



Notes and Observations in International Commodity Markets

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

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New Crop Sets New Contracts Highs Before Trading Lower

GHA – This week as we approach March deliveries, the market focus was switching to new crop months, as new crop contract made new contract highs mid week.

However, by Friday morning, first notice day, talk of a resurgence of African Swine Fever (ASF) and a strong US Dollar weighed heavy on values.

New crop CBOT July Wheat rallied to \$6.72³/₄ /bu on Wednesday, while the KC HRW July Futures made new contract highs of \$6.67/bu. New crop CBOT December corn rallied to new highs Thursday of \$4.79 a bushel. Both nearby and new crop soybean futures made new highs as March traded at \$14.43/bu, and November touched \$12.52³/₄/bu on Thursday.

Adding support to both coarse grains and oilseeds earlier in the week were reports Brazil's soybean harvest continues to languish at just 15% complete, the slowest pace in 10 years. A greater concern was the implications for the country's safrinha corn forecast yield, with Mato Grosso planting some 26 points behind the long term average. Canadian canola futures set a fresh record high



while nearby rapeseed on Euronext climbed to set another eight-year peak.

Wheat also extended gains and making new highs in July, with support from cold weather risks in U.S. and Russian wheat belts. Traders were assessing the risks of cold weather damage in parts of the United States and Russia. USDA data on Monday showed mixed monthly crop ratings for U.S. winter wheat.

Weakness in the US Dollar early in the week underpinned US commodity prices, before rallying on Friday.

As we look at other commodities, crude oil prices keep going higher, which is supportive for the grains complex. Rising crude oil prices, which boost margins for biofuels made with vegetable oil, along with tightening supplies, have stoked rallies in oilseeds and oils from soybeans to palm oil.

With the USDA forecasting an unprecedented back to back marketing years with soybean ending stocks to use below 4.0% (120 for 2020/21 and 145 for 2021/22), the situation underscores the need for near-perfect growing conditions for the next two years. It would be suggested that the market needs to price in more acres in order to notably rebuild ending stocks.

➤ **IGC lifts 2020-21 global grains forecast**

LONDON, ENGLAND - Larger-than-previously estimated wheat crops in Australia, Kazakhstan and Russia led the International Grains Council on the 25th of February to bump up its forecast for global grains (wheat and coarse grains) production in the 2020/21 MY year to a record 2.216 billion mts, up from 2.21 billion mts forecast in the Council's January 14th grain market report.

The IGC also raised its forecast for overall global grains consumption by 6 mmts, to 2.222 billion mts from 2.216 billion mts.

Carryover was left unchanged in the February update at 611 mmts, while trade was lifted to 412 mmts from 408 mmts in the previous forecast.

Global wheat production in 2020/21 was forecast at 773 mmts, up from 768 mmts in the previous month's report. Consumption also was raised, to 756 mmts from 753 mmts, while trade was lifted to 188 mmts from 187 mmts. Carryover stocks were left unchanged at 294 mmts.

The IGC said its preliminary outlook for wheat supply and demand in the 2021/22 is for record production, record consumption and record stocks, but a decline in trade.

"Including better harvests in Europe, North Africa and India, global wheat production is seen climbing to a new high of 790 mmts," the IGC said. "Demand for wheat may be boosted by rising feed use amid tightening supplies of alternatives, including maize and barley. Further stock growth is foreseen, but this will likely again be mainly in China and India. After the elevated levels of the prior year, a retreat in shipments to China and Pakistan contribute to a projected lower volume of world trade."

The IGC forecast a slight bump in forecast production of maize in the 2020/21, to 1.134 billion mts from 1.133 billion mts in the January report. The consumption

forecast was increased to 1.163 billion mts from 1.161 billion mts. Trade was raised to 184 mmts from 183 mmts, while carryover stocks were left unchanged at 268 mmts.

The forecast for global soybean production in the 2020/21 was raised 1 mmts to 360 mmts from 359 mmts. Consumption and carryover stock forecasts were left unchanged at 365 mmts and 45 mmts, respectively. The trade forecast for soybeans was raised to 169 mmts from 168 mmts.

Global rice production in 2020/21 was forecast up 1 mmts, to 504 mmts from 503 mmts. Consumption, meanwhile, was left unchanged at 502 mmts. The forecast for carryover stocks and trade were each raised 1 mmts, to 176 mmts and 46 mmts, respectively.

With average wheat and barley prices firmer, but row crop markets easing slightly after a prolonged rally, the IGC Grains and Oilseeds Index (GOI) was broadly unchanged compared to the January report. The GOI wheat sub-Index was lifted 2%, underpinned by threats to 2021/22 Northern Hemisphere production prospects, strong demand and logistical constraints. Meanwhile, the IGC GOI maize sub-index eased 1%, mainly tied to softer fob prices in Argentina, according to the Council.

➤ **Huge Potential To Expand US Agriculture Exports Beyond Top Markets**

USDA, New Delhi – Agricultural exports from the US have huge possibilities in markets beyond the top importing countries, according to a senior USDA trade official.

The top six markets for US agriculture exports are China, Canada, Japan, Mexico, EU+UK and South Korea.

Nearly 40% of agriculture exports from the US are sent to markets outside the top six importing regions, and those are the markets of interest and growth, Jason Hafemeister, the USDA's acting deputy undersecretary for trade and foreign agriculture affairs, said during the USDA's Agriculture Outlook Forum.

Hafemeister said Vietnam, Taiwan, Philippines, Indonesia, Colombia, Hong Kong, Egypt, Thailand and India are developing countries with growing economies and growing populations, and which can serve as major markets for US agriculture products. "These countries have got real challenges in terms of agriculture production, limited land base, limited water, and many of them are tropical countries so they can't produce the kind of land extensive, high technology, temperate agriculture products we are so good at," Hafemeister said. "So, not only there is a lot of money to be made in this tail, that's what our growth is."

India a possible game changer

Asked if there is any other country that can be a game changer like China, Hafemeister named India. "India is the one that first comes to mind, a billion people —



their real challenges in terms of agricultural production, growing economy, lots of trade barriers," he said. "Our current export performance there is relatively poor, but you could imagine, if we had a straight shot to the Indian customers, we'd see another big surge in demand for our products."

However, Hafemeister added that though there is an opportunity, the political economy in India is really fierce. "These are tough places for us to do with because of government measures, and policy problems," he said.

According to the office of US Trade Representative, India is US' 13th largest agriculture export market. In 2019, US exports of agricultural products to India totaled \$1.8 billion, mostly tree nuts, cotton, fresh fruit, dairy products and lentils.

According to a recent Congressional Research Service report, market access and barriers to trade with India have been longstanding concerns among members of Congress and US exporters, and successive US administrations. Sanitary and phytosanitary barriers in India limit US agricultural exports into the country, the congressional report said.

➤ **Evaluating USDA's US Acreage Numbers As Planting Approaches**

Karen Braun, Reuters - The upcoming U.S. corn and soybean planting season has shaped up to be among the most highly anticipated ones in history due to unusually tight stockpiles and elevated prices.

Last week, the UUSDA tentatively slated 2021 corn and soybean plantings at 92 million and 90 million acres, respectively, primarily based on economic analysis. That was slightly fewer corn acres and more soybean acres than the market expected, though both would be up on the year. But how well do USDA's February outlook numbers foretell the March survey-based planting estimates, or even the expectations for those planting intentions? Are they a good indicator or not?

Within the last two decades, intended corn acres have come within 1% of USDA's February outlook nine times. Corn intentions were more than 1% below the outlook in seven years, though 2018 was the only instance in the latter decade.

Soybean acres in February have been a much poorer precursor to intentions, which landed within 1% of outlook plantings just three times in the last 20 years, most recently in 2019. But USDA low-balled soy intentions in years where the economics favored the oilseed to a stronger degree than in previous years, such as in 2014 and 2017.

Even though it is well accepted that U.S. farmers "love to plant corn," USDA's outlook committee might have trouble remembering. Some of the biggest variations in both corn and soybean acres from outlook to intentions have come in the years where corn prices were higher relative to those of soybeans; something that is not the case this year.

USDA's ag outlook is on a three-year streak of overcooking soybean acres versus March intentions, though last year was one of the agency's and the market's biggest downside corn misses in history.

Even though factors such as weather and prices can throw the final planting numbers well off from what farmers originally intended, the March planting report is slightly more predictive than the USDA February outlook figures. Historically, intentions come about a half-percent closer to the final on average than the outlook forecast.

USDA's NASS will begin phoning farmers on Saturday to collect acreage data, and that survey period will conclude around March 18th. The planting intentions report will be published on March 31st, and planting will begin to ramp up in less than two months.

Market Performance

When it comes to market predictions, recent trends can offer a reasonable idea of what might be expected headed into March 31st.

Within the last decade, analysts' corn planting expectations ahead of intentions have been within 1 million acres of what USDA predicted in the February outlook. The biggest recent deviation was in 2017, when the trade saw corn intentions nearly 1 million acres higher. There is also a very slight bias for the March 31 trade guess on corn to be higher than the outlook number.

But there is a relatively strong tendency for the market to think farmers will report more soybean acres in March than the USDA projection in February. Since 2005, analysts predicted a smaller soybean area in the intentions report in just three years: 2007, 2011 and 2020.

The average expected increase in soybean acres between these two reports is nearly 1%. These trends suggest that trade ideas for corn and soybeans ahead of the March 31st plantings could easily exceed the record 182 million combined acres suggested by USDA last week. In terms of the March 31st trade guesses versus the actual number, the performance is mixed but there are also identifiable patterns.

For example, the market has recently been overeager on soybean acres, as intentions have landed lower than the average guess in 10 of the past 12 years. In the last 16 years, analysts have never in the same year under-guessed both corn and soybean acres ahead of the intentions report. They have over-guessed both in only two of the years, 2010 and 2018. In the other 14, the directional misses were opposites, meaning if the trade was too high on corn, it was too low on beans, and vice versa.

US DOLLAR & FOREIGN EXCHANGE

➤ **U.S. Dollar Index - Dollar Rallies To A 1-Week High As Central Bank Comments Weaken EUR/USD And The Yen**

The dollar index on Friday rallied to a 1-week high. Weakness in EUR/USD and strength in USD/JPY on Friday gave the dollar a boost. EUR/USD fell to a 1-week low after German bund yields were jawboned lower Friday by ECB Executive Board member Schabel. Weakness in the yen is also supportive for the dollar as USD/JPY rose to a 5-3/4 month high Friday on dovish comments from BOJ Governor Kuroda. The dollar extended its gains on Friday's better-than-expected U.S. economic data.



The dollar index (DXY00) on Friday rose +0.715 (+0.79%). March euro-fx futures (E6H1) closed down -0.0107 (-0.88%), and EUR/USD (^EURUSD) fell -0.0099 (-0.81%). March yen futures (J6H1) closed down -0.0037 (-0.39%), and USD/JPY (^USDJPY) rose +0.40 (+0.38%).

Friday's U.S. economic data was mostly supportive of the dollar. U.S. Jan personal spending rose +2.4% m/m, the biggest increase in 7 months and close to expectations of +2.5% m/m. Also, Jan personal income rose +10.0% m/m on stimulus checks, stronger than expectations of +9.5% m/m and the biggest increase in 9 months. In addition, the U.S. Jan core deflator rose +0.3% m/m and +1.5% y/y, stronger than expectations of +0.1% m/m and +1.4% y/y. Finally, the University of Michigan U.S. Feb consumer sentiment was revised upward by +0.6 to 76.8, stronger than expectations of 76.5. On the negative side, the Feb Chicago PMI fell -4.3 to 59.5, weaker than expectations of a decline to 61.0.

A bearish factor for the dollar was a decline in T-note yields on Friday, which weakened the dollar's interest rate differentials. The 10-year T-note yield fell -6.2 bp Friday to 1.450%, moderately below Thursday's 1-year high of 1.609%.

An easing of the pandemic in the U.S. is hawkish for Fed policy and supportive for the dollar as new daily U.S. Covid infections on Monday fell to a 4-month low of 54,612. Globally, Covid infections have risen above 113.664 million, and deaths have exceeded 2.521 million.

EUR/USD on Friday dropped to a 1-week low on a fall in German bund yields. The 10-year German bund yield on Friday fell -2.8 bp to -0.260%, falling back from Friday's 11-month high of -0.202%. Bund yields fell and EUR/USD weakened on comments from ECB Executive Board member Schnabel who said the ECB might need to boost its monetary support for the economy if rising government bond yields hurt growth.

Bund yields initially rose to Friday's 11-month high after the German Jan import price index rose +1.9% m/m, stronger than expectations of +1.0% m/m and the biggest increase in 10 years.

USD/JPY on Friday rallied to 5-3/4 month high as the yen weakened on Friday's comments from BOJ Governor Kuroda, who said the BOJ isn't aiming to raise its yield target from 0% since it is important to keep the entire yield curve low and stable amid the pandemic. Kuroda tried to jawbone Japanese government bond yields lower after the 10-year Japan JGB bond yield surged to a 5-year high Friday of 0.181%. Current BOJ policy is to keep the 10-year yield within a 0.20 percentage point range on either side of zero.

Friday's Japanese economic data was supportive for the yen and negative for USD/JPY. Japan Jan industrial production rose +4.2% m/m, stronger than expectations of +3.8% m/m and the biggest increase in 6 months. Also, Japan Jan retail sales fell -0.5% m/m, stronger than expectations of -1.2% m/m.

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 rose to a 1-year high of 1.609%.

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, and (5) the wide U.S. budget and current account deficits.



WHEAT

➤ CME CBOT Wheat Futures

After setting new highs on Wednesday and Thursday, front month wheat futures were falling double digits at midday Friday. Sharply lower wheat trade to close out the week with futures settling near session lows.

New crop CBOT July Wheat rallied to \$6.72¾/bu on Wednesday, while the KC HRW July Futures made new contract highs of \$6.67/bu.

However, on Friday KC May futures led the plunge lower at -18¾, Chicago -15½ and Minneapolis -11 ¾ in the red. The monthly change was quiet with 2 to 5 cent losses for all classes. By mid-day Friday wheat futures are down 9 to 12¼ cents. HRW prices are 14¼ to 16½ cents in the red. Spring wheat futures are down 9½ to 11½ cents.

All three exchanges were able to hold the 25-day moving avg technical line. Given the big daily swings, the week on week change was surprisingly quiet with Chicago up 4 cents, KC HRW down 4 cents, and Minneapolis unchanged.

Fundamentally, trade not quite able to shrug off the bigger IGC world production estimates from yesterday suggesting a slightly more comfortable balance sheet. IGC increased their 2020/21 wheat output forecast by 5 mmts citing bumps to Australia, Russia, and Kazakhstan. For 2021/22, IGC expects a record 790 mmts of wheat production, citing a bounce back in Europe and good harvests in North Africa and India. The preliminary wheat ending stocks for 2021/22 was increased from the January report believing lost trade will more than offset higher feeding.

The true extent of actual feed wheat consumption will not likely be determined until summer, but for the moment the wheat balance sheet is in a precarious balance with bulls just waiting for a production scare.

France AgriMer noted 87% of winter wheat was good/ex, that is up from 64% at this time LY. Taiwan issued a tender seeking 100,410 MT of U.S. wheat.

A rally in ocean freight making US wheat less competitive to North Africa, which will likely dampen new export activity.

First Notice Day for March wheat futures resulted in 89 HRW contracts and 652 HRS contracts but none for Chicago wheat. Biggest delivery news was out of Minneapolis with 652 receipts issued and Wells stopping over 500 of them. The driving fundamental driving delivery of Minneapolis receipts and minimal KC/Chicago deliveries was quality driven.

➤ CME KC HRW Wheat Futures



Kansas July 2021 HRW Wheat Futures

The July 2021 new crop HRW contract settle at \$6.37/bu on Friday, dropping 19 1/4 cents on the day, and down 6 1/4 cents on the week.

The new nearby May contract settled on Friday at \$6.33 3/4/bu, dropping 18 3/4 cents on the day, and down 6 1/4 cents for the week.

➤ MGE HRS Wheat Futures

MGE July 2021 HRS Wheat Futures – After making a new contract high of \$6.58/bu on Wednesday, the new crop **MGE July 2021 HRS Wheat Futures** contract settled Friday at \$6.46 3/4/bu, dropping 11 3/4 on the day, and mostly unchanged for the week.



CBOT July 2021 Wheat Futures - New crop July 2021 wheat settle on Friday at \$6.49 1/2/bu, down 14 cents on the day, but gaining 4 1/4 cents for the week.

As we commence first notice day of the March contract, the new nearby May settled on Friday at \$6.60 1/4/bu, losing 15 1/2 cents on the day, but gaining 2 3/4 cents for the week. New crop futures still hold a slight premium to SRW.



The nearby May contract settled at \$6.38³/₄/bu on Friday, dropping 11³/₄ on the day, and down 1¹/₄ cent for the week.

COARSE GRAINS

➤ **Brazil's Second Crop Corn Sowings Slump To Lowest On Record In Key Producing Regions**

Refinitiv Commodities Research - With second crop sowing delays now reaching historic levels, 2020/21 total Brazil corn production was tentatively kept at 105.2 [95-111] mmts.

Total corn area is still seen at 18.9 million hectares, although the prospect of lower second crop corn area is rising, despite strong prices. The area estimate is now 0.8 million hectares below USDA's World Agricultural Outlook Board (WAOB) figure from February, which assumes total corn sowings at 19.7 million hectares and a national yield of 5.53 mts/hectare. Brazil's agriculture state agency (CONAB) in its February 13th outlook fractionally raised first corn area to 4.2 million hectares, but lowered yields to 5.63 mts/hectare. Second crop area was raised to 14.4 million hectares, while yields were set at 5.58 mts/hectare, bringing total corn area and production to 19.1 million hectares and 105.5 mmts, respectively.

Delays in soybean harvests will now leave a significant portion of the second crop to be sown outside the favorable window in the Center West and South. Sowings outside of these periods can lead to reduced yield potential, and also lowered area, as farmers chose to minimize risk and plant less area to corn. Yield potential is reduced as crops sown late are exposed to unfavorable conditions later in development, with especially

high risk during early reproductive stages from drought or high heat, and from frosts in the northern South, southern Center West and Southeast.

The past week featured dryness for the southern portions of the second crop belt, but rainfall was again enough to cause significant delays in most of the Center West, northern South and Southeast. Temperatures were near average to below average outside of southeastern Center West and the Southeast, where values reached nearly 5°C above average.

In its latest update as of the 19th of February, CONAB reported soybean harvests at 15.5%, less than half of last season's pace. Second crop sowings were seen at 20%, a massive 31% behind last year. The biggest delays continue to be in Mato Grosso, Goiás and Paraná, where early-season soybean sowing delays and more recent rainfall has helped delay soy harvests and push corn sowings to one of the slowest paces in recent history. First crop corn harvests, on the other hand, were seen at 19.9%, marginally above last year, as farmers in drier portions of the South continue to harvest rapidly.

While concerns mount for second crop corn, satellite imagery continues to point to positive, late-season first crop conditions in areas that had seen poor growth earlier in the season. For instance, vegetation density in Paraná and Rio Grande do Sul continues near-record, showing developmental patterns that could translate to yields above last season.

Unfortunately, the latest GFS and EC model runs suggest rainfall to continue in most major soy and second crop corn producing areas. While temperatures will moderate, above-average accumulated rainfall is very likely over the next ten days, which could significantly alter farmer decision making around sown area and increased odds for lower yields, particularly in Mato Grosso and Goiás.

Yield estimates from models using recent and long-term weather outlooks maintain first crop corn yield at 5.79 tons per hectare. Second crop corn yield is tentatively kept at 5.61 tons per hectare, 3.8% above last season, although downside risks continue to increase.

➤ **Brazil corn acreage likely to expand in 2021**

Reuters - Brazil may expand its corn acreage by around 1 million hectares in 2021, which could lead to record production, according to market analysts surveyed by Reuters.

The poll results, released on the 24th of February, projected this year's corn production at 108.2 million tonnes on a planted area of 19.44 million hectares.

The Reuters survey forecast total output at 5.5% above the previous season's crop of 102.5 million tonnes estimated by the government.

Earlier this month, the USDA FAS lowered its forecast for Brazil's corn production in 2020/21 by 2 mmts to 105 mmts due to reduced yields in first-crop corn and a likely delayed planting for large portions of the second-crop safrinha corn.

With China importing corn at a record pace, Brazil is looking to take some of the market share from the United States, the world's No. 1 corn exporter.

A recent surge in corn prices to a multi-year high is providing incentive for increased corn plantings in Brazil, analysts polled by Reuters said.

➤ **CME CBOT Corn Futures**



After reaching new contract highs on Thursday of \$4.79/bu, by midday on Friday corn prices were 2 to 7¼ cents weaker. The new crop **CME Corn December 2021** contract closed on Friday at \$4.71/bu, down 3 cents on the day, but gaining 11 cents for the week. Some initial month-end profit taking battled technical support after futures tripped the 30-day moving average late in the session. Funds sold an estimated net 4,500 contracts of corn on the day.

As we reach first notice day for the March contract and May takes the lead, the contract settled on Friday at \$5.49 5.43/bu, closing down ¾ cents on the day, but gaining 6 cents on the week.

First notice day against March corn futures held no deliveries. The oldest long for march futures dates back to August 14th. No corn is currently registered. That could change late afternoon but it's not expected to. Front-end spreads firmed accordingly as the CH21/K21 firmed 3 cents to close at an +8 cent inverse. CIF corn was firmer along the curve and FOB values remain above DVE spot through July.

According to cmdtyView data the national average nearby basis is 23½ cents under March, compared to 11¾ cents under at this time last year.

Buenos Aires Grains Exchange lowered their corn yields from the January estimate, but left total output at 46 mmts.

South Korea's largest feed producer tendered of 137,000 mts of corn to be sourced from worldwide origins. Traders will be monitoring to see whether the US participates in that volume.

The International Grains Council raised global corn output by 1 mmts to 1,134 mmts. Ending stocks were left at 268 mmts in the IGC February estimate.

➤ **Biden's EPA Signals New Position on Ethanol Waivers**

DTN - The EPA recently announced they have taken a new position on small refinery exemptions (SREs), saying that after "careful consideration" that they support the 10th Circuit Court of Appeals ruling in the case of Renewable Fuels Association (RFA) vs. EPA.

"EPA supports that court's interpretation of the renewable fuel standard (RFS) small-refinery provisions," the agency said in a release. "This conclusion, prompted by a detailed review following the Supreme Court's grant of certiorari in the case, represents a change from EPA's position before the 10th Circuit. The change reflects the Agency's considered assessment that the 10th Circuit's reasoning better reflects the statutory text and structure, as well as Congress's intent in establishing the RFS program."

The 10th Circuit in January 2020 vacated and remanded three EPA decisions to grant SREs for the 2016 and 2017 compliance years, holding that a "small refinery's position can be granted only if the refinery satisfies two conditions," EPA noted, those being that the refinery had to demonstrate an existing exemption and they have to demonstrate disproportionate economic hardship caused by RFS compliance.

On the 8th of January 2021, the U.S. Supreme Court agreed to review the 10th Circuit court decision at the request of the small refineries affected by the decision.

"After further, careful review of the RFA Decision following the change of administration, EPA has reevaluated the statutory text and now agrees with the 10th Circuit's reading" of the Clean Air Act section which said that "an exemption must exist for EPA to be able to 'extend' it," the agency said. "EPA agrees with the court that the exemption was intended to operate as a temporary measure and, consistent with that congressional purpose, the plain meaning of the word 'extension' refers to continuing the status of an exemption that is already in existence."

OILSEEDS COMPLEX

GHA – Last week Brazil's export pace for soybeans has finally pick up with month-to-date exports up 700,000+ mts to 1.25 mmts. However, the numbers showed there are still 4.6 mmts scheduled for February loading, the greatest part of which will be pushed into March.

➤ **Chinese Soybean Crushers Shrink Output On Brazil Shipping Delays**

Reuters - Chinese soybean crushers are expected to curtail operations sharply in the coming months due to harvest delays in top exporter Brazil, pushing up prices and likely leading to a rundown in inventories.

The shortage will be widely felt and probably last till at least mid-April, analysts, crushers and traders told Reuters, and comes just days after Beijing issued a major policy document stressing the importance of food security in the world's most populous country.

"Bean shipments from Brazil to southern China will be very limited in March.

Supplies will be tight," said a manager with a major crusher in southern China.

Soybeans are used to make soymeal, a critical feed ingredient for China's hog herd.

"We originally planned to suspend operations for a couple of days but now we will have to extend that to two weeks as our cargo got delayed," said the manager, who was not authorized to speak to media and declined to be identified.

Drought delayed soybean planting in Brazil in late 2020 and constant rains have disrupted harvest this year. That's similar to what happened early last year when Chinese crushers had to wind back operations, inventories fell to record lows and soymeal prices rallied.

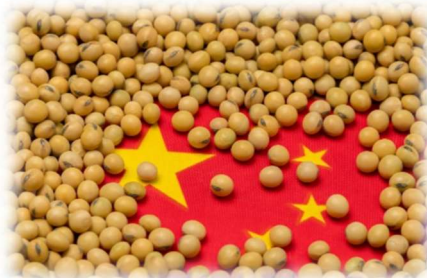
"Soybean inventories will fall significantly in March... soymeal prices will also rise," said Xie Huilan, an analyst with consultancy Cofeed, adding that some plants had already made plans to suspend operations for a month. "But it probably won't be as bad as last year." She said feed and livestock producers learned lessons from last year and have built up ample soymeal stocks in advance. A rapid recovery in pig production after African Swine Fever outbreaks also led to higher soybean imports than the previous year, while new outbreaks have weakened overall demand.

Detailed forecasts about the extent of the production cuts and their impact on inventories and prices were not immediately available.

Some 5.5 mmts of soybeans are expected to arrive in China in March, said a senior trader at a company which runs crushing plants across the country. That would be up from 4.28 mmts for March last year but still well below the average monthly soybean consumption of 8 to 9 mmts.

China's national weekly soybean meal stocks were at 758,800 mts as of the 23rd of February, more than double the levels in the previous year. Soybean inventories were at 5.73 mmts, on par with levels last year.

China's soymeal futures prices have risen 6% this month to 3,587 yuan (US\$555/mt), while domestic soybean prices have rallied 8%, near record high levels that were logged in July 2008.



➤ **EU 2020/21 Soybean Imports at 9.36 mmts, Rapeseed 4.29 mmts**

Reuters) - European Union soybean imports in the 2020/21 season that started last July had reached 9.36 mmts by the 21st of February, data published by the European Commission showed on Monday.

That compared with 9.13 mmts cleared by the same data y/o/y.

Since the 1st of January, 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. The change reflects Britain's departure from the EU's customs union at the end of December, following its formal exit from the bloc in early 2020.

EU rapeseed imports in 2020/21 had reached 4.29 mmts, compared with 4.47 mmts a year ago.

Soymeal imports so far in 2020/21 were at 11.12 mmts against 11.82 mmts y/o/y, while palm oil imports were at 3.62 mmts compared with 3.65 mmts y/o/y.

➤ **EU Rapeseed Yield Estimates Remain High Despite Recent Cold Spell**

Refinitiv Commodities Research - Expected limited impact from recent cold snaps leaves 2021/22 EU-28 rapeseed production at 19.7 [18.4–21.4] mmts. While yield expectations remain high as crops entered dormancy in healthy conditions, downside area risks remain in the U.K. and portions of central France, where poor fall weather likely led to lower area estimates than anticipated at the beginning of the season.

Weather over the past two weeks posed essentially no concerns for the dormant rapeseed crop. Temperatures were mostly near average, with western and eastern portions of the continent seeing mild warmth. Precipitation was at or above average in the majority of the continent, with Italy, Bulgaria, central France and the UK seeing some of the largest deviations. Overall, soil moisture reserves continue positive, helping to insulate from low temperatures in the shorter term and to support upcoming spring regrowth.

The past two weeks brought the first major challenge of the year for overwintering crops in Europe. Temperatures dipped in portions of Poland, Germany, Romania and France reaching sub-zero double-digit temperatures during the second week of February. However, most areas impacted by the lowest temperatures had sufficient snow cover, which helped protect crops that had, for the most part, developed adequate winter hardiness after seeing favorable pre-winter growth conditions. While some areas may still see localized damage, widespread yield impacts are not expected for the time being. Since then, weather has been largely warm with near-average rainfall, which will continue to favor conditions for upcoming spring growth.

The latest EC-10 day period weather forecast suggest mostly warm and dry conditions to dominate most of continental Europe. While overall conditions continue overwhelmingly positive for a rebound from disappointing yields in 2020/21, updated spring harvested area estimates could point to downsides in areas that saw excessive moisture during fall plantings. In addition, early emergence could raise risks for crops being exposed to hard freezes, especially if limited snow cover is available.

➤ CME CBOT Soybeans Futures

The new lead **CME May 2021 Soybean Futures** made new contract highs on Thursday, touching \$14.45¾/bu, before settling on Friday at \$14.07¾/bu, mostly unchanged on the day, and gaining 29½ cents for the week.



Then new crop **CME November 2021 Soybean Futures** made new contract highs on Thursday of \$12.52¾/bu on Thursday, before settling on Friday at \$12.25¾/bu, down 5 cents on the day, but gaining 28 cents through the week.

There were zero deliveries on first notice day for March soybeans. The oldest long dates back to the 7th of October 2020. Nearby basis is under DVE by only ¾'s of a cent, while March 1st is 1¾ cents over. Bean spreads reacted by firming across the board, with the SH/SK finishing the day at a 1 cent inverse, 2½ cents firmer.

The cmdtyView national average soybean basis is 40½ cents under March, compared to minus 44 cents at the same point last season.

The International Grains Council raised their soybean production estimate for 2020/21 to 360 mmts, from 359 in January. Stocks were maintained at 45 mmts. The February BAGE estimate calls for a slight reduction to Argentine soy yields, but overall output was unchanged at 46 mmts.

Will the futures market on Monday reflect new month; new money; or continue to circulate the bearish China story and more efficient loadings we are seeing out of Brazil...?

Current USDA exports are estimated at 2.250 bbu as of February 18th. After a week low sales numbers and no major announcements over the course of this past week, not surprising that some traders may be thinking the lion share of the program has already happened. However, China will be coming back from the Lunar New Year holiday on Monday.

➤ 2020/21 Argentina Soybeans Rated 19% Good/Excellent

Soybean & Corn Advisor, Inc. - The rainfall in January was beneficial for the soybeans in Argentina, but it looks like February is going to end up as one of the driest in the last 30 years. Cool weather during the first half of February saved the crop from significant moisture stress. There is not much rainfall in the forecast for this week and temperatures are expected to be above normal, but not extreme.

This is a critical time for the soybeans in Argentina as the crop starts to fill pods, so the production estimate was left unchanged this week while we wait to see how the weather plays out. The soil moisture is the highest in the core production areas while the southern provinces of Buenos Aires and La Pampa need rain to avoid moisture stress.

The early planted soybeans were 62% setting pods and 15% filling pods late last week. The later planted soybeans were 55% flowering and 5% setting pods late last week. The most advanced soybean development is in the core production areas where the soybeans are about 35% filling pods, but that is still about 20% behind average.

The soybeans were rated 11% poor to very poor, 70% fair, and 19% good/excellent late last week. The good/excellent compares to 23% last week and 66% last year. The soil moisture for the soybeans was rated 21% short to very short and 79% favorable to optimum. The favorable to optimum compares to 85% last week and 97% last year.

➤ Ukraine Imports Soybeans For The First Time In 2020/21

Reuters - Brazil will supply 51,600 mts of soybeans to the Ukraine, a traditional soybeans exporter, in Kyiv's first such deal in the 2020/21 season, a broker said on Wednesday.

Elena Neroba, business development manager at brokers Maxigrain, said on Twitter that Brazil would ship 51,600 mts from Barcanera port to Ukraine. "Ukrainian crushers can't pay to domestic farmers as per strong exports competition," she added.

Last year, Ukraine agreed to its first soybeans imports in many years, buying 20,000 mts of Brazilian soy.

Ukraine's 2020 soybean harvest fell by around 25% to 3.4 mmts and consultancy APK-Inform have said exports could fall to 2 mmts in the 2020/21 season from 2.63 mts in 2019/20. The consultancy said imports could rise to 50,000 mts from 23,000 mts a season ago.

➤ **India To Produce 8.2 mmts of Rape and Mustard Seed**

USDA FAS - Assuming normal weather conditions through harvest, February through March, India is expected to produce an estimated 8.2 mmts of rapeseed and mustard in marketing year 2020/21 (October-September) from a record planting of 7.4 million hectares.

Favorable weather conditions improved agronomic practices, and the absence of biotic stress should favor above-average yields. In addition, recently announced changes in crude palm oil import duties will offer a respite to soybean and sunflower oil demand and help control India's rising palm oil imports.

➤ **CME CBOT Soybean Meal**



CME May 2021 Soybean Meal Futures settled on Friday at \$422.40/short ton, off \$0.60 on the day, and losing \$1.20 for the week.

The CME reported 7 soymeal delivery issues against March meal.

➤ **China's Soymeal Futures Plunge On Pig Disease Concerns**

Reuters - China's soymeal futures slid nearly 5% in their sharpest decline in eight years on Friday, as investors took profit and new African swine fever outbreaks stirred concerns over demand.

The most actively traded soymeal futures on the Dalian Commodity Exchange (DCE) May delivery fell 4.86% to 3,485 yuan (US\$539.57/mt) following four days of gains,

amid worries the new pig disease cases would hit demand for the major feed ingredient.

"Prices were rising mainly because soybean cargoes would be limited in March, and people did not think the African swine fever outbreaks were that severe," said a manager with a meat producer in northern China.

"But then as more surveys were carried out in the industry, the market found that disease is really bad," said the manager, who declined to be named as he was not authorized to talk to the media.

Chinese crushers were expected to cut operations in March due to limited supplies as rains in top exporter Brazil delayed harvests and shipments.

"There is also some profit taking, which is quite normal," said Wang Xiaoyang, senior analyst with Sinolink Futures. "Also the African swine fever (ASF) disease is indeed very severe and there are signs that outbreaks are spreading from the north to the south."

Falling Chicago soybean futures following lower U.S. export sales pressured domestic soymeal prices as well, traders said.

"Not-as-expected USDA weekly export sales data further stimulated the willingness of long investors to leave the market, resulting in falling soybean meal prices today," said a Shanghai-based senior trader. "The downstream demand for soybean meal has been suppressed with the spread of ASF, the sale of unhealthy pigs, and a traditional breeding off-seasons."

Reuters reported in early February on a surge of ASF outbreaks in northeast and northern provinces, hurting pig production even as the country strived to rebuild its massive herd. Panicked farmers dumped unhealthy pigs at slaughterhouses, causing sharp falls in pork price, while hog futures rose on expectations of a supply crunch, traders and analysts said.

China's pork prices have dropped almost 30% so far this year to their lowest since August 2019.

Reuters could not independently verify the sale of unhealthy pigs. The Ministry of Agriculture and Rural Affairs did not immediately reply to a fax seeking comments on the recent outbreaks.

➤ **India Oilseed Meal Exports Remain Firm After Argentine Strikes**

Indian oilseed meal exports surged for a second straight month in January as feed importers sought other origins after the world's largest exporter, Argentina, was paralyzed by strikes and slow soybean crushing, an Indian trade group said.

The world's fifth-largest soybean grower exported 498,060 mts of meals last month, more than double the amount it exported in January last year, data from the Solvent Manufacturers Association of India (SEA) showed Friday.

"Due to port strike during December 2020 in Argentina, the supply of soybean meal largely disturbed lead to rise in price of soybean meal which made Indian soybean

meal competitive in International Market,” the SEA said. “This also created demand for other oilseed meals and India shipped substantial quantity of rapeseed meal, rice bran extractions, and groundnut meal,” it added.

January’s exports were made up of 283,000 mts of soybean meal, 90,000 mts of rice bran, 74,000 mts of rapeseed meal, and 51,000 mts of castor meal.

Last month’s result is just below the 513,819 mt of oilseed meal exported in December last year as Indian exporters took advantage of logistical troubles in Argentina.

Total oilseed meal exports since the Indian marketing year began last April are up 39% on the year at 2.96 mmts, with South Korea, Vietnam, and Thailand its number three customers.

➤ CME Soybean Oil



Soybean Oil values made new highs on Thursday touching \$47.85/cwt. The lead **CME May 2021 Soybean Oil Futures** settled Friday at \$50.08/cwt, up 41 cents on the day, gaining \$3.19 cents for the week.

There were no soybean oil deliveries issued for First Notice Day.

Interesting to note this week, and helps to explain why SBO futures have blown by the \$.50 per pound benchmark; the global oil stocks to use ratio is at a 20-year low of 10.4%, down from 11.7% LY and the 5-year 12.1% avg

➤ Argentine Soybean Crush Rebounds to 5-yr High in January

Soybean crushing in Argentina rebounded to a five-year high last month as oilseed grinders aimed to clear the backlog caused by near month-long strikes at the end of 2020, data by the Argentine ministry of agriculture showed.

A total of 3.22 mmts of beans went through the grind in Argentina last month, up nearly 900,000 mts from the crush in January 2020 and compared to the five-year average of 2.89 mmts.

It comes as soybean crushing in Argentina, the world’s largest soymeal and oil exporter, fell to a record low last December as operations were blocked by strike actions by several unions during the final month of 2020.

Just 808,184 mts of beans were processed in December last year, with Argentina’s total soybean crush for calendar year 2020 at 35.86 mmts, its lowest since 2013.

The strikes were lifted at the start of 2021 after a deal on pay and bonuses was struck, causing soybean crushers to make up for lost time as they cleared the backlog caused by the strikes.

Despite the strong recovery in January, the combined crush volume for December and January remained 1 mmts lower on last year’s pace and was the lowest level since 2013.

Some 640,000 mts of soybean oil and 2.38 mmts of soybean meal were produced in January, more than triple the volumes produced in December and its highest monthly production since August last year.

➤ U.S. May Need To Look Beyond 2022 To Solve Tightness In Soybean

Karen Braun, Reuters - Less than two years ago the United States was drowning in excess soybean supplies, mostly due to trade interruptions with top buyer China.

But relative to domestic demand, U.S. stockpiles are forecast to be record-tight later this year, and according to the USDA, not even a record crop this summer can ease the situation much by mid-2022.

USDA on Friday tentatively slated U.S. soybean acres to rise 8% on the year, which could lift the 2021 harvest to a new record when combined with the second largest ever yield.

However, despite a slight downtick in demand, the agency pegged domestic ending stocks for the upcoming 2021/22 year at 145 mbus, the second smallest in eight years after the current year’s projection of 120 mbus.

This prompts the question of what exactly would be required to raise the carryout levels more substantially, and how long that would take. The answer depends on forward Chinese demand, disease control and production recovery in China’s hog herd, top soy grower Brazil’s expanding production and export capacity, U.S. summer weather and corn prices, among other items.

Those things are nearly impossible to predict, but there may be some lessons from the past that could help traders be ready for the next supply shift. Two recent events stand out, including the 2017 easing of Chinese imports and complacency over the 2019-20 U.S. carryout reduction, both of which contributed to the sharp surge and decline in U.S. stockpiles over the last three years.

Demand Miss

The soybean market several years ago finally got used to China's booming appetite for the oilseed and was unprepared for any hiccups in that trend, though signs of the slowdown that occurred late last decade are easier to see in hindsight.

One clue was that in the typical October-December U.S. soy shipment peak in 2017, exports to China were actually sitting at a four-year low. That can partially be explained by an increased volume out of Brazil, but USDA forecasts were also predicting the Chinese demand pullback at the time.

In late 2017, USDA saw 2017-18 Chinese soybean imports rising just 3-4% on the year compared with an average increase of nearly 12% per year in the previous four seasons. In the end, the 2017-18 volume rose only fractionally on the year due to reduced trade with the United States and the outbreak of African swine fever (ASF) in its hog herd.

But the soybean market in early 2018 was distracted from China's slowing imports by a crop failure in Argentina, the world's leading exporter of soy products, and prices signaled U.S. farmers to plant another massive soybean area. That led to a record U.S. crop and drove stockpiles to unfathomable highs as trade was choked off with China in mid-2018.

It is unclear why China's demand trajectory slowed in late 2017, but it is possible that imports in the prior year had finally caught up to and surpassed the needed levels for the time being.

A more sinister though plausible theory is that the first ASF impacts may have arisen as early as 2017, regardless of whether China was aware at the time. Beijing first officially acknowledged ASF in August 2018, though the wider industry did not understand its severity until seven months later.

Stockpile Miss

Following 2018, a correction to the massive stockpiles was needed. But the soybean market a year ago probably underestimated the risks of cutting U.S. ending stocks in half from the prior year, since the reduced levels were still elevated versus history.

Soybean prices were weak in early 2019 and farmers intended to cut acres. But historic spring flooding and relatively better corn prices caused growers to plant 8.5 million fewer soybean acres that year than originally planned, an unprecedented change of course.



At the time, that acreage loss seemed like a disguised blessing to adjust the enormous inventory, which ended up falling more than 40% year-on-year. But looking back, the market showed too little concern in early 2020 over the effects of slashing carryout so sharply, basically leaving no room for error on the 2020 U.S. crop.

Soybean prices were not sufficiently attractive a year ago to gain enough acres as uncertainties over trade with China and the unfolding pandemic loomed. Still, the market thought at several points during the 2020 season that farmers had planted more soybeans than they did, perhaps misjudging the true weakness of the economics.

The late-summer 2020 drought amplified the underplanting effects, as yields were clipped in several major states, producing just an average crop instead of the strong one that was expected. The return of robust Chinese demand in mid-2020 capped off the recent supply squeeze.

2021/22 Prep

The soybean market is clearly still learning how to adjust to the exceptional supply and demand swings that resulted from recent events related to ASF, the trade war and weather, ultimately leading to the overplanting in 2018 and the underplanting in 2020.

But in terms of price impacts, the year-on-year changes in U.S. supply and Chinese demand probably deserve more attention. USDA currently sees China's soybean imports at 100 million

tonnes in 2020-21, up 1.5% on the year.

U.S. soybean stocks-to-use in 2020-21 is seen at an all-time low of 2.6%, slightly edging 2013-14, and that is down from 13% a year earlier and nearly 23% in 2018-19. The 2020-21 ratio had been predicted as high as 13.7% back in August.

USDA's latest figures place 2021-22 stocks-to-use at 3.2%, the third-lowest on record. Following 2013-14's low of 2.6%, the ratio was at 5% in each of the next two years before climbing to 7% in 2016-17 and 10% a year later. But soybean prices were significantly lower in those subsequent years than the ratios might suggest because USDA had a habit of underestimating soybean demand at the time.

Under business as usual, however, the historically tight soybean stocks mean that supply risks will linger for at least another year despite the slight expected increase. Summer weather will undoubtedly be under more scrutiny than normal, and it may take more than a few decent weather forecasts by mid-July for confidence on a big U.S. output.

OTHER RELATED NEWS

➤ China's New Outbreaks of Pig Diseases Spark Doubts Over Recovery

China's farm ministry is touting a complete recovery in pig numbers from the ravages of African Swine Fever (ASF) by the middle of the year. However, fresh outbreaks of the virus and other lethal pig diseases could pose risks to that outlook.

A resurgence of swine fever cases in colder northern provinces prompted farmers to slaughter more of their breeding sows before the Lunar New Year, said Lin Guofa, a senior analyst at consultancy Bric Agriculture Group. Pork is China's favorite meat and consumption typically booms over the holiday period. Other viruses, such as foot-and-mouth disease and porcine epidemic diarrhea, have also taken their toll in outbreaks exacerbated by a harsher-than-usual winter, said Lin. "The recovery of hog herds in some regions could be delayed, particularly in Shandong and parts of Henan and Hebei," he said.

It means that as much as 15% of the national hog herd may have been lost to disease over the winter, and its full rehabilitation to pre-swine fever levels is more likely by the second half of 2022. said Wang Zhong, chief consultant at Systematic, Strategic & Soft Consulting Co. The outbreaks have included new variants of swine fever that have proved less easy to detect and harder to control.

Stabilizing the pig population and reducing market volatility had been a high priority for policy makers ever since swine fever descended on China's hog herd, the world's largest, in 2018. There is no officially sanctioned vaccine, and the epidemic caused the number of pigs to nearly halve, spurring a spike in pork imports and prices.



Global agricultural markets have been roiled further in recent months by the government's drive to deliver a rapid recovery in numbers, which has led to massive shortages of feed grains and emptied silos as far afield as North America.

China's hog population had returned to 90% of its normal levels by the end of November, according to the agriculture

ministry. The ministry did not respond to a fax seeking comment on its latest forecasts.

Efforts to speed up the release of imported meat held at ports and in cold storage, estimated at about 1 million tons, should help keep a lid on pork prices, said Bric's Lin. Live hog futures on the Dalian Commodity Exchange, meanwhile, hit their highest close on Monday since the contract debuted last month.

➤ Customs Doubled Interceptions of Prohibited Meat from China in 2020

[Agri-Pulse](#) - U.S. customs officials have been increasing their scrutiny on prohibited imports and confiscated twice as many shipments of prohibited chicken, pork, beef and duck from China in 2020.

The Customs and Border Protection agency attributes the increased seizure to better coordination with the USDA and "a special initiative to prevent the introduction of Asian swine fever in the U.S." China has suffered from outbreaks of ASF, classical swine fever, Newcastle disease, FMD, bird flu and swine vesicular disease.

"The role of the CBP's agriculture specialists at our ports of entry is more crucial than ever," said CBP Director of Field Operations in Los Angeles Carlos C. Martel.

➤ Customs Sees Major Impact from China Cotton Restrictions

[Agri-Pulse](#) - U.S. prohibitions on Chinese cotton and cotton products are likely to have a far bigger impact than previous bans that have been imposed on imports linked to forced labor, according to an official with U.S. Customs and Border Protection.

The shipments affected by the ban on cotton from the Xinjiang province are "potentially massive," said Brenda Smith, an executive assistant commissioner in CBP's trade office. Speaking at USDA's Ag Outlook Forum, she said it's likely to be a challenge for CBP to manage all of the cargo that it expects to detain.

Xinjiang is the largest cotton-producing region in China.

LOGISTICS & TRANSPORTATION

➤ Container Lines Ordered to Explain Detention, Demurrage Assessment

Federal maritime regulators on Wednesday ordered container lines and marine terminal operators in the ports of Los Angeles, Long Beach, and New York and New Jersey to explain how they are assessing detention and demurrage.

The agency's decision comes as dozens of vessels are regularly anchored in Southern California, and following complaints from draymen and importers about a surge in penalties due to port congestion. Federal Maritime Commissioner (FMC) Rebecca Dye, who has spearheaded the Fact Finding 29 investigation into detention and demurrage, said the information demand orders will also include questions about empty container returns and container availability for exporters.

Ocean carriers counter that detention and demurrage practices are necessary to encourage smooth cargo flow and that promptly retrieving and returning containers is necessary to quickly turn equipment to the next customer and successfully navigate the latest volume surge. Cargo owners that do not pick up containers from the terminal, or hold onto empty containers too long, exacerbate the supply chain slowdown, carriers argue.

With ocean reliability from Asia to both coasts below 30 percent in December, according to the latest reading from Sea-Intelligence Maritime Analysis, exporters

have struggled to determine when their cargo will actually be loaded. The average delay for late vessels on the West Coast stood at 7.99 days for the month, up from 3.18 days compared with the previous December.

That makes it hard for US exporters to secure empty containers or deliver loads into a terminal because the earliest receiving date (ERD) is consistently pushed back.

Exporters say they are missing opportunities to sell products abroad because of pervasive breakdowns in the transportation supply chain, including container and chassis shortages, congested terminals, and decisions by some ocean carriers to reject their shipments in order to ship empty containers back to Asia to be refilled with higher-paying merchandise.

GOVERNMENT

➤ Senate Confirms 32nd U.S. Secretary of Agriculture

On Tuesday, the Senate confirmed Mr. Tom Vilsack as President Biden's Agriculture secretary with a vote of 92 to 7. He was then sworn in Thursday evening remotely by Vice President Kamala Harris.

The senators voting against Mr. Vilsack were Rick Scott (R-FL); Rand Paul (R-KY); Bernie Sanders (I-VT); Josh Hawley (R-MO); Marco Rubio (R-FL); Ted Cruz (R-TX); and Dan Sullivan (R-AK). In 2009, when President Barack Obama nominated Mr. Vilsack, he was confirmed unanimously.

Agriculture Secretary Tom Vilsack told *The Hagstrom Report* on Thursday that he got his second COVID-19 vaccination shot in Iowa and that he will work remotely from there until mid-March, when he will move to Washington.

In a wide-ranging 45-minute telephone interview with rural reporters, Mr. Vilsack said he is holding virtual meetings with USDA staff and with outside groups such as the National Association of State Departments of Agriculture.

There are only about 350 people working at the USDA headquarters at the present time due to the COVID-19 pandemic, he said, adding it's still unclear how or when the building will reopen fully.

The Secretary said he is examining the fiscal year 2021 USDA budget developed by the Trump administration under which the department is now operating and working on the fiscal year 2022 budget that the Biden administration will propose.

Asked about the Farmers to Families Food Box Program started by the Trump administration, Mr. Vilsack said USDA "learned a lot from this program."

"In many remote areas of the country the ability to have access to fresh produce was well received," he said, adding and that he wants to continue to focus on "nutrition security."

"Food security" is the usual term used, he said, but he noted that many Americans have one chronic disease or another that are diet-related. The United States spends

more on diabetes through Medicare and Medicaid than the entire USDA budget, he said.

But he also noted there had been many problems with the implementation of the food box program, and that he wants to make sure that that "the vast majority of resources" are not going for administration and oversight of the program.

USDA has continued the Farmers to Families program into April because the review of it could not be conducted that quickly, but the review "will allow us to make a number of determinations."

Asked about the Biden administration's review of the Coronavirus Food Assistance Program, Mr. Vilsack gave no timeline for when the review will end, and money will be distributed. But he noted that payments are still going out under an earlier CFAP program, that USDA has extended the deadline for applications, and that once the review is finished, producers will have another 30 days to apply under the new rules.

Mr. Vilsack noted that the Iowa delegation has asked that the program include custom cattle feeders and that members of Congress have complained about producers they believe were improperly left out.

The bottom line, he said, is that the CFAP program will be made "equitable."

Regarding climate change, Mr. Vilsack said he has not yet met with the USDA climate team and does not have a timeline for developing climate policy, but that USDA's most important role in the short term may be to create and support pilot projects that Congress can use as it writes the next farm bill.

The challenge for USDA, he said, is to be as helpful as possible in providing resources and technical assistance, including the ability to certify and quantify results of climate practices and create ecosystem service markets.

He said the United States loses four and half tons of topsoil every year, while only replacing half a ton. The country is faced not only with the climate issue, but also with the need to raise food for global food security, he said.

"It is also an income imperative," Mr. Vilsack said, citing an ERS study that indicated 89% of farmers do not make the majority of their money from farming. "Tell me another occupation or job in which 90% of the people are not making the majority of money from it," he said.

"It is an economic imperative to find additional ways for them to make a living, Mr. Vilsack said, adding that includes doubling down on export markets, creating new opportunities, local and regional food systems and making sure make "markets are fair and transparent."

➤ Senate Finance Committee Hears from USTR Nominee Katherine Tai

U.S. Trade Representative nominee Katherine Tai testified before the Senate Finance Committee on Thursday, stressing that the Biden administration is seeking to avoid the practice of creating winners and losers as it tries to expand international trade.

Ms. Tai called China "simultaneously a rival, a trade partner, and an outsized player whose cooperation we'll also need to address certain global challenges." She added, "We must remember how to walk, chew gum and play chess at the same time."

Ms. Tai was asked about the billions in tariffs placed on other countries, especially China, by the Trump administration. She did not dismiss the value of using tariffs to address trade challenges, saying "Tariffs are a legitimate tool in the trade toolbox."

Ms. Tai said she is aware of some of the ongoing concerns with Mexico and agriculture. She said new enforcement tools in USMCA could help: "We have a full set of tools, a lot of them new in USMCA, to engage with Mexico and Canada for that matter, to address ongoing irritants and ongoing frictions again."

Senate Finance Committee Chairman Charles Grassley (R-IA) pointed to concerns that Canada is undermining USMCA's dairy provisions. Ms. Tai said she also was aware of the dairy situation and noted this is a long-term challenge.

"U.S.-Canada dairy tensions also feel like some of those issues dated back to the beginning of time," she said. "If confirmed, I look forward to digging into this file."

Sen. Grassley also asked about Brazil and ethanol. Brazil has a 20% tariff on U.S. ethanol, but U.S. allows Brazilian ethanol into the U.S. without any tariff. Ms. Tai acknowledged Grassley is a "leading voice" on ethanol trade, but said she lacked the preparation and background to engage on the issue during the hearing.

➤ **Mexico Pressing Ahead with GMO Corn, Glyphosate Bans**

Reuters - Mexico is sticking to a plan to stop importing genetically modified corn and a ban on a widely used herbicide, a senior official told Reuters, doubling down on a policy that has pleased green advocates but alarmed industry leaders.

The plan announced late last year by executive order aims to replace some 16 mmts of yellow corn imported mostly from US farmers and nearly all of it genetically modified, with new, local production by 2024. The imports represent more than a third of the country's demand for the grain, and mostly feed Mexico's large livestock industry.

Victor Suarez, the deputy agriculture minister and a key architect of the order, argued that GMO corn and the herbicide glyphosate are too dangerous and that local output and sustainable "agroecological" practices must be prioritized. He cited studies linking glyphosate to cancer and saying that it harmed pollinators like bees and separately alleged that GMO corn contaminates Mexico's native strains of the grain.

If it does take effect, the end of GMO corn imports would be a heavy blow in particular to the American farmers who for years have relied on Mexico as their top export market.

Mexico is mostly self-sufficient in white corn, used for the country's staple tortillas, but meat producers have for years relied on growing volumes of yellow corn imports to fatten cows, pigs and chickens. Asked if the Dec. 31 decree applied to animal feed as

well processed foods that include GMO corn, Suarez said that the law covers all food that "will eventually reach human consumption."

While Suarez sees no need to modify the decree, which he acknowledged will be difficult to carry out, he did leave open the possibility that as the 2024 deadline approaches, the government could show some flexibility.

➤ **Chinese Official Calls For 'Joint Efforts' In China-US Trade**

AP - China's commerce minister appealed to Washington for "joint efforts" to revive trade but gave no indication Wednesday when tariff war talks might resume or whether Beijing might offer concessions.

"Cooperation is the only correct choice," Wang Wentao said at a news conference.

President Joe Biden has yet to announce a strategy for dealing with Beijing but is widely expected to renew pressure on trade and technology complaints that prompted his predecessor, Donald Trump, to raise taxes on Chinese imports.

Wang said he looked forward to "joint efforts" to "push bilateral economic and trade relations back to the track of cooperation." He noted President Xi Jinping talked with Biden by phone on February 11th, but gave no indication when negotiations might resume.

Washington and Beijing have raised tariffs on billions of dollars of each other's goods, disrupting global trade. They agreed last January to postpone further penalties, but most taxes already imposed stayed in place.

Beijing agreed to narrow its trade surplus with the United States by purchasing more American soybeans and other exports. It fell short of the targets set due to the coronavirus pandemic and bought about 55% of the promised goods.

China's foreign trade situation is "severe and complicated," Wang said. He said Beijing is launching e-commerce and other initiatives to encourage sales. One focus will be markets in its "Belt and Road Initiative" to build ports, railways and other trade-related infrastructure.

➤ **China To Boost Ability To Secure Supplies of Grains, Key Agri Products**

Reuters - China plans to enhance its ability to secure supplies of grains and important agricultural products, according to an annual document issued by the State Council and published by official news agency Xinhua on Sunday.

China, which has been stepping up its focus on food security, would diversify imports of agricultural products and support companies to integrate into supply chains of global agricultural products, it said.

Known as the "No. 1 document", it said that seed and arable land are major priorities in the new year, reiterating guidelines from policy statements issued earlier.

All provinces and regions must stabilize planting acreage of grains and improve yields during the 2021-2025 period, it said.

The government will improve the systems of letting the land lie fallow and land rotation, it added, part of an effort to protect arable land.

China will stabilize production of soybeans and develop edible oil seed crops including rapeseed and peanut, it said.

The government will accelerate building modern animal farming systems in the new year and protect basic production capacity of hogs, it added.

➤ **Brazil to Determine Companies Meeting Russian Soybean Standards**

MOSCOW TASS - The Russian Federal Service for Veterinary and Phytosanitary Supervision suggested that Brazil determines within three-four months its suppliers meeting Russian requirements to soybean supplies, the watchdog says on Saturday. Deputy head of the regulator Anton Karmazin held negotiations in video format with deputy secretary for protection of plants and animals of the Brazilian Ministry of Agriculture Carlos Marcio on February 19, the Russian service says.

"Deputy head of the service suggested that interested representatives of the business community of two countries determine within three-four month the list of supplying companies from Brazil that are ready to fully meet legislative requirements of the Russian Federation and the Eurasian Economic Union," the Russian regulator says.

On January 28, the Russian watchdog said it could ban soybean imports from Brazil in view of excess content of Glyphosate, a broad-spectrum systemic herbicide.

In accordance with earlier reached agreements, all soybeans supplied to Russia must be accompanied by Glyphosate test reports issued by laboratories accredited by the authorized Brazilian agency, Karmazin added.

➤ **US Maintains Block on Resumption of WTO Appellate Body**

[DTN](#) - writes this week that the U.S. held with its blocking of a plan to restart the WTO Appellate Body via a proposal from Mexico that has the backing of 140 countries.

In the Geneva meeting, the U.S. said the objections raised by the Trump administration that had prevented the naming of new Appellate Body members were valid, but the Biden administration is open to a dialogue to address those issues.

This runs counter to expectations that the Biden administration would seek to set aside the objections raised by the Trump administration on the dispute settlement process, some of which were heightened after the Biden administration ended the U.S. blockade on naming a new leader of the trade body.

International Crop & Weather Highlights

➤ **Weather In Brazil Will Not Help To Ease Sowing & Harvest Delays**

NORTH AMERICA: The EC Extended model run from yesterday confirms a scenario of warmth dominance through the entire March across Central and Eastern U.S.

SOUTH AMERICA: Unfavorable rainfall pattern for soybean and corn crops in Brazil will continue through the next 10 days

SOUTHEAST ASIA: Wet weather type will approach Thailand in the next week and may negatively impact sugarcane harvest progress locally

SOUTHEAST ASIA: Lack of extreme rainfall through the next 10 days will bring some relief for oversaturated soils in Indonesia and Malaysia

EUROPE: Warmth will prevail in the continental area for the next 5 days before moderate conditions will overcome in the next week

➤ **Hot Weather In Argentina Puts Soybean, Corn Yields At Risk**

Reuters - Forecasts of a dry, hot week ahead in Argentina could cut the yields of late-planted corn and soybeans, the Buenos Aires Grains Exchange said on Thursday, although it kept its harvest forecast for both crops unchanged at 46 mmts.

After a wet February brought relief to farms hit by unusually hot weather since mid-2020, growers remain on alert for damage that could yet be done if prolonged dryness returns.

"Above-average temperatures are expected for the next seven days, with no prospect of precipitation," the exchange said in its weekly crop report.

Soy and corn are Argentina's two main cash crops. The country is the world's top exporter of soy meal livestock feed and its No. 3 corn supplier.

Although late-planted corn fields were in generally good condition, the exchange said; "if there is no rain in the short term that allows the current scenario to be sustained, we could see a fall in yields during the next few weeks."

➤ **USDA/WAOB Joint Agricultural Weather Facility – 23rd February 2021**

EUROPE – Highlight: Warmer And Drier, But Rain And Snow In The North

- Sunny, mild conditions over much of western and central Europe were favorable for dormant (north) to vegetative (south) winter grains and oilseeds after recent wet weather.
- Despite drier weather overall, rain and snow lingered in northern and western-most growing areas.

MIDDLE EAST – Highlight: Widespread Rain And Snow

- Widespread rain and snow from Turkey into western Iran facilitated additional drought recovery on Turkey's Anatolian Plateau and maintained good moisture supplies for winter grains elsewhere.

- However, short-term dryness in eastern Iran continued to lower moisture reserves for spring growth.

NORTHWESTERNAFRICA – Highlight: Dry And Warm, Renewing Drought Concerns

- Sunny, warm weather from Morocco into Tunisia exacerbated short-term dryness, especially in Algeria; however, subsoil moisture remained adequate for vegetative winter grains after heavy rain in early winter.

SOUTH ASIA – Highlight: Warm, Sunny Weather

- Warmer-than-average weather in northern India and Pakistan promoted development of wheat and rapeseed.

EAST ASIA – Highlight: Unseasonable Warmth

- Well-above-average temperatures across eastern China encouraged early greening of wheat and rapeseed.

SOUTHEAST ASIA – Highlight: Tropical Cyclone Djuan

- A weak tropical cyclone (Djuan) brought heavy showers to the southern Philippines, boosting moisture supplies for rice and corn.
- Continued heavy rainfall in southern Indonesia (Java) sustained abundant moisture for rice.

AUSTRALIA – Highlight: Mostly Dry

- In the east, sunny, somewhat cooler-than-normal weather promoted growth of immature cotton and sorghum and aided maturation of varieties sown early in the growing season.

SOUTH AMERICA – Highlight: Showers Continued In Brazil's Northern Farming Regions

- Widespread, locally heavy rain benefited immature summer crops, including emerging corn and cotton, in Brazil's central and northeastern production areas.
- A second week of dryness reduced moisture for immature corn and soybeans in southern Brazil.
- Showers returned to corn and soybean areas of central Argentina, but pockets of dryness persisted in several traditionally higher-yielding delegations.

SOUTH AFRICA – Highlight: Showers Returned To Eastern Agricultural Areas

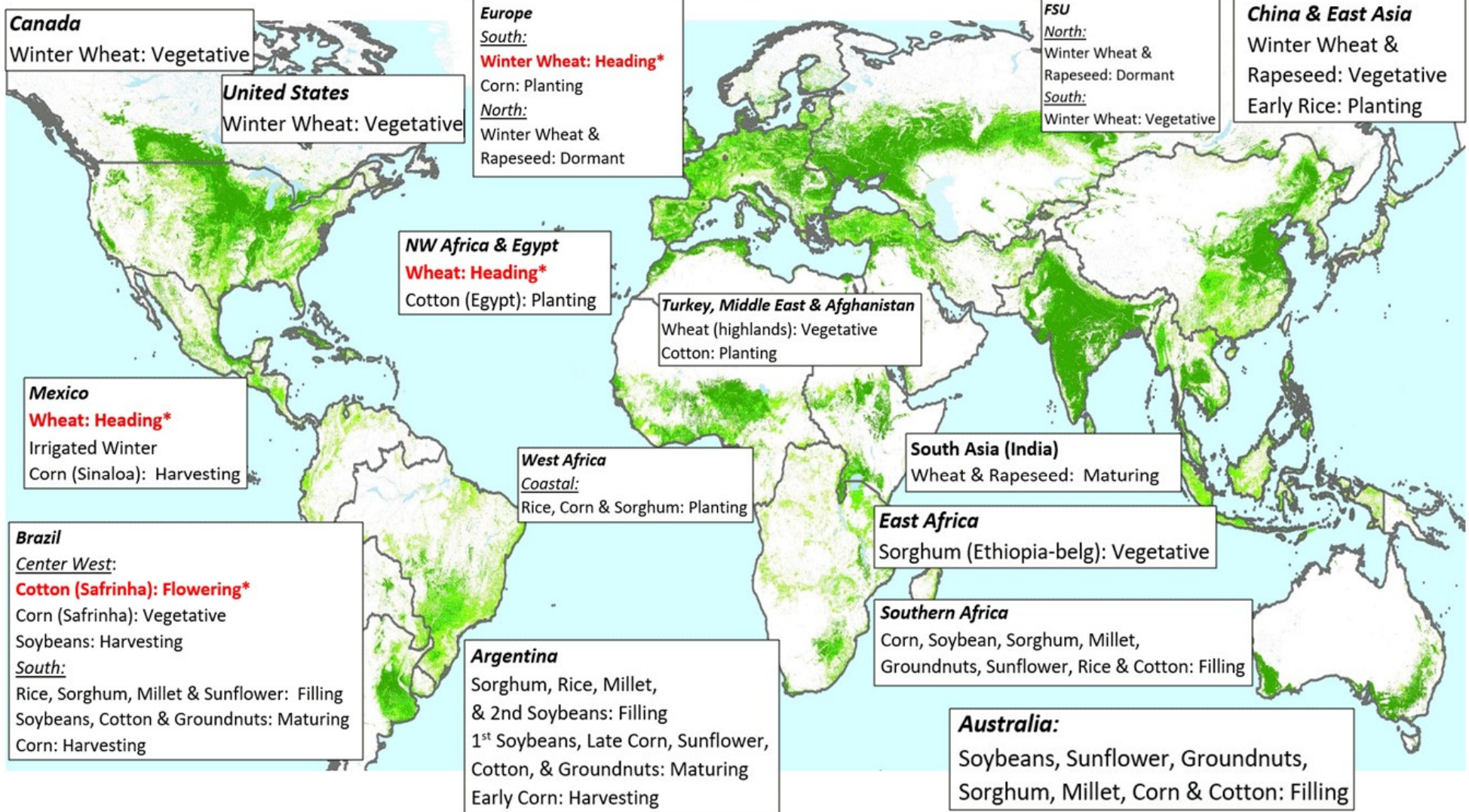
- Locally heavy rain fell in far eastern corn and sugarcane areas, but dryness and summer warmth continued in western sections of the corn belt..

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

Source: USDA <https://www.usda.gov/oce/weather-drought-monitor/publications>



March Crop Calendar



*Crop stage sensitive to moisture and temperature stresses.



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