Notes and Observations in International Commodity Markets

7th May 2021

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KSU Ag Manager Link: https://www.agmanager.info/grain-marketing/grain-market-outlook-newsletter/notes-and-observations-international-commodity

KSU Agriculture Today Link - Timeliness of Corn and Soybean Planting… April USDA World Grain Supply and Demand: https://agtodayksu.libsyn.com/timeliness-of-corn-and-soybean-plantingworld-grain-supply-and-demand

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CORN & SOYBEANS SET NEW MULTI-YEAR HIGHS

AS MARKETS MOVE BEYOND INTERESTING…

GHA – The commodity sector has gone well past interesting, beyond intriguing, and moving headlong into historical new territory. We have seen new multi-year highs in corn (all three futures contract sectors of old-crop, new-crop, and the National Corn Index), as well as soybeans (again in all three sectors), lean hogs, cheese, and of course lumber.

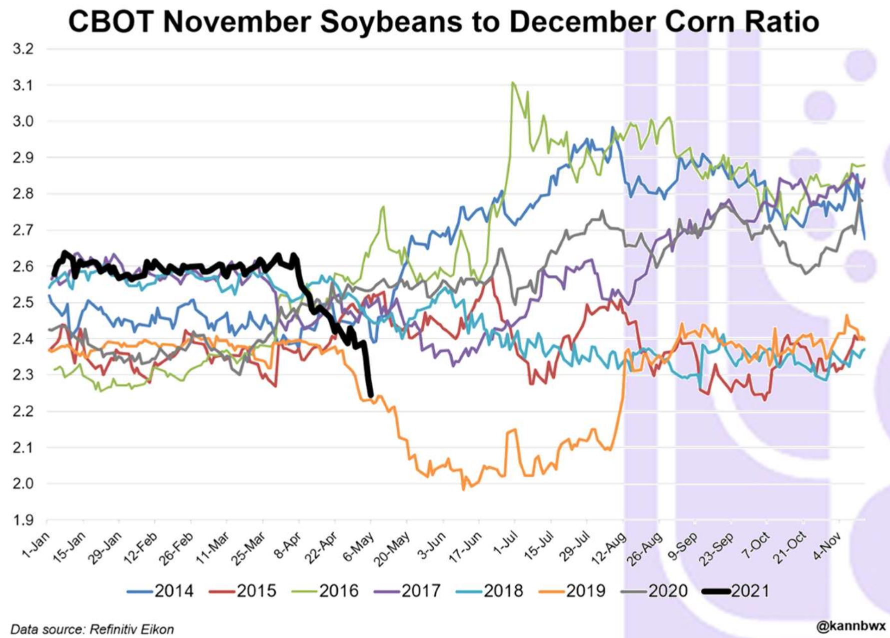
Grain and oilseeds set new multi-year highs again this week as we commence deliveries against the nearby May contracts. Both old and new crop corn and soybean futures rose sharply on Thursday, and again Friday, setting new contract highs and led by corn. Values continue to be supported by firm cash markets and dwindling old-crop supplies.

Along the way we have seen the forward curves invert (backwardation), with one of the more recent shifts in pricing structure in new-crop corn. This was just ahead of a USDA "flash" announcement of a big US new crop corn sale of 1,360,000 mts (53.5 mb) to China on Friday morning

The year-long rally in broader commodity markets shows little sign of cooling off as summer approaches. It promises to be a historically interesting.

- **<u>CBOT corn futures overpower soybeans as supply fears smolder</u>**

By Karen Braun, Reuters - Chicago-traded November soybeans on Thursday topped $14 per bushel for the first time in eight years, having surged 27% since the start of 2021. That is the best performance for the contract during that period in nearly 50 years, but it has still staged historic losses relative to corn.



The year did not start that way. November soybeans (SX1) were highly elevated versus December corn (CZ1) through March, very much favoring the oilseed, similar to both 2017 and 2018. But the new-crop soybean-corn ratio over the last month has plunged 11% to 2.24 as of Thursday, levels that have not been seen since 2019, and that is despite hefty gains in soybeans. Such a sharp fall in that ratio from early April to early May has not been observed for at least a quarter century.

Corn is also on an unprecedented run with the December contract up 44% since January 1st, breaching $6.00 per bushel on Wednesday. The next-closest example would be the 30% gains during the same period in 2008. Tight global supplies, robust demand, strong cash markets and concerns for drought in Brazil have all contributed to the surge.

Recent Commitments of Traders data suggests speculators have not been the culprit. As of late April, new-crop corn had jumped 24% in a month's time and most-active futures were up 21%. But money managers' net long as of April 27th was about 20,000 futures and options contracts lighter than at the end of March.

Meanwhile, commercial end users were net short about 2.35 billion bushels of corn on the same date, extremely anomalous for the time of year. The next-closest for the date was 1.7 billion bushels in 2011, when most-active corn futures were trading well over $7.00 per bushel after a historic rally that began in 2010.

New Year Demand - Old-crop corn and soybean prices clearly indicate that supplies are already tight heading into a new cycle, and the low and falling new-crop bean-corn ratio suggests more pressure on corn than soybeans when it comes to renewing stocks through 2022.

In the near term, traders expect to see both the U.S. Department of Agriculture and Brazil's Conab on Wednesday slash Brazil's total corn crop from a record 109 mmts due to extreme dryness in southern areas. If a large cut is not seen, the market might simply dismiss the numbers anyway.

USDA on Wednesday will issue fresh supply and demand outlooks for 2020/21 along with the initial balance sheets for 2021-22. U.S. crop production numbers can be assumed using the planted area intentions from March and USDA's trend-line yield, so demand predictions will likely be the feature.

Analysts see U.S. and global corn and soybean supplies rising in 2021/22 versus the current year, but the gains might not be enough to ease uncertainties for now. World corn and soy stocks are seen rising 1% and 2%, respectively, and U.S. corn stocks are seen up less than 100 million bushels.

Potential demand problems with soybeans have recently limited gains in futures. Brazil's May soybean exports might fall from April's record because China has made unexpectedly smaller forward purchases, and this throws post-harvest U.S. soybean demand into question.

There has been less concern for corn export demand, though, partially involving a possible rise in U.S. business this summer if Brazil's crop comes up as short as some think. China canceled a couple cargoes of U.S. corn this week, but the amount was less than 1% of its total commitments, and the market brushed it off.

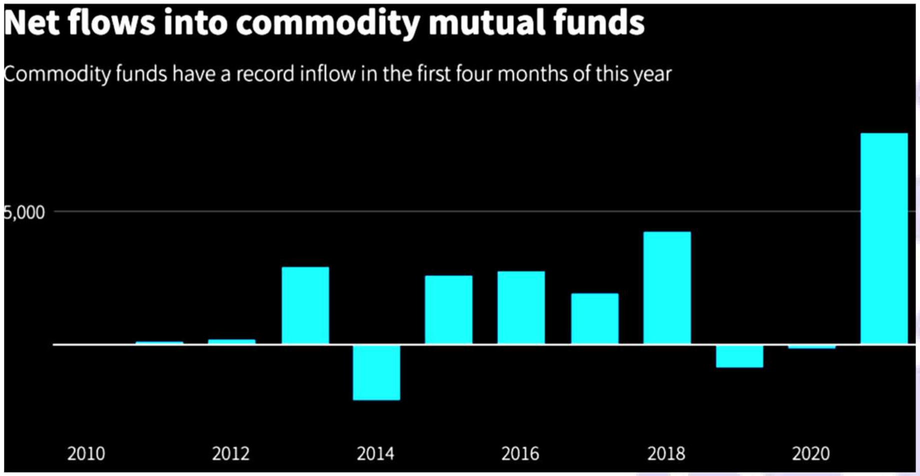
It would be unlikely for USDA's demand projections next week to be anything wildly different from what traders already expect as the agency forms estimates based on policies in place, avoiding too much speculation. The May report is not among the more eventful ones when it comes to extreme volatility in corn and soybean futures, but the ones that are will come at the end of next month.

GHA: The soybean vs corn ratio SX:CZ fell from 2.62:1 to 2.2:1 in the last month, prompting increasing concern that soybeans have lost a few acres to corn. Not hearing much yet, but that is a record relationship change for April.

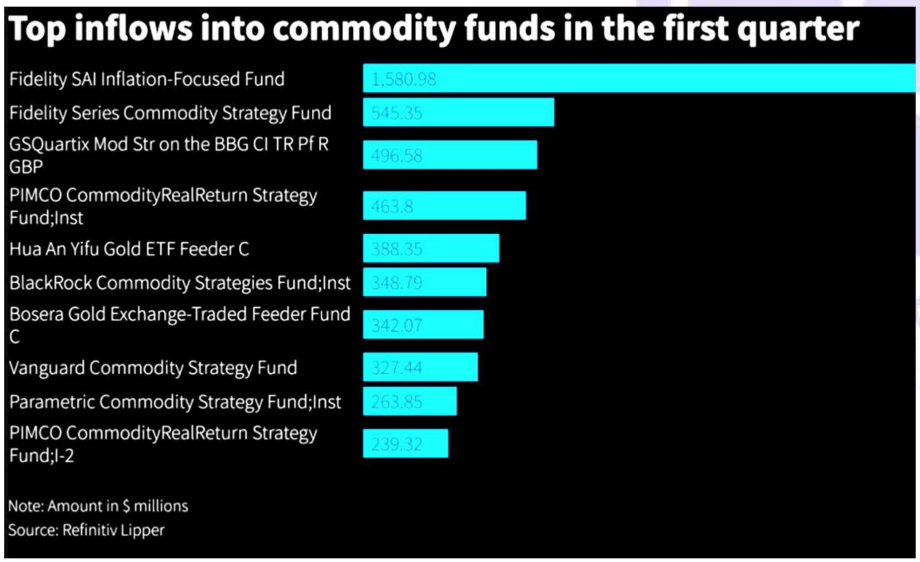
This shift in the new crop Soybean to Corn Ration will strongly encourage growers to continue to plant corn over soybeans. In 2019, when we saw a wet spring which delayed corn planting, we did see the farmers react to this change in price relationships and plant more corn acres. I would expect to see a similar response this year.

➢ Commodity funds lure record inflows as economies reopen

Reuters - Investment flows into commodity funds so far this year have hit a record high, bolstered by a recovery in global economic activity and stimulus measures from governments around the world.



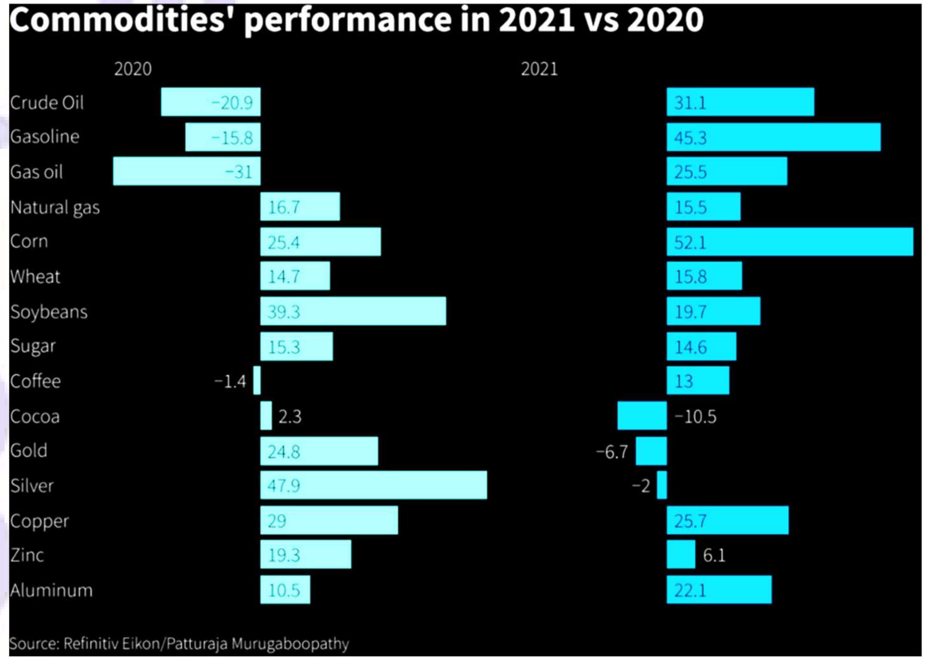
According to Refinitiv Lipper data, commodity mutual funds have attracted a cumulative inflow of $7.9 billion in the first four months of the year, which is a record high.



"Fund flows into commodity funds were strong early this year, retreated mid-March amid worsening virus news and have recently picked up again on better vaccine news," said Robert Minter, an investment strategist at Aberdeen Standard Investments. "Investors want to participate in the economic reopening and have purchased commodity funds as part of a cyclical trade."

Investors have also put money into commodity funds as a hedge against rising inflation levels as governments print more cash to support their economies.

Fidelity SAI inflation-focused fund, which has 12.3% of its holdings in gold and 8.3% in Brent crude oil, as per Refinitiv data, led the trend with net inflows worth $1.6 billion this year.



Base metals such as copper and aluminium have surged as governments spent more money on green projects. Copper and aluminium are a major component in electric vehicles, and solar and wind turbines. However, the rally in copper prices is likely to stall in the second half of the year as top consumer China reins in stimulus spending, a Reuters poll showed last week.

U.S. bank Goldman Sachs expects commodities to rally another 13.5% over the next six months on a worldwide reversal of coronavirus curbs, lower interest rates and a weaker dollar.

Funds that invest in agricultural commodities also have seen strong inflows this year.

Corn and soybean prices have been trading near 8-year highs due to a recovery in demand and supply shortages, with dry weather hurting output in Brazil.

Sal Gilbertie, president and CEO at Teucrium Trading, pointed to how little correlation grain prices have with the S&P 500 stock index and to the fact that grains had outperformed the S&P in 11 of the last 12 declines of greater than 10%.

Meanwhile, lumber prices have jumped more than 80% this year to record highs due to tightened supply and a surge in construction activity in the United States.

The iShares Global Timber & Forestry ETF has seen inflows of $70 million in the first four months of 2021, after an outflow of $13.8 million last year.

(Reporting by Patturaja Murugaboopathy; Editing by Vidya Ranganathan and Hugh Lawson)

Lumber Futures Extend Record Rally to Top $1,600 for First Time

Marcy Nicholson - U.S. lumber futures extended their steep rally to fresh record highs, shooting above $1,600 as sawmills try to keep up with surging demand.

The extended rally comes as voracious home construction demand sends builders scrambling to secure the wood they need, while lumber producers struggle to bulk up their inventories and labor shortages from truckers to construction workers exacerbate the situation.

Prices have quadrupled in the past year, vaulting higher on an unexpected surge in home building and renovations that caught sawmills off guard amid the pandemic. Weyerhaeuser Co. reported a record quarterly profit last week, having sold out of some products for the next five to six weeks, while Resolute Forest Products Inc. said its order book exceeds its inventory.

“The buying frenzy with escalating prices continued yesterday,” William Giguere, who buys and sells eastern spruce with mills for Sherwood Lumber in Massachusetts, said in a note on Wednesday. “The only thing that kept buyers in check was when there was nothing else to buy. It seemed that the tighter material was, the stronger the urge it was to buy.”

The rally, which some expect could continue even higher, is hitting pocketbooks and potentially pushing first-time home buyers out of the market, as North America heads into its peak building season. It has lifted the price of an average new single-family home by $35,872 over the past 12 months, according to the national Association of Home Builders.

July lumber futures on Chicago Mercantile Exchange rallied as much as 4.3% to $1,544.50 per 1,000 board feet, the highest-ever for a most-active contract. The May contract, which will expire May 14, rose 1.9% to $1,639.

Commentary: Is the Death of CME's Open Outcry Trading the Death of True Price Discovery for Commodities?

By Tyne Morgan - A tradition for more than 100 years will now be a thing of the past. The CME Group announced this week it's not reopening the open outcry pits on the trading floor, which means the tradition will be gone for good.

CME closed the pits last March at the start of the pandemic. Traders like Patrick Quaid were forced to move to electronic trading as the floor shut down, but he says he and many of his colleagues were holding onto hope CME would reopen the floor again.

"I still feel that the open outcry method is the best form of price discovery," says Quad who is an executing broker in the corn option space in the CME Group.

Only the Eurodollar options pit, which was reopened last August, will remain, which means trading ag products like corn and soybeans, to even livestock, will no longer have human to human interaction in the pit. Quaid fears the move will create even more volatility.

"When humans were trading with humans, it seemed that everything went smoothly," says Quaid. "When you're going with the screen, sometimes you just have to take chances and, you know, you put your order out there and hope it gets hit. In the pit, you were able to populate the bid and offers before you got the order.

"On the screen you have to put your order out there, then it populates. So it's the opposite," he adds. "That's the thing is the integrity. The one great thing about the floor is when people made markets, they had to stand by on the screen. Now, you have no idea who the counterparty is, and that's where things get a little messy."

Quaid believes it's no coincidence markets like corn and crude oil saw extreme volatility over the past year. He says it's a product of the trading of commodities moving to electronic platforms.

"It's going to definitely light a little fuel to the fire, and you're going to have moments of no extreme moves like we've seen in the past 14 months," he says. "Crude was negative, you know; we had corn go up a little $3. I mean, this is within a year, how crazy this has been. A lot of this is when you had humans involved, and you had humans riding the ship, maybe things don't get as crazy and extreme. But that's only my opinion. I just know, when we were there in the pit, things would never get this out of line."

Farm Journal reached out to CME Group for comment, but a spokesperson says CME doesn't have any additional information or comment to add at this time and declined an interview.

The London Metal Exchange is considering weather it will reopen its open-outcry trading ring...or permanently shut it down. It is the only floor of its kind in Europe. But Quaid points out the New York Stock Exchange still sees value in human to human interaction. The Exchange recently expanded rules for people to enter the floor.

US Dollar & Foreign Exchange

- **<u>US Dollar tumbles to a 2-1/2 month low on weak payroll report</u>**

The dollar index on Friday tumbled to a 2½ month low on a weaker-than-expected US April payroll report, which was dovish for Fed policy. The dollar also fell back after a rally in US stock indexes curbed the liquidity demand for the dollar. Another negative factor for the dollar was a decline in T-note yields that weakened the dollar's interest rate differentials after the 10-year T-note yield on Friday fell to a 2-month low of 1.464%.

The dollar index on Friday fell -0.709 (-0.78%). June euro-fx futures (E6M1) closed up +0.0110 (+0.91%), and EUR/USD rose +0.0102 (+0.85%). June yen futures (J6M1) closed up + 0.0036 (+0.39%), and USD/JPY fell -0.46 (-0.42%).

EUR/USD climbed to a 2-1/2 month high on dollar weakness, hawkish ECB comments, and better-than-expected Eurozone economic data. USD/JPY (^USDJPY) fell to a 1-1/2 week low as the yen strengthened on strong Japanese economic data and after the 10-year T-note yield fell to a 2-month low.

Friday's U.S. economic data was mixed for the dollar. On the negative side, U.S. Apr nonfarm payrolls rose by only +266,000, much weaker than expectations of +1.0 million. Also, the Apr unemployment rate unexpectedly rose +0.1 to 6.1%, showing a weaker labor market than expectations of a decline to 5.8%. On the positive side for the dollar, U.S. Apr average hourly earnings rose +0.7% m/m and +0.3% y/y, stronger than expectations of unchanged m/m and -0.4% y/y. Also, U.S. Mar consumer credit rose +$25.841 billion, stronger than expectations of +$20.000 billion.

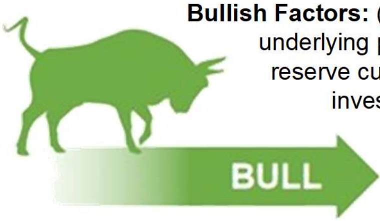
Comments on Friday from Minneapolis Fed President Kashkari were dollar-negative when he said the U.S. is in a "deep hole" on restoring full employment, and today's jobs report shows we still have a "long way to go."

The dollar continues to be undercut by the ongoing Covid pandemic that has slowed economic growth and is dovish for Fed policy. However, the pandemic situation in the U.S. has improved after the 7-day average of new U.S. Covid infections fell to a 7-month low of 45,026 on Thursday. Globally, Covid infections have risen above 156.807 million, with deaths exceeding 3.272 million.

EUR/USD (^EURUSD) on Friday climbed to a 2-1/2 month high on hawkish comments from ECB Governing Council member Kazaks who said the ECB could decide to scale back its PEPP program as early as June if the Eurozone economy doesn't deteriorate. Better-than-expected Eurozone economic data also gave EUR/USD a boost Friday after German Mar industrial production rose +2.5% m/m, stronger than expectations of +2.2% m/m.

USD/JPY (^USDJPY) on Friday fell to a 1-1/2 week low as the yen strengthened after the 10-year T-note yield fell to a 2-month low. The yen also garnered support Friday after the Japan Apr Jibun Bank services PMI was revised upward to 49.5 from the previously reported 48.3, the strongest in 15 months. A bearish factor for the yen was Friday's action by Japanese Prime Minister Suga to extend a pandemic state of emergency in Japan from May 11 to May 31 that covers 40% of the economy and most major urban areas.

Strength in the Chinese yuan is a bearish factor for the dollar after the yuan rallied to a 2-3/4 high Friday of 6.4332 yuan/USD. The yuan rallied on strong Chinese trade data after China's Apr trade surplus of $42.85 billion was wider than expectations of $27.70 billion. Also, China Apr exports rose +32.3% y/y, stronger than expectations of +24.1% y/y.



Bullish Factors: (1) safe-haven demand for dollar liquidity as underlying pandemic stress encourages flight into the world's reserve currency, (2) the influx of capital from overseas investors fleeing from over $10 trillion of negative-yielding debt, and (3) higher T-note yields that strengthen the dollar's interest rate differentials as the 10-year T-note yield recently rose to a 1-1/4 year high of 1.753%.

Bearish Factors: (1) the Fed's average inflation targeting scheme that is dovish for Fed policy, (2) the outlook for the Fed to keep the Fed funds rate near zero at least through 2023, (3) the severe U.S. and global economic damage caused by the Covid pandemic, which is dovish for Fed policy, (4) trade tensions and Washington political uncertainty, (5) reduced liquidity demand for the dollar with the all-time highs in U.S. stock indexes, and (6) the wide U.S. budget and current account deficits.

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, and (4) the extremely low 10-year bund yield, which illustrates the euro's poor interest rate differentials.

Country Focus – Australia

- **Australia Wheat output lower, disruption to barley exports to continue…**

Jane Byrne - Favorable conditions around the time of winter grain planting across most production regions of Australia bodes well for the forecast year of wheat and barley production in 2021/22.

However, production is still expected to be down from last year's record-breaking wheat crop, and a barley crop that was the second largest on record; wheat production is forecast at 27 mmts in 2021/22 and barley at 10 mmts, according to a recent USDA GAINS report. Although the overall grain area is anticipated to be large, yields are expected to fall to more typical levels from last year's exceptionally high yields.

Consumption of wheat and barley in Australia is forecast to remain the same as the prior year, but much lower than the level reached during the drought when the need for supplementary feed was much higher. Due to the price differences there has been a shifting of feed use to barley and away from wheat.

Chinese Restrictions - Wheat and barley exports are set to decline in the forecast year from a historically high volume due to the forecast of reduced production. "

Although Australian feed barley exports have diversified away from China and into Middle East markets in MY 2020/21, export competition for these markets is expected to intensify.

The overall area of wheat production in Western Australia is expected to increase according to the Grains Industry Association of Western Australia (GIWA) due to reduction in barley area towards wheat and canola, a development that is associated with grower sentiment relating to the duties placed on barley imports intoChina of 80.5% especially into Middle East markets, some of this shift was benefited by supply issues and policy decisions in competitor countries located nearer to these markets.

As the Chinese duties are scheduled to be in place for five years, there is expected to be continued disruption to export demand for Australian barley.

In the eastern states of Australia there is expected to be less impact from the Chinese duties on grower planting programs as the majority of barley grown in these states goes towards domestic malting and livestock feed.

Impact from strong world feed grain prices - Another factor encouraging a strong year of wheat planting is continued high world wheat prices. This price is supported by strong world feed grain prices, particularly corn and soybean relating to reduced world feed grain stock.

Australian sorghum production is forecast to decline slightly in 2021/22, after making a strong recovery in 2020/21 following poor production in the prior drought-impacted year. Sorghum exports, however, are forecast to rise in 2021/22 as a result of larger beginning stocks and limited anticipated growth in domestic demand.

Feed Use Trends - The USDA FAS Canberra's report sees Australian wheat consumption in 2021/22 at 7.5 mmts, in line with the 2020/21 estimate.

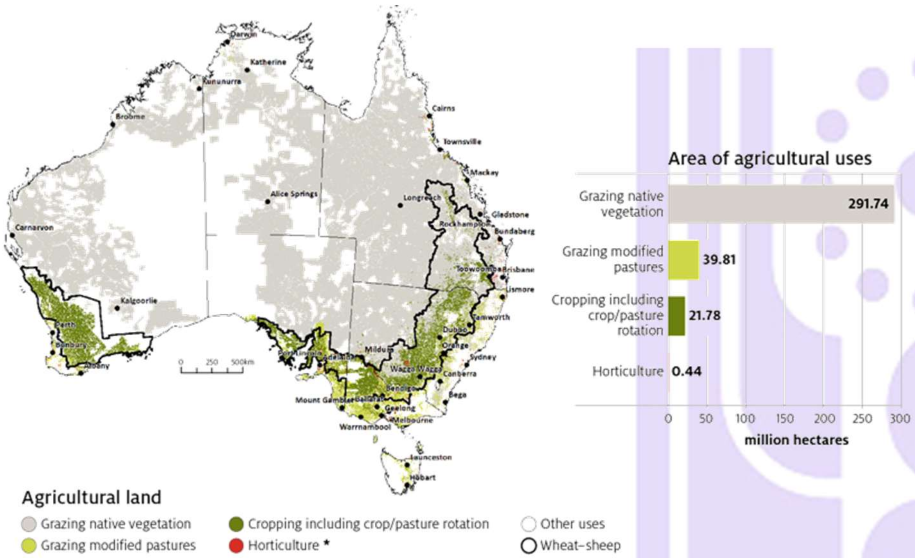
Changes in livestock feed consumption is the primary driver of overall wheat consumption in Australia with wheat utilized for milling remaining relatively stable from year to year.

In a typical year domestic food consumption of wheat only equates to around one-tenth of overall wheat production in Australia. Feed demand of wheat spiked during the drought in 2018 and 2019 in the eastern states, peaking at 5.7 mmts in 2018/19, as a result of strong demand from the livestock industries. This feed demand has since declined to more typical pre-drought levels of around 4 MMT, said the team.

"The recent drought had a major impact on pasture production across Australia. This led to strong demand from beef cattle and dairy producers and to a lesser extend sheep producers, for grains for on-farm livestock feeding. The drought also had a major impact on the number of beef cattle being finished through feedlots and therefore increasing feed demand from this sector.

"Since the drought-breaking rains in early 2020, pasture production conditions have significantly improved to well above average in many areas. This has led to a significant reduction in demand for on-farm grain feeding and a reduction in cattle numbers being finished off in feedlots, therefore also reducing their grain feed requirements."

The official USDA 2020/21 feed consumption estimate has been revised downwards from 5 mmts to 4 mmts by FAS/Canberra. This revision is based on the post-drought reduction in livestock feed demand."



➢ Decent Prospects for Aussie Wheat

DTN Senior Ag Meteorologist - Australia wheat region precipitation forecasts through July have above-average amounts in Western Australia; near average in Eastern Australia; and near to below average in South Australia.

USDA's FAS pegs Australia's 2021/22 wheat crop at 27 mmts, down from the record 33 mmts in 2020/21. That is still a big crop, though and indicates a notable Australia contribution to world wheat supplies starting in the fourth quarter of 2021.

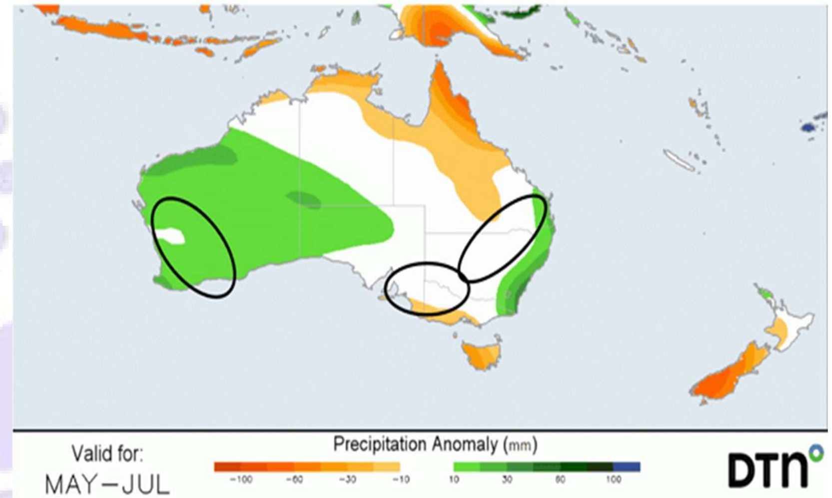
The elements are lining up in favor of another sizeable wheat crop in Australia for 2021. Last year saw a record-large harvest of well over 30 million metric tons. La Nina was a big factor in that large crop, as La Nina cooling of the Pacific Ocean equatorial waters leads to atmospheric trends bringing more moisture into Australia.

Here in the United States, of course, La Nina led to a late-summer drought and reduced crop yields along with enhancing the hurricane season. It's not far-fetched to place some of the cause of the extremely damaging Midwest derecho storm in the La Nina corner either.

The most recent commentary on Pacific Ocean conditions from the Australia Bureau of Meteorology (BOM) points to a benign pattern in the Pacific:

"The El Nino-Southern Oscillation (ENSO) remains neutral. Climate model outlooks indicate this neutral phase will last at least until September. With little sign of El Nino or La Nina developing, the Bureau's ENSO Outlook status is INACTIVE."

The Pacific influence, or lack of it, relates primarily to the eastern Australia wheat areas of Queensland, New South Wales and Victoria.



Australia is very large, however. And on the western end of the continent, the Indian Ocean has a big say in crop moisture for Western Australia wheat. The Indian Ocean has its own features of note, the sea surface temperatures along with a barometric pressure indicator called the Indian Ocean Diode (IOD). The Bureau of Meteorology describes the current state of affairs with these two features in a mixed assessment.

"The Indian Ocean Dipole (IOD) is currently neutral. Outlooks indicate the IOD is most likely to remain neutral for the remainder of autumn and early winter, although it briefly touches on positive thresholds near the end of autumn. However, it should be noted that model accuracy is low at this time of the year, so the current outlooks should be viewed with caution. While the IOD is most likely to remain neutral, above-average Indian Ocean sea surface temperature patterns outside of the IOD region may be providing more conducive conditions for rainfall across some parts of Australia."

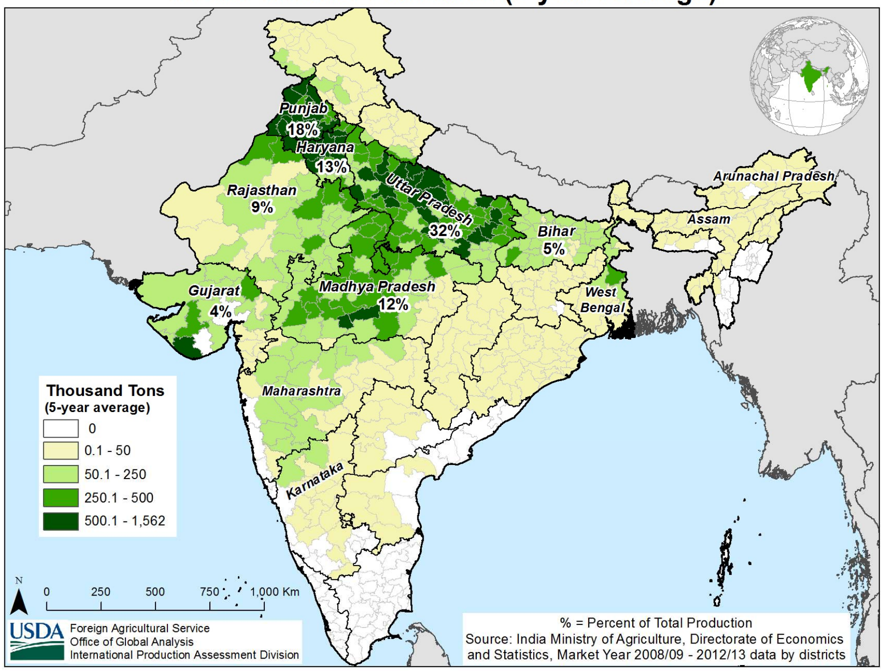
As a result, the above-average Indian Ocean temperatures lead to a forecast for above-normal precipitation in Western Australia. Back to the east, forecasts indicate near-normal amounts or equal chances of above-normal, normal or below-normal amounts in Queensland, New South Wales and Victoria. Finally, the generally featureless pattern leads to a forecast for below-normal precipitation through July in South Australia. South Australia may be primarily affected by the prevailing climate change trend of steadily warmer conditions and reduced precipitation during this point in the calendar.

WHEAT

- **India expects second highest wheat harvest**

USDA GAIN - India's wheat harvest is expected to be the second highest in the 2021/22 marketing year following four consecutive record harvests in the previous years. Despite the USDA lowering its initial forecast, India is anticipated to record its second-highest wheat harvest of 105 mmts 2021/22 marketing year. The early reports of lower yields led the USDA to decrease its expected wheat production estimate for the country.

INDIA: Wheat Production (5-year Average)



Currently, India is being affected by a second wave of COVID-19 outbreaks. In response, the government has decided to supply free food grains, wheat and rice, to curb potential economic hardships. The USDA noted the wheat and rice is expected to be distributed to about 62% of the population through May and June 2021 and about 8 mmts of grains will be needed to meet this goal.

The USDA estimate for India's rice production remains unchanged in the 2021/22 marketing year of 118 mmts. Strong demand has pushed India's rice exports since the beginning of 2020, but traders have become concerned about a possible supply disruption as the second wave of COVID-19 takes its toll on the country and possibly cause health-related labor shortages. Assuming there are no major changes to international prices or global demand the USDA expects the country's rice exports in the 2020/21 marketing year to be 15.5 mmts.

- **Ukraine grain exports drop in 2020-21 season**

Reuters - Ukraine's grain exports are down 24% to 39 mmts so far in the July 2020 to June 2021 season, citing agriculture ministry data.

Exports included 15.13 mmts of wheat, 19.14 mmts of corn and 4.12 mmts of barley.

- **Argentina wheat crop to reach 2018-19 record levels**

Reuters - Argentina is expected in 2021-22 to harvest 19 mmts of wheat, the same as its record-setting harvest in 2018-19, citing the Buenos Aires Grains Exchange.

Sowing of wheat will start in the next few weeks with harvest typically ending in January. The 2020-21 wheat crop was 17 mmts. Argentina is now a major wheat exporter with most of it heading to Brazil.

The exchange said in April that it expected a 2021-22 wheat planting area of 6.5 million hectares. Good soil moisture and high international grain prices will support the crop.

- **CME CBOT Wheat Futures**

Wheat prices rallied through the week supported by increasing corn values. Going into the weekend, wheat futures posted more gains. SRW futures ended the session up by

7 3/4 to 9 1/4 cents. KC wheat closed with 10 cent old crop gains and 8 3/4 to 10 cent new crop gains. Minneapolis spring wheat went into the weekend break with gains of 7 to 8 1/4 cents.

CBOT July 2021 Wheat Futures – Friday new crop wheat approached the previous high of $7.69½ /bu, but fell short reaching only $7.67½/bu, before settling at $7.63/bu, up 9¾ cents on the day, and gaining 28 cents for the week.

CBOT May 2021 Wheat Futures - Old crop May 2021 wheat settled on Friday at $7.60½/bu, off 3¾ cents on the day, but gaining 17 ½ cents on the week.

CBOT saw 0 deliveries on Friday.

The weekly CoT report showed SRW spec funds reduced their net long by 2,676 contracts to 10,723 through the week ending the 4th of May. That came on 5,556 contracts lighter open interest.

Trader estimates averaged 294.7 mmts for global old crop wheat carryout ahead of next Wednesday's WASDE update. That would be down 0.8 mmts from the April figure. The trade expects USDA to set the initial 2021/22 world wheat carryout at 279.4 mmts, with a wide range of estimates between 283 and 320 mmts.

➢ CME KC HRW Wheat Futures

Kansas July 2021 HRW Wheat Futures – also reached a new highs on Friday touching $7.41½/bu, the highest levels since 2013, before settling at $7.37½/bu, up 10¾ cents on the day, and gaining 38 cents for the week.

The nearby May contract settled at $7.24/bu as we enter the last days of an orderly delivery period. KC saw 12 deliveries on Friday.

Wheat continues to try to price itself into feed rations, both in the US and abroad. Values have been trading below corn for quite some time, which would suggest heavy fourth quarter and first quarter feeding.

In HRW, CFTC data showed managed money funds were 3,962 contracts more net long on the 4th of May from net new buying.

➢ MGE HRS Wheat Futures

MGE July 2021 HRS Wheat Futures - also reached a new high on Friday touching $8.06½/bu, the highest levels since June 2017, before settling on Friday at $7.92/bu, up 7 cents on the day, and gaining 29 cents for the week.

The nearby May contract settled at $7.92/bu as winds up the delivery period next week. MGE saw 0 deliveries on Friday.

Managed money funds were also net buyers in HRS through the reporting week, increasing the net long 1,827 contracts to 15,906.

This weekend the market will be watching HRS wheat areas to see if they receive the forecasted rain. While rains are not expected to be widespread, any precipitation that occurs will be welcomed. North Dakota rainfall amounts rank as the driest on record for the November thru April.

StatsCan released grain stocks data as of March 31st showing 16.231 mmts of wheat supply. That compares to 18.781 mmts of wheat stocks in March 2020.

Russia's IKAR reduced their 2021/22 wheat output forecast by 500 kmts to 79 kmts.

- **<u>Canada's Spring Wheat Acreage Forecast To Drop 9%</u>**

Gro Intelligence - Spring wheat supplies are set to take a hit in 2021 as acreage in Canada, the biggest producer, is forecast to slump by 9% from last year, to 6.6 million hectares. Lower wheat acreage in Canada comes at a time when drought in the US Northern Plains could also hurt spring wheat production.

Although Canada is the sixth-largest producer of wheat overall, and fourth-largest exporter, it is the No. 1 producer of spring wheat, making the country a key influencer of wheat trade flows. Monitoring Canadian wheat production is vital amid ongoing trade tensions between China and Australia, traditionally one of China's top wheat suppliers. China's wheat imports are forecast to increase 75% from last year as high corn prices encourage substitution of competing feed grains.

Spring wheat, which is sown in the spring and harvested in the fall, is a high protein, high gluten wheat typically used in artisanal wheat products and for blending with other wheats to increase gluten content.

Russia is the other big producer of spring wheat, but has imposed export restrictions that could impact global supplies of the grain. Spring wheat production from Canada, Russia, and the US combined has ranged between 55 to 63 mmts annually over the past 5 years.

Canadian farmers are eschewing spring wheat this year in favor of other crops, including barley and canola, which are offering better returns. Statistics Canada said the forecast decline in spring wheat acreage means total area planted to all wheat varieties will decline nearly 7% in 2021 from last year. Spring wheat represents about 75% of Canada's total wheat production.

- **<u>IGC: Global flour trade to match last year's total</u>**

IGP – Global wheat flour trade is projected at 14.4 mmts (wheat equivalent) in the 2020/21 marketing year, identical from the year before, according to the International Grains Council (IGC). As part of its Grain Market Report, released on April 30, the IGC said flour trade declined by 700,000 mts from its previous update in January.

The IGC noted that reduced import projections from Iraq (-200,000 mts), Yemen (-400,000 mts), Afghanistan (-300,000 mts), Syria (-100,000 mts) and Angola (-100,000 mts) were "only partly offset by small upward revisions in a number of other countries."

Although the import number for Afghanistan is scaled back from the previous quarterly projection, the country is still on pace to take in 500,000 mts more of wheat flour than the previous year's total of 1.7 mmts.

"Export data for Kazakhstan, the main origin, confirm increased shipments to Afghanistan up to the end of February," the IGC said.

To a large extent, the reduced import numbers from countries such as Iraq, Yemen, Syria and Angola reflect a slower than anticipated pace of exports from the world's largest exporter, Turkey.

The figure for shipments by Turkey was lowered by the IGC this quarter by 400,000 mts to 4.5 mmts, about 2% less than the estimate from the year before.

"A shortage of containers for bagged flour exports, as well as increased costs, are reported to be restricting Turkey's shipments," the IGC said.

Ranking second to Turkey in exports in 2020-21 is Afghanistan at 2.4 mmts, followed by Argentina at 900,000 mts, Egypt at 700,000 mts and the European Union at 620,000 mts. Afghanistan is forecast to be the world's top wheat flour importer at 2.2 mmts, followed by Iraq at 1.85 mmts, Uzbekistan at 600,000 mts, Yemen at 500,000 mts and Bolivia at 450,000 mts.

The IGC's initial projection for wheat flour trade in 2021/22 is for a 3% rise to 14.9 million mts, including greater imports by Iraq and Afghanistan, mainly filled by larger exports from Turkey and Kazakhstan.

Coarse Grains

Corn

- **<u>CME CBOT Corn Futures</u>**

The nearby **CME Corn May 2021** also reached new contract highs again on Friday reaching $7.75/bu, and settling at 7.72/bu; while the July contract reach $7.35/bu, settling at $7.31/bu.

Brazilian analysts are quite busy lowering winter corn prospects, about a month ago contacts were estimating a total of 107.5 mmts. However, SAFRAS and Mercado reduced their estimate for Brazil's 2020/21 corn production. Their new forecast calls for a record 104.14 mmts crop, but is down 8.66 mmts from their last update. Some suggesting losses of up to 50% for Parana corn and 20-30% for Mato Gross. If accurate, that would take about 16 mmts (620 mbu) off of Brazil's second crop corn total.

Traders surveyed expect USDA to cut Brazil's corn crop by 5.8 mmts on average to 103.2 mmts. Some analysts expect USDA to go as low as 99 mmts for Brazil's 20/21 corn output, and the highest estimate is for a 2.5 mmts cut.

CME Corn December 2021 set new contract highs again on Friday following a USDA flash export announcement of a 1.360 mmts 20221/22 export sale to China. In addition, a 188,468 mts 2021/22 sale to unknown was also announced. This spurred the new crop contract to $6.38, before settling at $6.36/bu, up 10½ cents on the day, and gaining a net of 72¼ cents for the week. The July – December inverse values tightened by 20¼ cents. December is up more than 40% from the March 31 low.

The weekly Commitment of Traders report showed managed money open interest declined 16,591 contracts through the week ending the 4th of May. Long liquidation outweighed short buy backs and the group's net long position decreased 6,115 contracts to 372,548. Commercials extended their net short through lighter OI as well, up 12,044 to 722,640 contracts on net as of May 4th.

USDA "Flash" corn sales announcements on Friday morning of 1.36 mmts of US corn export sales to China 21/22, along with a split 87 kmts of old crop and 101.5 kmts of new crop corn to the "unknown" destinations. The flash corn export sales for new crop gave the trade needed confirmation on the rumored business.

Most traders see US corn planting progress at 2/3rds complete as of Sunday. This is a good pace overall the 5-year average of 52%, and 65% planted at this time last year.

Barley

- **<u>Saudi Arabia privatizes barley imports and distribution sector</u>**

USDA - On April 15, 2021, the Saudi government fully implemented its November 2020 decree to hand back the barley imports and distribution business to the private sector.

The decision was implemented when the Saudi Grains Organization (SAGO) sold 1.84 mmts of barley through an open and competitive bidding process to local grain traders. The quantity was made up of 1.42 mmts of barley stored at 22 packing terminals (mostly contract packers) and seven vessel loads of barley sailing to Saudi seaports carrying 60,000 mts each for a total of 420,000 mts.

The move officially ended a longstanding government monopsony in barley trade that the Saudi government put in place several decades ago. It is expected to benefit livestock farmers by eventually lowering overall feed costs.

In preparation for the handover of the barley imports and distribution business to the private sector, SAGO issued imports and distribution licenses to 11 local potential barley traders of which two have already commenced barley imports.

Among some of its new responsibilities, SAGO will assure that licensing importers purchase barley that meets SAGO's already established quality standards.

Going forward, licensed private sector barley importers will purchase barley and sell at profitable prices. SAGO will also monitor the market to prevent price gouging and market manipulation.

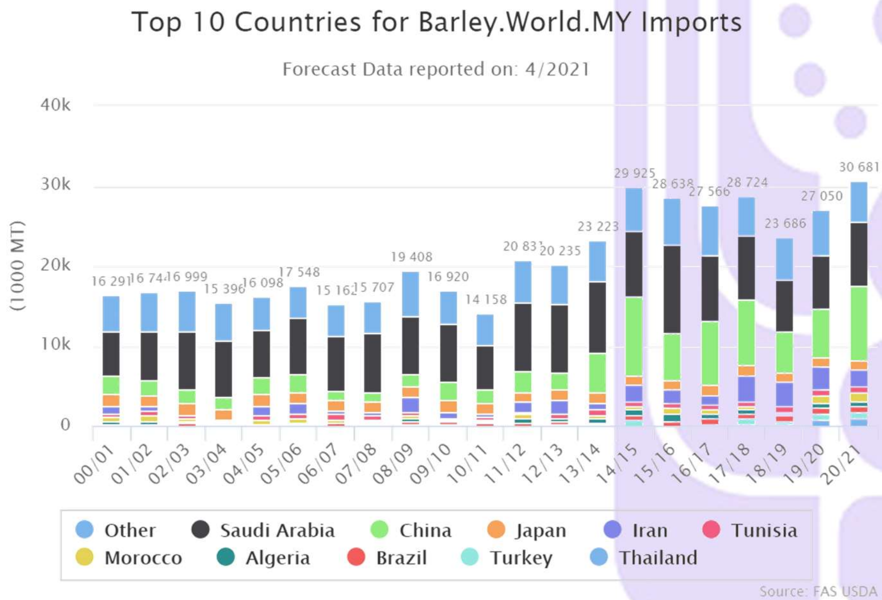
The SAGO barley stocks were sold to six local grains traders for an average price of $235.60/mt, which was $28.48/mt less than the average C&F import price that SAGO paid for 2.05 mmts of barley from January - May 2021.

The United Feed Company (UFC), which accounted for approximately 40% of the total barley imported to the Kingdom in 2011, was the dominant buyer of SAGO's barley. They purchased 1.12 mmts, or approximately 61% of the total barley stocks sold by SAGO, followed by Manour Al Musaed for Trading and Contracting, which purchased 12.5%. Meanwhile, Alhenaky Trading Establishment and Al Nafei for Foodstuff each purchased 10% of the barley.

The UFC purchased 1 mmts of barley late last year for a March 2021 arrival. Another licensed company that imported barley was ARASCO, which purchased 100,000 mts of barley that also arrived in March 2021.

UFC bags and sells imported barley directly to livestock farmers. It is estimated that UFC has at least 700,000 MT of imported barley in its packing facilities bringing the total barley available for April to approximately 2.5 mmts, including the 1.84 mmts sold by SAGO to the six local companies.

ARASCO uses the grain as an ingredient in feed processing in place of corn. ARASCO uses barley and corn interchangeably in its livestock feed production based on price competitiveness.



USDA world imports of barley is estimated to reach a record 30.681 mmts in 2020/21.

China is the largest importer of barley, making up 30% or 9.2+/- mmts, predominately being malting barley. Saudi Arabia comes in second, making up 26% or 8.0+/- mmts, this being feed grade barley.

The USDA attaché estimates another 600,000 mts of barley will be imported by June 2021, either by SAGO issuing another tender and then selling barley to the private sector or directly by the private sector. This will bring the total Saudi barley imports to approximately 6.7 mmts for 20/21.

(Please note that even though SAGO handed over the barley import business to the private sector, the USDA attaché believes SAGO may need to purchase additional quantities over the short term. The USDA attaché does not anticipate SAGO will purchase any more barley beyond this interim period.)

Grain Sorghum

➢ **Declining trend in South Africa's sorghum production to continue**

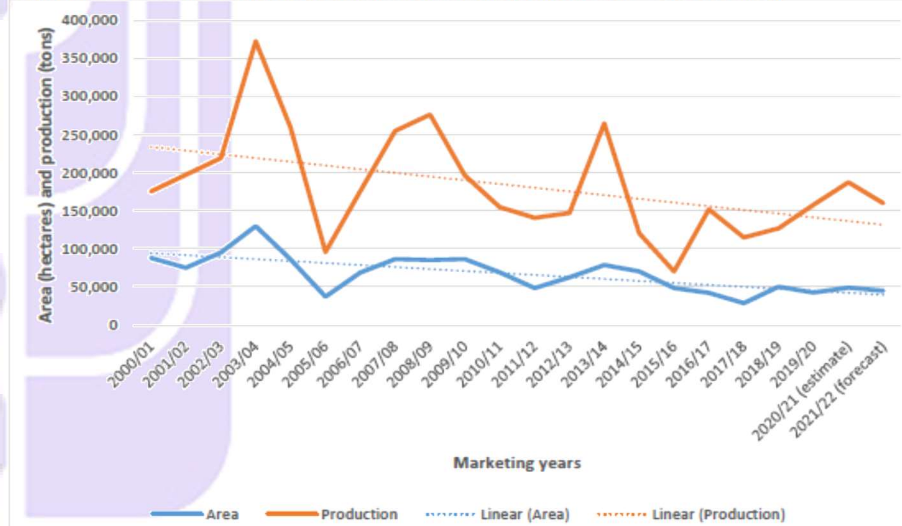
The USDA Attaché estimates that the overall decreasing trend in sorghum production in South Africa will continue in the 2021/22 marketing year from March 2022 to February 2023, with an 8% drop in area planted to 45,000 hectares.

If normal climatic conditions and average yields are assumed a sorghum crop of only 160,000 mts could be produced in the 2021/22, a drop of 16% from the 2020/21.

As a result, sorghum imports are expected to increase 20,000 mts.

South Africa's sorghum crop for the 2020/21 MY (March 2021 – February 2022) is estimated at a 7-year high of 189,885 mts, an increase of 20% from the previous season's 158,000 mts. As a result, USDA estimates sorghum imports will drop significantly to just 5,000 mts in the 2020/21.

Figure 1: Trends in Sorghum Area and Production (2000/01 MY – 2021/22 MY)



Through the past five years the United States established itself as the major supplier of sorghum to South Africa.

In South Africa, sorghum is mainly used for human consumption (about 91% of sorghum usage), which include food (sorghum meal) and beverage (malt) consumption. South Africa's sorghum meal consumption hovers around 95,000 mts per year. However, USDA expects an increase of 6% to 100,000 mts in the 2020/21, on increased production. In the 2021/22, USDA expects sorghum meal consumption will decrease to 95,000 mts as production is projected to drop by 15% from the 2020/21. Sorghum demand for malting is expected to remain at around 60,000 mts in both the 2020/21 and 2021/22.

Only 7% of sorghum in South Africa ends up as animal feed, as corn is the preferred grain used by the animal feed manufactures.

OILSEEDS COMPLEX

- **China imports 73% of record Brazilian soybean exports in April**

Some 73% of the all-time record 17.4 mmts of soybeans exported from Brazil in April were bound for China, with the states of Mato Grosso and São Paulo as the main origins, official customs data showed on Thursday. Cargos heading to China totaled 12.6 mmts, the highest volume on record and 2 mmts higher than last year.

Other major destinations were the EU, whose Brazilian bean imports amounted to 1.6 mmts in April, as well as Mexico and Turkey, with just over 400,000 mts each.

Brazil's April exports were bolstered by delayed harvested beans arriving at ports later than previously anticipated and the pushing of volumes that were expected to have reached the seaborne market earlier in April.

April exports were mainly originated in the states of Mato Grosso and São Paulo, which accounted for 22% and 21% of total exports, respectively.

Exports from Rio Grande do Sul also picked up, reaching 1.7 million mt in April, 10% of the total, a fivefold increase on the month and 18% higher on the year as the much-delayed harvest in the state finally started to arrive at ports.

With record shipments registered in April, Brazilian bean exports reached 33 million mt year-to-date, 1.1 million mt higher on the year and also a historical record for the first four months of the year.

Year-to-date volumes bound for China also reached an all-time high at 23.9 million mt, 2.9% higher on the year.

Meanwhile, Brazil exported 130,000 mt of corn in April, bringing total 2021 exports up to 3.6 million mt, 23% higher on the year with main destinations being Egypt (768,953 mt), Vietnam (524.553 mt) and Iran (507,658 mt).

- **China's April soybean imports jump 11% as delayed cargoes arrive**

Reuters - China's soybean imports in April rose 11% from the same month a year earlier, boosted by the arrival of some delayed Brazilian cargoes, customs data showed on Friday.

China, the world's top importer of soybeans, brought in 7.45 mmts of the oilseed in April, up from 6.714 mmts a year earlier, according to General Administration of Customs data.

"It was a fairly strong number given the delays we saw out of Brazil this year," said Darin Friedrichs, senior analyst at StoneX, speaking after the data was released. "May imports should be even strong(er) as the peak of Brazil shipments should be arriving now."

Chinese crushers have stepped up purchases of soybeans from top exporters Brazil and the United States in the early months of 2021, expecting higher demand as the country's pig herd recovers. Rains in Brazil, however, delayed the harvest and export of its soybeans, resulting in a sharp drop in shipments to China in March. Importers turned to the United States to fill the gap.

Brazilian shipments were expected to pick up and dominate the China market from April till late in the year, traders and analysts said. "April imports were actually below market expectation, as delays in Brazil still affected arrivals in the month," said Zou Honglin, analyst with trade website Myagric.com.

In the first four months of the year, China brought in 28.63 mmts of soybeans, up 17% from the same period in the previous year, customs data showed.

Soybean crushing margins slid into negative territory late in March as a new outbreak of African swine fever and the increased use of wheat in feed hurt appetite for soymeal. Margins have improved in the past couple of weeks as demand has recovered, although they remain held in check by a rise in international soybean prices.

"Demand (in April) was expected to increase by 10-15% from March, mainly from pig farming," said a manager with a crusher in southern China, speaking before the data release. "But we are still losing money (crushing the soybeans)," as the price of raw materials was too high, said the manager, who declined to be named as he was not authorised to talk to media.

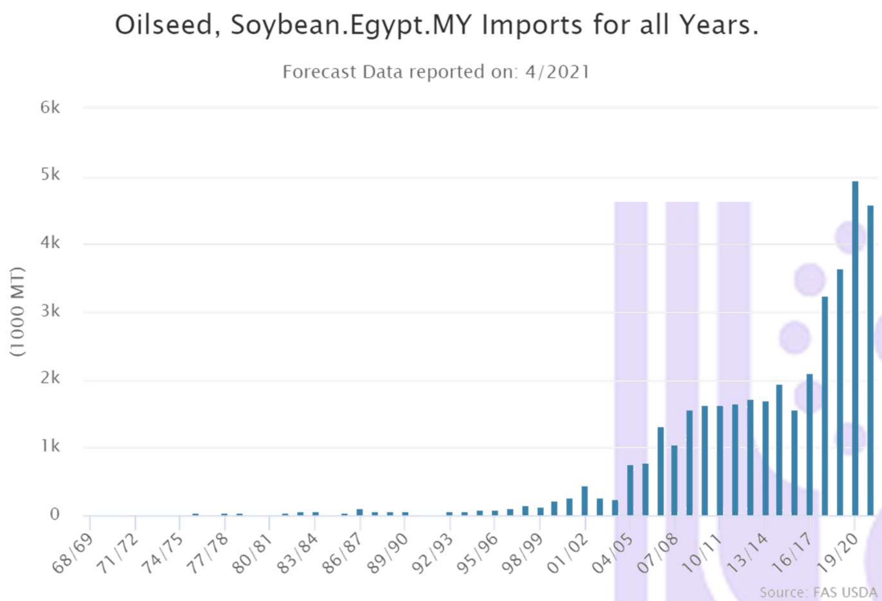
China also brought in 3.8 mmts of vegetable oils during Jan-April, up 47.4% from the previous year, customs data showed.

- **Egypt's monthly soybean imports jump in April**

Refinitiv Commodities Research - **Egypt maintains strong soybean imports**

Egypt imported about 592,107 mts of soybeans in April 2021, a substantial increase of 120% from the previous month. This is the third biggest monthly soybean imports into Egypt since 2017/2018 season (October/September). As a result, Egypt's soybean imports for the first seven months of the current marketing year totaled about 2.7 mmts, a 7% increase from the same period last year, and 37% above the three-year average of 1.96 mmts. Meanwhile, Refinitiv trade flow models are forecasting Egypt to import about 651,728 mts of soybeans during the first three weeks of May 2021.

The growth in soybean imports is largely driven by the local demand for soybean meal and soybean oil from both the animal and food processing industries. In addition, the strong demand for soybean meal is mainly coming from the aquaculture and poultry industries which are both experiencing relatively strong growth. At the same time, Egypt has increased its crushing capacity over the past few years to meet the growing demand for soybean meal and soybean oil. Thus, the expansion in crushing capacity is driving growth in soybean imports because it is one of the key ingredients in animal feed manufacturing. Furthermore, the food processing industry is increasing its consumption of soybeans, benefiting from the expansion of the crushing capacity.



Egypt's demand for U.S. soybeans remains strong

During the first seven months of the current marketing year, the United States dominated soybean exports to Egypt, with a market share of 86%. Thus, the United States shipped about 2.4 mmts of soybeans to Egypt, an 8% increase from the same period last year, and 35% above the three-year average of 1.78 mmts, according to Refinitiv trade flow models. Similarly, the USDA's commodity sales data indicate the country exported about 2.56 million tons of soybeans to Egypt between September 2020 and 15th April 2021, a 7% increase from the same time frame last year.

Additionally, Egypt was the fourth largest importer, after China (63%), the European Union (8%) and Mexico (6%), of U.S. soybeans during the same time frame, accounting for about 5% of the total U.S. soybean exports during that period.

The lead contract **CME May 2021 Soybean Futures** made new contract highs on Friday reaching $16.30¼/bu on Friday, the highest levels since September of 2012, before settling at $16.21/bu, up 15½ cents on the day, and gaining 47½ cents for the week.

➢ **<u>CME CBOT Soybeans Futures</u>**

The first week of May showed no signs of changing April's price trend. For the week, SN +55c, SX +93c. At the end of the last trade day of the week, soybean futures were up by 21¾ to 25 cents in the most active months. That was mostly led by new crop, as the inverse from July to November tightened to $1.56/bu.

With few deliveries we had in soybeans and soy oil this week, it took temporarily removed support for May futures with buyers moving to the new crop November contracts. CIF NOLA basis remains well over July Futures, leaving the story for the rest of the summer yet to be written. Cash buyers will let the inverse do the work of originating for them.

New crop **CME November 2021 Soybean Futures** also reached a new contract high on Friday of $14.43¼/bu, before settling on Friday at $14.31 ½ 13.41¾/bu. up 22½ cents on the day, and gaining 90 cents for the week.

CFTC data showed managed money soybean traders were 174,799 contracts net long on the 4th of May. That was a 5,215 contract weaker net long w/o/w via long liquidation. Net commercial's position did not change much, still 283,920 contracts net short, though open interest was down 33,943 contracts (4%) on the week.

Monday's planting pace should jump to around 40% vs 24% last week and an average of 23%.

The soybean vs corn ratio SX:CZ fell from 2.62:1 to 2.2:1 in the last month, prompting increasing concern that soybeans have lost a few acres to corn. Not hearing much yet, but that is a record relationship change for April.

In 2019/20 U.S. soybean crop saw nearly 4 million acres of double crop soybean. Previous high was 7.2 million acres in 2008/09 when November Futures in early July were above $16/bushel. As we approach this level in 2021, we would expect a significant increase in double crop soybeans. Keep an eye on this space…?

Safras estimates Brazilian farmers are 71% sold, up 4% vs 64% average on 20/21 crop and 17% sold on 21/22 vs 20% average.

Brazil's export line-up foe soybeans declined 1.6 mmts the past week and is now only slightly above last year. Looks like the country will start September with about the same amount of stocks as last year. If Brazil is sold out of soybeans by August, we will see another logistical challenge as we switch export back to the US in expectation of capturing early harvest bushels.

Noticed analysts are quietly expecting a very strong first quarter Sep-Nov US soybean export program as Brazil's stocks entering that period are likely to be very tight, similar to a year ago levels. A strong export demand for US corn will put heavy demand on elevations this fall and is likely to challenge capacity.

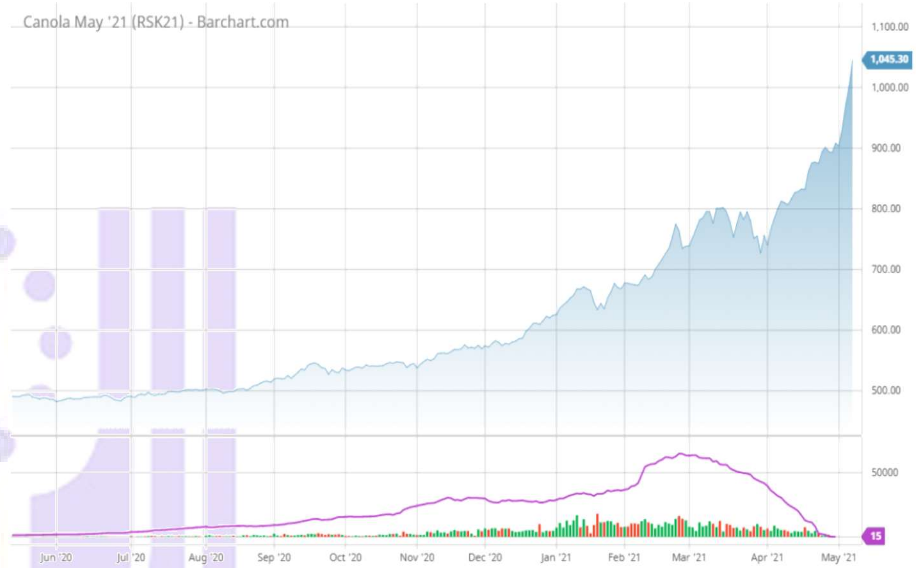
Next week's WASDE report on Wednesday, trade estimates for 2020/21 c/o at 117 mbus, down 3 mbus, and 2021/22 at 133 mbus.

- **<u>ICE canola futures surge to another record high</u>**

ICE May21 Canola futures surged to a record high on Friday reaching C$1,045.30/mt, making new historic highs, lifted by tight Canadian supplies and robust demand for oilseeds. All figures in Canadian dollars unless noted

Canadian canola stocks were reported at 6.572 mmts, plunging by 37.7% y/o/y at the end of March 2021 compared to the same period in 2020, in part due to increased demand during the COVID-19 pandemic, according to a farm survey by Statistics Canada released on Friday.

Soybean stocks were also 30% tighter compared to 2020, with 1.967 mmts of soybean stocks in Canada. The survey of approximately 11,500 Canadian farms was conducted from March 1st to March 29th.



- **<u>CME CBOT Soybean Meal</u>**

CME July 2021 Soybean Meal Futures settled on Friday at $442.00/short ton, up $14.70 on the day, and gaining $15.10 for the week.

Soymeal futures closed the session near the highs. Some of this was unwinding of oil/meal spreads.

For soymeal, CoT showed an additional 6,500 contracts of spec open interest washed out and funds were still 54,150 contracts net long on the 4th of May.

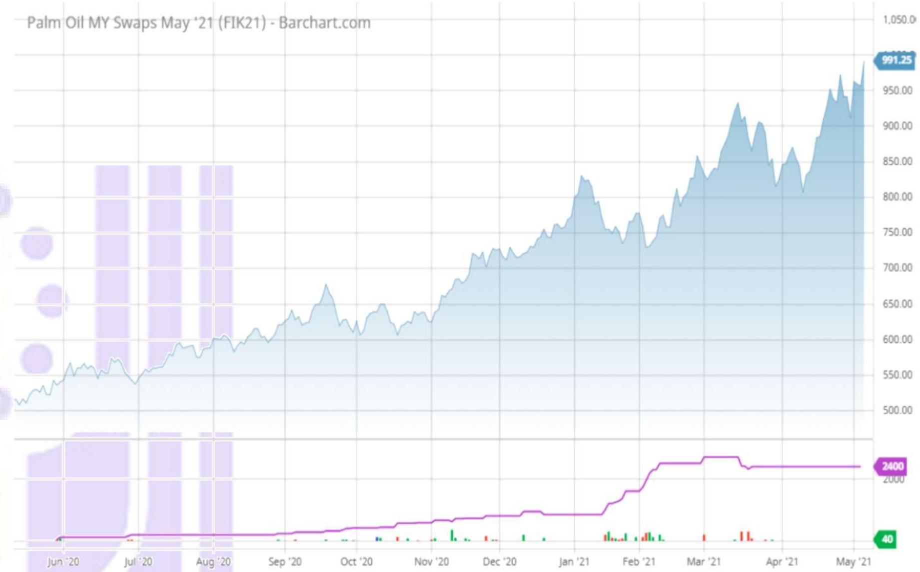
- **CME Soybean Oil**

Soybean oil futures closed the Friday session mixed. **CME May 2021 Soybean Oil Futures** reached the highest level since July 2008 on Monday, touching $71.39 cwt, before settling on Friday at $66.38/cwt, off 13 cents on the day, but gaining 90 cents for the week.

CME July 2021 Soybean Oil Futures reached a new contract high Friday, touching $66.28cwt, before settling at $64.35/cwt, unchanged on the day, but gaining $1.96 cents for the week.

CoT showed spec funds reduced their soybean oil net long through the week by 5,082 contracts to 87,505.

- **CME Palm Oil Swaps May 2012**



CME May 2021 Palm Oil Swaps reached new highs on Friday, touching $9991.25/mt.

Other Related News

- **Spies, satellites, subpoenas: soy buyers play hardball with Brazilian farmers**

Reuters - Global grains merchants are using satellites and spies to surveil Brazil's soybean heartland and deploying an army of lawyers to ensure farmers deliver promised crops instead of finding a different buyer at prices that have doubled since deals were made. At stake are billions of dollars and the sanctity of crop contracts in Brazil, the world's top soy exporter accounting for roughly 50% of the global trade.

Soybeans have rallied to an eight-year high and Brazil soy exports have soared in particular, especially to China, which needs feed to rebuild a pig herd devastated by African Swine Fever.

If farmers deliver, traders make the profits. If farmers can break their deals, they could double their income. The disputes have tested a somewhat informal business culture in rural Brazil. Farmers say traders are demanding delivery even when no contracts were signed. There are cases when only a verbal agreement was struck on Whatsapp. Other commitments were made over the phone or by email. Those deals are much less appealing to farmers now, as prices soared 71% from May 2020, when many were closed.

Traders say farmers should honor their agreements, and lobbyists for top grains merchants such as Archer-Daniels-Midland Co, Bunge Ltd, Cargill Inc and Louis Dreyfus Co (LDC) detailed to Reuters the tactics they are using to keep farmers to their word.

Nancy Franco, a lawyer who represents all major trading companies and has been overseeing dozens of lawsuits against farmers reneging on contracts worth millions, said the number of cases against soy farmers skyrocketed to 40 this season from "two or three" in recent years after growers threatened to renege on contracts or asked for higher prices. "This year traders are a lot more proactive," said Franco, who declined to discuss specific cases.

The last wave of Brazilian farmer delivery defaults came in 2003 and 2004, when soybean rust disease devastated crops. This year, traders say force majeure clauses apply to a tiny number of farmers, with most looking to cash in on high prices. Traders say trust in the integrity of contracts sustains Brazil's $45 billion soybean industry, from input and machinery sales to crop financing.

Yet farmers have accused buyers of harassing them and violating their privacy to ensure soy deliveries.

In a March police report seen by Reuters, a farmer in Goiás alleged intimidation from a contractor hired by Gavilon do Brasil, saying it was filming his farm without permission and claiming rights to his crop, 12,000 mts of soy worth almost $7 million at current prices, according to court filings related to the dispute.

U.S.-based Gavilon told Reuters its contract with the Goiás farmer was legal and binding. It said the soy rally created challenges in Brazil, where it was able to enforce fulfillment of most disputed contracts and get the soybeans it had negotiated for.

Last year, Brazilian soybean farmers sold an unprecedented volume of crops before planting a seed, as prices seemed attractive. Soon, dwindling supplies spurred an even bigger rally.

Traders arrange to buy soybeans in advance to secure supplies and fix purchase prices. Trades are hedged, and commitments to process or export are tied to these contracts. Sources at trading firms and their lawyers said tough tactics are needed to enforce contracts, formal or informal. Farmers insist that a washout clause gives them the right to exit contracts without paying fines of 30% to 50% of the spot price of the soybeans committed.

"We do not admit calling this contractual non-compliance, this is a contractual resolution," said Wellington Andrade, executive director of grower group Aprosoja, in an interview.

"If we hadn't organized, the supply chain would be disrupted," said Alessandro Reis, COO of CJ Selecta, the local unit of South Korean group CJ Cheiljedang.

The CJ group bought 4 mmts of soybeans in Brazil this season to process and resell to international clients like Unilever and Norwegian salmon producers. CJ Selecta had about 2,000 active Brazilian soybean contracts and more than 400 farms under surveillance, Reis said, to ensure farmers do not take soy to warehouses owned by another company that pays more.

In February, after watching one grower in Minas Gerais state, CJ Selecta secured a court order to ensure delivery of 3,600 mts of soybeans. Court documents show the farmer committed soy to CJ Selecta in May 2020 at between 90 and 95 reais ($17.48) per bag, but later sought a better deal.

WHATSAPP CHATS - Using evidence from WhatsApp messages, Marcus Reis, a lawyer for Brazilian grain buyer Agrobom, obtained a court order to seize thousands of bags of soy from producers seeking to renegotiate prices. Agrobom had contracts to sell soybeans to Bunge and could not afford to buy soy on the spot market if the farmer defaulted, Reis said.

Courts have mostly sided with trading companies, but farmers argue that informal contract talks should not be legally binding.

"There was this WhatsApp chat in February last year with my client trying to sell the soy," said Nelson Barduco, who defends grower Marcelo Rezende, one of the farmers sued by Agrobom. He said the farmer later rejected a formal contract.

Agrobom told Reuters a simple "okay" from a farmer is a real commitment, especially when parties have done business before. Barduco said his client had to accept 80 reais per bag of soy worth double the amount, otherwise the court case could drag on while the soy sat in a storage facility.

Rezende and other farmers named in lawsuits declined to speak to Reuters.

Two farmers in Mato Grosso, speaking on condition of anonymity, confirmed some growers broke their contracts. One farmer said rains disrupted harvesting in Brazil's top farm state. The other knew farmers who deliberately delivered product to new buyers, causing embarrassment to the local farming community.

A source close to China's state-run trading house Cofco, who requested anonymity, said defaults are up by "two or three times" from prior seasons. The company invested in monitoring and satellite technology "knowing this season would be challenging," the person said. Cofco did not respond to request for comment.

Abiove, an association representing oilseeds crushers and traders, in February announced creation of a database allowing members to share information on farmers and certain details about contracts. This angered farmers. Abiove said the database is legal and managed by a third party. Combined with surveillance efforts, it helped keep defaults below 1% of contracts, said André Nassar, Abiove's president, adding a similar tool could be used to monitor Brazil's corn growers. Abiove members Bunge and LDC declined to comment. Cargill's president in Brazil, Paulo Sousa, admitted default concerns this year but said cases are "isolated." ADM did not respond to a request for comment.

Aprosoja criticized the sharing of information from private contracts, saying it may breach data protection laws. "Obviously this monitoring system will serve to blacklist a farmer when he decides to re-discuss the contract," Andrade said.

China April meat imports up 6.9% y/y at 922,000 mts -customs

Reuters - China imported 922,000 mts of meat in April, up 6.9% from the same month a year earlier, customs data showed on Friday, as the world's top pork producer continues to face domestic shortages.

China's output of pork has plunged following outbreaks of deadly hog disease African swine fever since 2018, spurring strong demand for imports of pork and other meat.

The imports were only slightly lower than the record 1.02 mmts that arrived in March, data from China's General Administration of Customs showed. The large shipments came even as China's output of pork surged in the first quarter following intensive efforts to restock and expand farms last year.

A fresh wave of African swine fever and other diseases over winter prompted farms, wary of the risk of infection, to send pigs to slaughter early, increasing the volume.

Though domestic pork prices fell sharply in recent months, imports are expected to remain high, with a supply shortage set to last through the rest of the year.

Meat imports in the first four months of the year reached 3.55 mmts, up 16.9% from the same period last year, the data also showed.

New ASF, higher feed costs to slow China's pig herd rebuilt

USDA - Chinese swine production figures are unlikely to rebound until at least mid-2021 as livestock farmers have slowed restocking amid falling meat prices and soaring feed costs, while new strains of ASF made them more cautious, the USDA said.

It comes after a resurgence of African swine fever (ASF) in late 2020 slowed China's expansion of its hog herd and the breeding of sows and piglets, with those effects still felt on production numbers during the first quarter of 2021.

“Some producers are delaying restocking their farms due to concerns about the new ASF strains and outbreaks, high piglet prices, and high feed costs,” the USDA office in Beijing said in a report published on Thursday. “These factors will likely slow the rebuilding of China's swine herd in 2021 and offers a counter perspective to recent statements made by Chinese officials,” it said.

China hog production numbers are not likely to rebound until the middle of this year “if the current African Swine Fever (ASF) outbreak is brought under control,” the USDA post added.

ASF initially started spreading across China – the world's largest pork producer – in 2018 and 2019 causing its hog population to fall by as much as 50% amid the deadly disease.

African Swine Fever Virus Vaccine Candidate Produced in a Cell Line

USDA – The U.S. Department of Agriculture's Agricultural Research Service (ARS) today announced that an African Swine Fever Virus vaccine candidate has been adapted to grow in a cell line, which means that those involved in vaccine production will no longer have to rely on live pigs and their fresh cells for vaccine production.

“This opens the door for large-scale vaccine production, which is a valuable tool for the possible eradication of the virus,” said senior ARS scientist Dr. Manuel Borca.

African Swine Fever is known to cause virulent, deadly outbreaks in wild and domestic swine, causing widespread and lethal outbreaks in various countries in Eastern Europe and throughout Asia.

African Swine Fever is not a threat to humans and cannot be transmitted from pigs to humans. However, outbreaks have led to significant economic losses and pork shortages on local and global scales.

No commercial vaccines are currently available to prevent the virus from spreading. There have not been any outbreaks in the United States, but it's estimated that a national outbreak could cost at least $14 billion over two years, and $50 billion over 10 years.

This discovery, highlighted in the Journal of Virology, overcomes one of the major challenges for manufacturing of an African Swine Fever Virus vaccine. The newly developed vaccine, grown in a continuous cell line — which means immortalized cells that divide continuously or otherwise indefinitely — has the same characteristics as the original vaccine produced with fresh swine cells.

“Traditionally we used freshly isolated swine cells to produce vaccine candidates and this constitutes a significant limitation for large-scale production” said senior ARS scientist Dr. Douglas Gladue. “But now we can retain the vaccine characteristics while simultaneously replicating the vaccine in lab-grown cell cultures. We no longer have to rely on gathering fresh cells from live swine.”

The continuous cell line vaccine candidate was tested in a commercial breed of pigs and determined to be safe, protecting pigs against the virus. No negative effects were observed.

This research was supported in part by an interagency agreement between the U.S. Department of Homeland Security and the U.S. Department of Agriculture. Some of the scientific personnel were part of the Plum Island Animal Disease Center Research Participation Program, administered by the Oak Ridge Institute for Science and Education. All animal studies were performed at the Plum Island Animal Disease Center, following a protocol approved by the Institutional Animal Care and Use Committee.

The Agricultural Research Service is the U.S. Department of Agriculture's chief scientific in-house research agency. Daily, ARS focuses on solutions to agricultural problems affecting America. Each dollar invested in agricultural research results in $17 of economic impact.

- **Saudi Almarai to spend $1.76bln in massive poultry expansion**

Zawya - Saudi Arabia's Almarai, the largest dairy producer in the Middle East, will invest 6.6 billion Saudi riyals ($1.76 billion) to expand its poultry segment and double its market share.

Almarai's board approved the capital expenditure the company said in a statement on Monday to the Saudi stock exchange, Tadawul, where it is listed. The five-year strategic expansion will be funded through internal cash flows.

The investments will include the development of grandparent farming and production facilities to enable full vertical integration of poultry supplies. Expansions will focus on different geographical locations in the kingdom to enhance the biosecurity, as well as to diversify Almarai's contribution to the country's economic development, it said.

The moves come as part of the private sector's efforts to develop the national economy, in line with the Saudi Vision 2030 and to enhance food security in the kingdom. In March the dairy and food company agreed to buy frozen bakery item manufacturer and producer Bakemart in the United Arab Emirates and Bahrain for an enterprise value of 93.5 million dirhams ($25.5 million).

Almarai made a Q1 net profit of 386 million riyals, nearly flat year-on-year. In the poultry segment, profit fell over 24 percent mainly due to lower subsidy compared to last year.

Almarai's shares are trading over 1% higher on Tadawul at 54.30 riyals at 1.30 p.m. Riyadh time.

LOGISTICS

- **Western US rail service disappoints movers of grain**

World Grain / USDA - Grain millers, merchandisers, brokers and traders continued to express disappointment with rail service in the western United States last week. The main issue was turnaround time for rail car placements back at origins.

One shipper said a Class 1 railroad was 45 days behind in car placements. A merchandiser for a major miller estimated placement at two to three weeks behind schedule. Ideas were that the railroad's locomotive power, equipment and personnel primarily were engaged in running shuttle trains to ports to handle exports of grain and oilseeds.

Rail activity

In the week ended the 24th of April, US weekly rail traffic totaled 538,184 carloads and intermodal units, up 30% compared with the same week in 2020, according to the American Association of Railroads in its weekly rail traffic report.

Carloads for that week totaled 240,075, up 25% compared with the same week in 2020. US weekly intermodal volume was 298,109 containers and trailers, up 34% compared to the same week a year earlier.

For the first time in 2021, all 10 US carload commodity groups posted an increase compared with the same week in 2020. Grain carloads in the week totaled 25,467, up 18% from the week a year earlier, bringing grain carloads in 2021 to 405,187 for an average of 25,324 per week, up 24% from the same period in 2020, the AAR said.

Canadian railroads reported 77,900 carloads for the week ended April 24, up 9%, and 71,311 intermodal units, up 2% compared with the same week in 2020. Canadian grain carloads in the week totaled 10,308, up 3% from the week a year earlier, bringing 2021 Canadian grain carloads to 165,962 for an average of 10,373 per week, up 31.2% from the same period in 2020, the AAR said.

Mexican railroads reported 21,100 carloads for the week ended April 24, up 53% compared with the same week last year, and 17,035 intermodal units, up 40%. Mexican grain carloads in the week totaled 2,072, up 2% from the same week in 2020, bringing the cumulative total for the year to 29,823 for an average of 1,864 per week, down 14% from the same period in 2020, the AAR said.

North American rail volume for the week ended April 24 on 12 reporting US, Canadian and Mexican railroads totaled 339,075 carloads, up 22% compared with the same week in 2020, and 386,455 intermodal units, up 27% year-over-year. North American grain carloads in the week totaled 37,847, up 13% from the same week in 2020, bringing the 2021 total to 600,972 for an average of 37,561 grain carloads per week, up 23% compared with the same period in 2020, the AAR said.

Barge activity

Since mid-April, water levels of the rivers of Argentina, Brazil, and Paraguay have forced barges to lower their capacities to avoid grounding. That has slowed the flow of corn, soybeans, soybean meal, and soybean oil to key export locations, the US Department of Agriculture said in its weekly Grain Transportation Report. Lower water levels were attributed to drought.

Sections of the Paraná River through Paraguay closed at the beginning of April and remain closed to barge navigation. That area is a major artery for soybean transportation. Free-on-board corn export prices in Argentina and Brazil for spot, 30 days forward, and 60 days forward are being quoted at record highs, Bloomberg reported.

Whereas Brazil largely relies on rail and truck for agricultural transportation, Argentina and landlocked Paraguay depend primarily on barge traffic. Supply disruptions from these key South American sources could shift global buyers to pull from US stocks instead, the USDA said.

Barge grain movements in the week ended April 24 totaled 957,500 tons, up 20% from the previous week and up 45% from the same period last year, the US Army Corps of Engineers said.

In the same week, 597 grain barges moved down river, 92 barges more than the previous week. There were 729 grain barges unloaded in New Orleans, 16% more than in the previous week, according to the Corps and USDA's Agricultural Marketing Service.

Ocean freight

Thirty-two oceangoing grain vessels were loaded in the Gulf in the week ended April 22, down 9% from the same period in 2020, according to the AMS. In the next 10 days from April 23, 41 vessels were expected to be loaded, down 5% from the same period in 2020.

The rate for shipping one tonne of grain from the US Gulf to Japan was $62.50 on April 22, 8% higher than the previous week. The rate from the Pacific Northwest to Japan was $36.50/mt, up 7% from the previous week, the USDA said.

Trucking

The Energy Information Administration reported the following average on-highway diesel fuel prices per gallon on May 3 by region:

- East Coast, $3.113
- New England, $3.084
- Central Atlantic, $3.285
- Lower Atlantic, $3.004
- Midwest, $3.085
- Gulf Coast, $2.924
- Rocky Mountain, $3.250
- West Coast, $3.664
- West Coast less California, $3.282
- California, $3.983

The U.S. average diesel fuel price in the week ended May 3 was $3.142 per gallon, 1.8¢ higher than the previous week, according to the EIA.

Low Parana river stops full bulk loads out of Argentina's Rosario

Bulk carriers operating in Argentina's Rosario hub area are already unable to load full grain cargoes due to low water levels in the Parana River, Guillermo Wade, president of the Chamber of Port and Maritime Activity said.

“Near the port of Rosario, the depth of the Parana River is approximately 0.97 metres,” the executive said, highlighting that the operator of the river's concession was not currently obliged to carry out dredging work, but would do so to avoid bulk carriers going to other ports to load grain.

“The situation is very critical as this is the fourth consecutive year with insufficient rains in the South of Brazil,” Wade said, warning that reservoirs further upstream, which have been tapped in the past to alleviate low water levels, no longer have the reserves to provide relief.

“The big problem here is the lack of rains in the Rio Grande and Paranaiba regions. We will have to wait until December to see if we can have rains in this area so that the basin can recover in terms of water levels. For the coming months, the level of rains are forecast to be lower than normal so we will continue to have this problem during the winter,” Wade said.

In April 2020, the level of the river in Rosario declined to 1 metre, 60% beneath typical levels and the lowest level in the last 30 years.

Given the current scenario, bulk carriers have to load less grain and complete loads at ocean ports in Buenos Aires Province or leave with less grain.

Low water levels in the Parana River are also affecting the shipment of soybean in Paraguay, where the vice president of country's maritime and shipping chamber CAFyM, Juan Carlos Munoz, recently said approximately 600,000 mts of soybeans are already being held at local grain ports waiting for improved navigability conditions.

Munoz said that the levels in the Parana river around the town of Ituzaingo had reached 0.20 metres on April 18th, compared with 0.30 metres in November of 2020.

Waterway Concession Extension

In related news, the Argentine government announced earlier this week a three-month extension for the operators of the current concession to manage the Parana waterway, in a reversal of the government's stated policy.

The government had announced that it would renegotiate the terms of the concession prior to issuing a new tender for the service, with the current arrangement expected to expire on April 30th.

The administration of President Alberto Fernandez was forced to extend the contract despite increasing pressure from sectors of the ruling coalition Frente de Todos to nationalise the waterway concession.

Industry sources say the government had no technical capabilities to carry out the necessary dredging works required in this concession.

The government is currently working to launch a new tender inviting bids for the operation of the Parana waterway during this year.

The waterway encompasses 86 ports and conveys nearly 80% of all of Argentina’s agricultural exports, connecting ports in the Parana River with the Rio de la Plata river and on to the Atlantic Ocean.

GOVERNMENT

- **China will promote grain output, boost grain security - cabinet**

  Reuters - China's cabinet on Thursday said it will stabilize wheat and rice minimum purchase prices and improve subsidies for soybean and corn production, in a bid to promote grain output and boost grain security.

  The county expects a bumper harvest for summer grains this year, according to the meeting of the State Council, state television CCTV reported.

- **Brazil to Incentivize More Corn and Grain Sorghum Production**

  Soybean & Corn Advisor, Inc. - With very tight corn supplies and record high domestic corn prices, the Brazilian Minister of Agriculture announced last week some financial incentives for farmers to increase their corn and grain sorghum production.

  Large livestock producers in southern Brazil are already importing corn from neighboring Argentina and Paraguay in order to keep their facilities operational and they have been petitioning the government to take a more active role in increasing grain production.

  The government cannot order farmers to increase their corn and sorghum production, but they can provide financial incentives for the production and marketing of grain. The Brazilian government's main support for agriculture is in the form of subsidized low interest production and marketing loans.

  Starting July 1st with the start of the 2021/22 Harvest Plan, production loan limits for large producers to grow corn and grain sorghum will increase from R$3 million to R$4 million. For medium size producers, the loan limit will increase from R$1.5 million to R$1.75 million.

  Complicating the corn supply situation even more is recent dry weather negatively impacting the safrinha corn production in south-central Brazil. The safrinha corn crop accounts for about three quarters of Brazil's total corn production and this year's crop was planted the latest in history in many locations due to the delayed soybean harvest. The late planted corn is now being impacted by an early end to the summer rainy season, which is increasing the fear that the corn will run out of moisture before maturity.

  The early planted safrinha corn in Brazil is now pollinating or beyond and the later planted safrinha corn is in vegetative development. In the more southern production locations, the latest planted corn may also be impacted by freezing temperatures before it matures. Generally, the safrinha corn is harvested between June and August.

  Domestic corn prices in Brazil are approximately double those of a year ago. Strong international demand for corn and a depreciation of the Brazilian currency have let to tight stocks becoming even tighter. On the B3 Exchange in Sao Paulo, corn prices have been in the range of R$ 100 per sack for several weeks (approximately $8.25 per bushel).

International Crop & Weather Highlights

- **USDA/WAOB Joint Agricultural Weather Facility – 1st May 2021**

  Europe – Much-Needed Rain In Parts Of France And Germany
  - Much-needed rain across the southern half of France as well as northern and western Germany eased short-term dryness and provided timely moisture for winter wheat, rapeseed, and barley; northern France and southeastern England remained unfavorably dry.
  - Moderate to heavy showers maintained excellent conditions for reproductive winter grains in Spain.
  - Showers sustained good early-season prospects for vegetative winter crops in the Balkans.

  Western FSU – More Showers
  - Additional showers maintained good soil moisture for vegetative winter crops in the Black Sea Region.

  Middle East – Some Showers, But Still Hot
  - Showers maintained good moisture supplies for vegetative to reproductive winter wheat and barley in central Turkey, though southeastern crop areas remained hot and dry.
  - Lingering heat was untimely for reproductive to filling winter grains in Syria, Iraq, and Iran.
  - Despite some showers, severe drought continued to afflict winter wheat and barley in eastern Iran.

  Northwestern Africa – Winter Grains Approaching Maturity
  - Winter wheat and barley were approaching or progressing through the filling stages of development across the region; conditions remained very good in Morocco and Tunisia but variable in Algeria.

  South Asia – Hot
  - Seasonal heat continued across the region, as field preparations were underway ahead of the wet season.

  East Asia – Beneficial Showers
  - Welcome showers in southern and southeastern China provided some relief from localized severe drought and boosted moisture supplies for vegetative to reproductive early-crop rice.

  Southeast Asia – Pre-Monsoon Rain
  - Pre-monsoon rainfall across Thailand and the surrounding areas encouraged early wet-season rice sowing.

  Australia – Showers In The West, Dry Elsewhere
  - In the west, widespread showers likely triggered more winter grain and oilseed planting.

- In the south and east, mostly dry weather favored summer crop harvesting and winter crop sowing.

South America – Dryness Dominated Argentina And Southern Brazil

- Following weeks of locally heavy rainfall, drier weather aided summer grain, oilseed, and cotton harvesting throughout Argentina.
- Beneficial rain continued in Brazil's northern corn and cotton regions, but unseasonable dryness persisted farther south, where moisture remained limited for vegetative to reproductive corn and emerging wheat.

Mexico – Showers Returned To Eastern Sections Of The Summer Corn Belt

- Rain increased moisture for germination of corn and other rain-fed summer crops in eastern sections of the southern plateau.

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

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

U.S. Agricultural Weather Highlights – Friday 7th May 2021

In the West, a storm system is producing scattered showers from the Pacific Northwest to the northern Rockies. Nevertheless, short-term dryness remains a concern for many rain-fed crops across the interior Northwest. On May 2, topsoil moisture was rated 70% very short to short in Oregon, along with 64% in Washington. More than one-third (35%) of Oregon's winter wheat was rated in very poor to poor condition on May 2, up from 13% the previous week.

On the Plains, widespread freezes occurred early today in the Dakotas. In North Dakota, this morning's low temperatures included 20°F in Devils Lake and 23°F in Grand Forks. In contrast, warmth has returned across the southern half of the High Plains, where today's high temperatures should generally range from 85 to 90°F. Dry weather throughout the nation's mid-section favors planting activities for variety of crops.

In the Corn Belt, unusually cool conditions continue to slow winter wheat development and the emergence of recently planted corn and soybeans. Advisories for frost and near-freezing temperatures are in effect early today across parts of the northern Corn Belt, from South Dakota to Michigan. Dry weather covers much of the Midwest, although a few rain and snow showers are occurring in the Great Lakes region.

In the South, rain showers are confined to the middle Atlantic States, including portions of Virginia and North Carolina. Elsewhere, dry weather continues to promote fieldwork, including spring planting activities. Cooler-than-normal weather blankets much of the South, although warmth prevails across southern Florida and the western Gulf Coast region.

Outlook: A weekend storm system crossing the northern Plains and Midwest will produce widespread rainfall totaling 1 to 2 inches. However, rain will largely bypass the upper Great Lakes region and the Red River Valley of the North. Meanwhile, showers and thunderstorms across the interior Southeast—starting on Sunday—could result in 5-day rainfall totals of 2 to 4 inches or more. In contrast, dry weather will prevail during the next 5 days in California, the Great Basin, and the Desert Southwest. Elsewhere, cool weather will continue across much of the country. For example, weekend freezes may occur across the interior Northwest, while occasional frost and freezes can be expected from the northern Plains to the interior Northeast. By early next week, high temperatures above 80°F will be mostly limited to California and the Deep South.

The NWS 6- to 10-day outlook for May 12 – 16 calls for the likelihood of below-normal temperatures along and southeast of a line from Texas to Wisconsin, except for lingering warmth across Florida's peninsula. Warmer-than-normal weather will also prevail west of the Rockies. Meanwhile, near- or below-normal temperatures across most of the country should contrast with wetter-than-normal conditions in southern Texas and the Atlantic Coast States.

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

- **USDA FAS OGA – May Crop Calendar**