, while another trading source added: “I haven’t seen them this low.”

The value of Argentine soybean oil has diverged further away from CBOT soyoil futures over the past weeks as oil exports have not been able to find homes, forcing Argentine crushers to discount their offers versus the soaring CBOT futures.

“Argentine basis premiums have been weakening because destinations, such as India and China, are not paying these flat prices,” the broker added.

**Explosive CBOT** - At the same time, CBOT futures have surged past the 70 ct/lb level for just the fourth time in history and were set to reach a fresh all-time high during intraday trade on Thursday.

The front CBOT soyoil future traded at 71.34 ct/lb ($1,574.77/mt), up 68% since the start of the year, while spot shipments of Argentine soyoil were valued at $1,347.25/mt FOB Up River, up 28% over the same period.

“CBOT is at historic highs and sunoil is going down and palm is also still competitive,” the second trading source said, adding that Argentine soyoil basis towards CBOT needs to adjust lower to remain competitive on the global markets.

The surge on CBOT soyoil futures was fueled by a cocktail of heated crude oil markets, tightening US soyoil stocks amid a slow down in the crush, and high vegoil demand from the US biodiesel industry.

Meanwhile, US soybean meal demand has been weak, forcing soyoil futures higher to make crush margins work.

“The meal cash market has been weak in the US and hasn’t been showing signs of recovery now with the cyberattack to JBS too,” a US-based broker told Agricensus, referencing an attack on one of the world’s biggest meat producers.

“Nobody will crush beans just to get the oil. So demand for meal being weak and demand for oil being high that will cause oil to rally every day,” the source said.

**CME Palm Oil Swaps July 2012**

CME July 2021 Palm Oil Swaps settled at $876.25/mt on Friday, of $41.75/mt on the day, and losing $105.5 for the week.

Reuters - Malaysian palm oil futures reversed early gains to close at their lowest in seven weeks, as concerns over weaker June partial exports outweighed smaller-than-expected inventories at the end of May. It was fourth straight day of losses and its lowest closing since April 20.

Malaysia’s exports during June 1-10 declined 14.3% to 402,520 mts from the same period in May. Malaysia’s palm oil stocks at the end of May rose more slowly than expected, up 1.49% from the previous month to 1.57 mmts, according to Malaysian Palm Oil Board (MPOB) data.

May production and exports were also below market estimates. Production ticked up 2.84% from April to 1.57 mmts, while palm oil exports fell 6.01% to 1.27 mmts.

The Indonesian palm oil association (GAPKI) is urging palm oil plantations to tighten COVID-19 protocols in the country’s top-producing province of Riau after a surge in infections in the area, an official at the industry body said.

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

- **CME CBOT Soybean Meal**

  CME July 2021 Soybean Meal Futures settled on Friday at $383.30 - $395.20/short ton, up $1.50/ton on the day, but losing $11.90/ton for the week.

  The CME Synthetic Soy Crush spread was marginally higher at 71½ cents per bushel.

  In meal, the CFTC reported managed money at 26,720 contracts net long. That was a 5,835 contract increase to their net position driven by spec short covering.

- **Argentina soybean crushing hits six-year high in April**

  Reuters - Soybean crushing in Argentina reached a six-year high in April when 4.2 mmts of the oilseed was processed, thanks to ample farmer sales due to high prices, the CIARA-CEC chamber of oilseed processors said in a report on Tuesday.

  Argentina is the world’s leading exporter of soymeal livestock feed used to fatten hogs and poultry from Europe to Southeast Asia. Soybean crushing in April was the second highest one-month rate ever, CIARA-CEC said in the report.

  In the first quarter, 13.7 mmts of soy was crushed into meal and soyoil in Argentina, it said. “The factor that motivated producers to sell more of their soybeans was the improvement in price,” the chamber said.

  The oilseed is being traded on the Rosario grains exchange at about 31,700 pesos ($330) /mt.

**TRANSPORTATION**

- **Baltic Dry Freight Index posts best week since February**

  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)

  International Shipping News - The Baltic exchange’s main sea freight index rose on Friday and marked its first weekly gain in four, steered by strong gains across vessel segments.

  The Baltic dry index, which tracks rates for capesize, panamax and supramax vessels ferrying dry bulk commodities, gained 188 points, or 7%, at 2,857. The index rose more than 17% this week, its best since February.

  The capesize index rose by 447 points, or 15.4%, to a two-week high at 3,346. The capesize index also notched a weekly rise of more than 32%, its biggest weekly gain since the one ending Feb. 19.

  Average daily earnings for capesizes, which typically transport 150,000-tonne cargoes of coal and steel-making ingredient iron ore, rose by $3,713 to $27,752.
Dalian iron ore futures rose to its highest in more than three weeks on Friday, as a rebound in steel inventory in top producer China suggested that demand for the raw material remained brisk

The panamax index gained 98 points, or 3.1%, at 3,302, a peak since September 2010.

Average daily earnings for panamaxes, which usually carry coal or grain cargoes of about 60,000 mts to 70,000 mts, went up by $882 to $29,718.

The supramax index rose by 40 points to 2,592, the highest as per Refinitiv Eikon data going back to 2017.

**Other Related News**

- **Russia farmers plant more corn, wheat, sunflowers & rapeseeds**
  Russian farmers have moved beyond expected planted area for spring wheat, corn, sunflower, and rapeseeds as high prices for the commodities incentivise farmers to increase area, data from the Agriculture ministry showed late Monday.

  On the 7th of June, spring wheat sowing reached 101.7% of the planned area, corresponding to 12.9 million ha and compared to a total of 12.5 million ha sown last year.

  Corn planting advanced to 104.1%, which amounts to 2.9 million ha, on par with the same area planted as last year but ahead of this year’s expectations.

  Sunflower area increased to 105.1% complete, corresponding to 9 million ha, compared to 8.3 million ha in total sown last year.

  Rapeseeds planting exceeded 109.5% of the plan on 1.4 million ha versus 1.2 million ha planted by the end of June in 2020.

  The rest of the country’s grain and oilseeds sowing continued to show either a delay or was behind last year’s progress.

  Barley plantings advanced to 95% complete on 7.3 million ha versus 7.8 million ha last year.

  Soybeans have been sown on 2.5 million ha (83.2%), while at the same stage last year 2.6 million ha had been completed.

- **China feed industry unlikely to become self-sufficient, Cargill CEO says**

  China’s feed grain industry is unlikely to become self-sufficient despite the country’s efforts to ramp up domestic production, David MacLennan, chief executive of Cargill Inc said on Friday.

  Tightening domestic supplies of feed grains and soaring demand from China’s pork producers has triggered record feed grain import purchases this year.

  The surge in import demand has come despite directives by Beijing to boost domestic grain output and reformulate pig and poultry feed rations to reduce reliance on imported corn and soy.

  "I think they realize comparative advantage ... Grow and produce what fits your climate, your natural resources, your soil, your water supply. They don't have it the way we, Brazil, Australia do," MacLennan said at the National Grain and Feed Association annual convention on Friday. "They need to depend on trade," he added.

- **China's May meat imports at 789,000 tonnes, down 3.3% on-year**

  Reuters - China imported 789,000 mts of meat in May, down 3.3% from the same month a year earlier, customs data showed on Monday, after a plunge in domestic pork prices dented appetite for imports.

  The imports were down sharply from the prior month’s 922,000 mts, data from China's General Administration of Customs showed. May’s arrivals were also the smallest since November 2020 when China brought in 775,000 mts.

  China’s output of pork has plunged following outbreaks of the deadly African swine fever since 2018, spurring strong demand for imports of pork and other meat. But domestic production has significantly increased this year following intensive efforts to restock and expand farms during 2020.

  Domestic pork prices, currently at 22 yuan ($3.44) per kilogram, have more than halved since the start of the year thanks to the higher output, as well as large arrivals from abroad since late last year.

  Meat imports in the first five months of the year are still up 12.6% on the same period of last year, however, at 4.34 mmts, the data showed.

**Government**

- **U.S. - Taiwan officials discuss trade, plan meeting in coming weeks**

  Reuters - United States Trade Representative Katherine Tai discussed trade and investment issues with Taiwan minister John Deng on Thursday and agreed to convene a meeting of the countries’ Trade And Investment Framework Agreement Council “in coming weeks”, Tai’s office said in a statement.

  “Ambassador Tai emphasized the importance of the U.S.-Taiwan trade and investment relationship and explained the Biden-Harris administration’s worker-centered trade priorities,” USTR said.

  Taiwan had been "cautiously optimistic" about resuming stalled high level trade talks with Washington this year after U.S. Secretary of State Antony Blinken signaled a possible resumption on Monday.

  The Biden administration has moved to reaffirm its strong commitment to the Chinese-claimed, democratically-governed island in the face of pressure from Beijing to try and assert its sovereignty.
Taiwan has long angled for a free trade deal with the United States, but trade and investment talks between the two have been stalled since the Obama administration.

A senior official at Taiwan's economy ministry told Reuters they hope to resume the Trade and Investment Framework Agreement (TIFA) talks this year.

The USTR statement did not provide specific timing of the meeting, which it said would come under the auspices of the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States.

The TIFA talks stalled after former President Barack Obama left office in 2016 and his successor Donald Trump's trade representative, Robert Lighthizer, imposed tariffs on China, the world's second-largest economy.

**Any such agreement with Taiwan is likely to irritate China.**

While Taiwan is a member of the World Trade Organization, many countries are wary of signing trade deals with the tech powerhouse fearing objections from China, though Taiwan does have free trade deals with Singapore and New Zealand.

Last year, Taiwan's government lifted a ban on the import of pork containing a leanness-enhancing additive, ractopamine, removing a major stumbling block to a deal with Washington.

However, Taiwan will hold a referendum in late August on whether to resume the ban on the import of pork containing ractopamine. The outcome could affect trade talks with Washington.

**China warns US against trade talks with Taiwan**

BBC Monitoring - The Chinese foreign ministry has warned the US against reviving trade and investment talks with Taiwan, Hong Kong government-funded broadcaster Radio Television Hong Kong (RTHK) reports.

At a regular media briefing on the 8th of June, Ministry of Foreign Affairs spokesman Zhao Lijian reiterated earlier calls for the US to "stop any form of official exchanges with Taiwan, handle the Taiwan issue cautiously and refrain from sending wrong signals to Taiwan independence forces".

US Secretary of State Antony Blinken told a US House Foreign Affairs Committee hearing in Washington on the 7th of June that the US is "engaged in conversations with Taiwan, or soon will be, on some kind of framework agreement" on trade and investment, Reuters and foreign media reported.

Beijing regards as Taiwan as its own territory and opposes the self-ruled island having official exchanges with foreign countries.

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**International Crop & Weather Highlights**

**As India's Monsoon Begins**

![Rainfall - Precipitation Quantity - Odisha (NASA GPM 3IMERGDL)](chart)

This chart shows weekly rainfall by one of the top rice production regions in India. The current year is represented by the marked line, versus the range of the past 5-years, in the blue shaded area. The dashed line shows the average rainfall totals for the region over the past 5-years, and the solid line shows last year's rainfall.

Gro Intelligence - India's critical monsoon season, now getting underway, affects different crops and regions across the country in various ways.

Monsoons, which run from the beginning of June through September, are necessary for India's farm economy. They provide more than three-quarters of India's total annual rainfall and are important for replenishing reservoirs and aquifers. Indian farmers start planting rain-fed crops such as rice, corn, cotton, soybeans, sugarcane, and peanuts in June after the arrival of the monsoon.

The India Meteorological Department (IMD) projects this year's monsoon will bring normal levels of precipitation countrywide, although rain-fed agricultural regions are likely to receive above-normal rainfall.

India is the second-largest producer of rice worldwide, and the No. 1 exporter. The success of its rice harvest directly impacts world supply-and-demand balances.

Odisha, also on the east coast, is another large rice-producing state. Odisha received 35 millimeters of rainfall during the first week of June. That pace is forecast to accelerate rapidly in the next 10 days, with rainfall topping 80 millimeters on a daily basis for some days. By contrast, rainfall in West Bengal state isn't forecast to pick up until later in June.
**USDA/WAOB Joint Agricultural Weather Facility – 5th June 2021**

**Europe** – Warmer With Additional Showers
- Warmer weather accompanied additional showers across central and northern Europe, favoring reproductive to filling winter wheat, barley, and rapeseed.
- Showers in Spain improved moisture for filling winter grains and vegetative summer crops.

**Western FSU** – Heavy Rain West, Much-Needed Showers And Cooler East
- Soaking rain in Moldova, Ukraine, and western Russia boosted moisture supplies for reproductive to filling winter wheat, barley, and rapeseed, though crops would benefit from drier weather.
- Showers and cooler temperatures in Russia’s Volga District were beneficial for spring grain and summer crop establishment following recent heat and drought.

**Eastern FSU** – Much-Needed Rain And Cooler
- Cool, showery weather in northern Kazakhstan and central Russia provided a sorely needed respite from drought and extreme heat, though more rain is needed for spring grain establishment.
- Extreme heat and dryness in Uzbekistan and environs heightened irrigation demands for vegetative cotton; water supplies have been reduced by a sub-par wet season which also ended early.

**Middle East** – Cooler With Showers In Turkey, Dryness And Heat Lingered Elsewhere
- Cool, showery weather aided vegetative summer crops across central and western Turkey.
- Dry, hot weather further trimmed yield prospects for filling winter wheat and barley in southeastern Turkey. Drought- and heat-affected winter grains in Syria, Iraq, and Iran have reached maturity.

**South Asia** – Monsoon Showers
- The southwest monsoon raced up western India, bringing widespread albeit lighter-than-normal showers to cotton and oilseed areas, encouraging sowing.

**East Asia** – Beneficial Rain For Summer Crops
- Downtpours across southern China benefited vegetative single-crop rice, while showers in the northeast improved soil moisture for vegetative corn, soybeans, and rice.
- A weak tropical cyclone (Choi-Wan) brought drought-easing heavy rainfall to Taiwan.

**Southeast Asia** – Unseasonably Dry In Thailand
- Despite the start of the wet season in Thailand and environs, mostly dry weather prevailed, limiting moisture supplies for rainfed rice, while widespread rainfall in the Philippines benefited rice.

**Australia** – Good Crop Prospects Overall
- In Western Australia, southern Queensland, and most of New South Wales, widespread showers maintained good to excellent early-season crop prospects for recently sown wheat, barley, and canola.
- More rain would be welcome in the southeast to further aid winter crop emergence and establishment.

**South America** – Isolated Showers Developed In Brazilian Corn Areas
- Showers brought localized drought relief to corn in south-central Brazil, as dryness prevailed in most other major farming areas.
- Warmth and dryness supported summer crop harvesting throughout much of Argentina.

**Mexico** – Rain Benefited Germinating To Vegetative Corn
- Beneficial rain fell across the southern plateau corn belt as seasonal showers intensified.

**Canada** – Unseasonable Heat And Dryness Renewed Concerns For Prairie Drought
- Moisture was needed for Prairie spring grains and oilseeds as planting neared completion.


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**USDA NASS - National Agricultural Summary - 31st May to June 6th 2021**

**HIGHLIGHTS**:
Most of the western one-third of the nation remained drier than normal, as did the central and southern Appalachians, Florida Panhandle, Great Lakes, and northern Plains. In contrast, large parts of the middle Atlantic Coast, Mississippi Valley, southern Plains, and southern Rockies recorded higher-than-normal amounts of rain. Coastal areas in the Delta, North Carolina, and Texas recorded rainfall totaling 4 inches or more. Meanwhile, below-normal temperatures were recorded in the mid-Atlantic, Mississippi Valley, southern Plains, southern Rockies, and Southeast. Large areas of Arkansas, Oklahoma, and Texas reported temperatures 6°F or more below normal. In contrast, most of the western one-third of the nation, the northern Plains, the Great Lakes, and the Northeast were warmer than normal. Parts of California, Idaho, Nevada, North Dakota, Oregon, and Utah experienced weekly temperatures 12°F or more above normal.

**Corn**: 98% of the nation’s corn acreage had emerged by June 6th, 3 percentage points ahead of the previous year and 8 points ahead of the 5-year average. 96% of Iowa’s corn acreage had emerged by June 6th, equal to last year but 7 percentage points ahead of average. On June 6th, 72% of the nation’s corn was rated in good to excellent condition, 4 percentage points below the previous week and 3 points below the same time last year.

**Soybean**: 98% of the nation’s soybean acreage was planted by June 6th, 6 percentage points ahead of last year and 11 points ahead of the 5-year average. Soybean planting progress was ahead of average in 17 of the 18 estimating states by...
the end of the week. 76% of the nation’s soybean acreage had emerged by June 6th, 11 percentage points ahead of last year and 17 points ahead of average. On June 6th, 67% of the nation’s soybeans were rated in good to excellent condition, 5 percentage points below the previous year.

**Winter Wheat:** By June 6th, 85% of the nation’s winter wheat was headed, 1 percentage point ahead of the previous year but 1 point behind the 5-year average. 2% of the 2021 winter wheat acreage had been harvested by June 6th, 4 percentage points behind last year and 5 points behind average. On June 6th, 50% of the 2021 winter wheat crop was reported in good to excellent condition, 2 percentage points above the previous week but 1 point below the same time last year. In Kansas, the largest winter wheat-producing state, 65% of the winter wheat was rated in good to excellent condition.

**Cotton:** Nationwide, 71% of the cotton was planted by June 6th, 5 percentage points behind the previous year and 7 points behind the 5-year average. In Texas, 60% of the 2021 cotton acreage was planted by June 6th, 12 percentage points behind both last year and the average. 9% of the nation’s cotton had reached the squaring stage by June 6th, 3 percentage points behind last year and 2 points behind average. On June 6th, 46% of the 2021 cotton acreage was rated in good to excellent condition, 3 percentage points above both the previous week and the same time last year.

**Sorghum:** 52% of the nation’s sorghum was planted by June 6th, 10 percentage points behind the previous year and 7 points behind the 5-year average. Texas had planted 89% of its sorghum acreage by June 6th, 1 percentage point ahead of last year but 1 point behind average. 74% of the nation’s sorghum was rated in good to excellent condition on June 6th, 19 percentage points above the previous year.

**Rice:** By June 6th, 91% of the nation’s rice acreage had emerged, 4 percentage points ahead of last year but equal to the 5-year average. On June 6th, 75% of the nation’s rice was rated in good to excellent condition, 1 percentage point above the previous week and 5 points above the same time last year.

**Small Grains:** 95% of the nation’s oat acreage had emerged by June 6th, 5 percentage points ahead of last year and three points ahead of the 5-year average. 37% of the nation’s oats had headed by June 6th, 4 percentage points ahead of last year and three points ahead of average. On June 6th, 46% of the nation’s oats were rated in good to excellent condition, 9 percentage points below the previous week and 25 points below the same time last year. 87% of the nation’s barley had emerged by June 6th, 2 percentage points ahead of the previous year and 1 point ahead of the 5-year average. On June 6th, 43% of the nation’s barley was rated in good to excellent condition, 5 percentage points below the previous week and 36 points below the same time last year. By June 6th, 96% of the nation’s spring wheat had emerged, 11 percentage points ahead of the previous year and 4 points ahead of the 5-year average. On June 6, 38% of the nation’s spring wheat was rated in good to excellent condition, 5 percentage points below the previous week and 44 points below the same time last year.

**U.S. Agricultural Weather Highlights – Friday 11th June 2021**

**In the West,** cool, dry weather prevails in the wake of a cold front’s passage, except for some lingering heat in the Four Corners States. A frost advisory is in effect early today in portions of the northern Great Basin (e.g. northeastern Nevada) and the upper Snake River Plain (e.g. eastern Idaho). A new cold front approaching the Northwest is generating scattered showers along the northern Pacific Coast.

**On the Plains,** overnight thunderstorms swept across Montana, the Dakotas, and northern Nebraska, delivering beneficial rain but producing localized damage due to high winds and large hail. Meanwhile, hot, dry weather continues to promote winter wheat maturation and harvesting on the southern High Plains, where Thursday’s high temperatures soared to daily-record levels in locations such as Roswell, New Mexico (111°F), and Dalhart, Texas (105°F).

**In the Corn Belt,** very warm, dry weather across much of the region favors corn and soybean development. Dry conditions remain a concern in parts of the northern Corn Belt, where high temperatures on Thursday reached daily-record levels in La Crosse, Wisconsin (99°F), and St. Cloud, Minnesota (96°F). Early today, thunderstorms are approaching the upper Midwest, while clouds and a few showers linger in the middle Ohio Valley.

**In the South,** the threat of heavy rain persists, mainly in the middle Atlantic States. However, scattered showers linger as far west as the Tennessee Valley. Meanwhile, hot, dry weather continues to overspread the western Gulf Coast region, allowing previously waterlogged fields to begin drying out. Several days ago, on June 6, Louisiana led the nation with statewide topsoil moisture rated 47% surplus, followed by Arkansas (41%) and Texas (35%).

**Outlook:** For the remainder of today, thunderstorms in the north-central U.S. will gradually decrease in coverage and intensity while crossing the upper Midwest. Farther east, drier air will overspread the middle Atlantic States and interior Southeast, starting during the weekend. As a result, significant U.S. precipitation will become limited after today. In fact, 5-day rainfall should total an inch or less nationwide, except in the East and Pacific Northwest. Completely dry weather will prevail in most areas from California to the Rockies and High Plains. Building heat will accompany the Southwestern dryness, with temperatures rising to 110°F or higher during the weekend and early next week at low-elevation sites. Triple-digit heat (highs of 100°F or greater) will return across portions of the northern Plains during the first half of next week. The NWS 6- to 10-day outlook for June 16 – 20 calls for the likelihood of above-normal temperatures across the Plains, West, upper Midwest, and southern Florida, while cooler-than-normal conditions will stretch from the western Gulf Coast region to the middle and northern Atlantic States. Meanwhile, near- or below-normal precipitation across most of the country should contrast with wetter-than-normal weather in the western Gulf Coast region and parts of the Southwest..

**Source:** [www.usda.gov/ope/weather-drought-monitor](http://www.usda.gov/ope/weather-drought-monitor)

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

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

Metric tonnes to 480-lb bales
- Cotton = metric tonnes * 4.592917

Metric tonnes to hundredweight
- Rice = metric tonnes * 22.04622

Area & weight
- 1 hectare = 2.471044 acres
- 1 kilogram = 2.204622 pounds
June Crop Calendar

*Crop stage sensitive to moisture and temperature stresses.

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