



# Notes and Observations in International Commodity Markets

23<sup>rd</sup> July 2021

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## MARKET GENERALLY LOWER AS WEATHER

### REMAINS THE FOCUS

- *The September U.S. Dollar Index is trading up 0.09 at 92.92.*
- *The Dow Jones Industrial Average is up 208.05 points at 35,031.40.*
- *August gold is down \$2.20 at \$1,803.20, September silver is down \$0.12 at \$25.27 and September copper is up \$0.1060.*

- *September crude oil is up \$0.11 at \$72.02, September heating oil is up \$0.0016, September RBOB gasoline up \$0.0144 and September natural gas is up \$0.055.*

*GHA – Corn, soybeans and wheat all finished the week under pressure. Weather forecasts continue to be the driving force in market direction, with midday forecasts trending cooler.*

*September corn closed down 17¼ cents and December corn was down 18¼ cents. August soybeans closed down 15¼ cents and November soybeans were down 10½ cents. Weakening processor bids are also pressuring soybean futures. Also, fading Chinese demand is now weighing on the market.*

*Trade continues to try and determine if the favorable crops in the eastern Corn Belt will be good enough to compensate for the poor crops in the western Corn Belt and Plains. Commodity Weather Group estimated their first 2021 corn yield at a record 181.3 bushels per acre. The USDA is expected update their estimate on August 12th.*

*September KC wheat closed down 7¾ cents, September Chicago wheat was down 8¼ cents and September Minneapolis wheat was down 20½ cents.*

*Off to the county fair this weekend to enjoy the local youth show their projects!*

#### ➤ **Canadian crop debacle may force a reroute of wheat, canola trade**

*Karen Braun, Reuters* - Severe drought has slashed expected U.S. spring wheat output to a three-decade low and across the border on the Canadian Prairies, crops are in similarly tough shape. With little relief in sight, production forecasts should fall, and other global export markets will likely have to pick up Canada's slack.

A significant amount of Canada's annual wheat and canola output go to exports, and those products are important on the world stage. Top customer China is among those that may need to seek supplies elsewhere, and trade rival Australia could be a good candidate to help fill that gap.

Canada's Prairies have been in a drought ever since the growing season began, and with low rainfall totals and warm temperatures, that situation has worsened within the last month. Forecasts as of Wednesday continue to suggest the warm and dry trend is likely to continue through at least the end of the month.

In Saskatchewan, Canada's top spring wheat and canola province, spring wheat was rated 25% good or excellent as of July 12, down from 77% a month earlier. Just 18% of canola was good or excellent, down from 64%.

No. 2 producer Alberta has suffered a similar fate. Spring wheat was 39% good or excellent as of July 13, down from 84% a month earlier, and canola had fallen to 33% from 80%. The two provinces combine for roughly 80% of Canada's spring wheat and canola output.

These health trends resemble those for U.S. spring wheat, but the U.S. crop started worse. As of Sunday, just 11% of U.S. spring wheat was in good or excellent shape, down from 27% a month earlier and 45% in late May.

Futures markets have responded with Minneapolis wheat this week hitting an 8½ year high for the front-month contract of \$9.44½ /bu. ICE canola hit an all-time high for the November contract last week of C\$949/mt.

**CROP SCENARIOS** - The U.S. Department of Agriculture last week pegged U.S. spring wheat yield down 37% from the previous three-year average, which contained strong but steady results. That put the crop estimate at 345 mbus, the smallest harvest since 1988, another terrible drought year.

The U.S. durum wheat harvest is expected at 37.2 mbus, some 46% less than last year and the smallest in 60 years.

However, USDA's Canadian all-wheat yield is too high for the current situation, sitting about 1% above the three-year average. About 94% of wheat planted in Canada this year is spring or durum wheat, and the latter is in even worse shape.

Canadian wheat yields in 1988 were also among the worst ever, falling 37% below the prior three years amid extreme dryness and heat. If those losses happened this year, Canada's crop would plunge about 11.7 mmts (429 mbus) from USDA's latest 31.5 mmts, not considering any possible acreage abandonment.

Canada planted a lot less canola in 1988 than it does now, but 2012 produced the worst relative yields in recent memory during another hot and dry summer. Canola yield fell about 20% from average levels that year, and if the same occurred this year it would remove at least 4 mmts from USDA's current 20.2 mmts.

**EXPORT SWITCH** - The loss in wheat and canola production is significant for the export market as about half Canada's canola crop and about three-fourths of its wheat is exported annually. The country accounts for two-thirds of global canola exports and it is the No. 3 wheat exporter, making up about 13% of trade.

China's demand for Canadian wheat in the first nine months of the current marketing year was more than double the three-year average. China was the top recipient of the grain, accounting for 12%. Indonesia and Peru were also big players at 8% each.

China blocked Canada's two largest canola handlers two years ago over alleged pest concerns, but exports to China have still rebounded versus last year. Between August and December 2020, China accounted for 23% of Canada's canola shipments, behind only the European Union due to crop shortfalls there. Japan is another prominent canola customer.

China's import needs for canola and wheat pale in comparison to that for soybeans, for example, but it still sits among the top importers. Despite losses in Canada, China does have an alternative route in Australia.

Trade relations between the two countries soured last year when Canberra announced plans to investigate COVID-19 origins, prompting Beijing to launch steep tariffs on Australian goods. The 80.5% tariff on barley was so severe that it basically cut off that trade, but China has been increasing wheat and canola imports from Australia.

Australia is the No. 2 exporter of canola and is No. 5 in wheat, and the country's production levels recently recovered after a string of drought-damaged harvests. The

extra Australian supply is key, especially in the Chinese market, but the expected losses out of Canada could be historic.

Canada does not have an excess of canola in reserves, as stocks of the oilseed at the end of 2020 were down 24% on the year, hitting an eight-year low for the date. All wheat stocks on Dec. 31 had fallen 4% on the year, reaching a three-year low.

## US DOLLAR & FOREIGN EXCHANGE

### ➤ US Dollar Index- Dollar Moves Slightly Higher And Gold Slips

The dollar index on Friday moved slightly higher. Strength in T-note yields on Friday was supportive for the dollar, along with signs of expanding U.S. manufacturing activity. Gains in the dollar were limited after a rally in the S&P 500 to a new record high on Friday curbed the liquidity demand for the dollar.



The dollar index on Friday rose +0.087 (+0.09%). EUR/USD rose +0.0004 (+0.03%). USD/JPY rose +0.39 (+0.35%).

**EUR/USD** on Friday posted modest gains on signs of economic strength in the Eurozone. The Eurozone Jul Markit composite PMI rose +1.1 to 60.6, stronger than expectations of +0.5 to 60.0 and the strongest pace of expansion in 21 years. Also, the ECB's Survey of Professional Forecasters raised their Eurozone 2021 GDP forecast to 4.7% from a prior view of 4.2%.

**USD/JPY** rallied to a 1-week high as the yen weakened after a rally in stocks reduced the safe-haven demand for the yen. Trading activity in the yen was muted, with Japanese markets closed Friday for a holiday.

Friday's U.S. economic data was mixed for the dollar. On the positive side, the U.S. July Markit manufacturing PMI unexpectedly rose +1.0 to 63.1, stronger than expectations of -0.1 to 62.0 and the fastest pace of expansion since the data series began in 2018. Conversely, the Jul Markit services PMI fell -4.8 to 59.8, weaker than expectations of 64.5.

August gold (GCQ21) on Friday closed down -3.60 (-0.20%), and Sep silver (SIU21) closed down -0.148 (-0.58%). A stronger dollar on Friday weighed on metals along with a rally in the S&P 500 to a new all-time high, which curbed the safe-haven demand of precious metals. Higher global bond yields on Friday were another bearish factor for precious metals as the 10-year T-note yield rose +0.8 bp to 1.286%, and the 10-year German bund yield rose +0.6 bp to -0.420%.

Dovish ECB comments on Friday were supportive for gold and negative for EUR/USD after ECB Governing Council member Villeroy said the ECB's new guidance on interest rates means it won't consider raising interest rates until its projections show inflation at the 2% target with 12 to 18 months.

The dollar and gold still have safe-haven support from concern the worldwide spread of the delta Covid variant will crimp the global economic recovery. The 7-day average of new U.S. Covid infections rose to a 2-1/2 month high Thursday of 44,057. Also, Covid infections in France more than doubled over the past week, and South Korea extended pandemic restrictions after new Covid cases rose to a record.

**Bullish Factors:** (1) the Fed's median projections for two 0.25 point rate hikes by the end of 2023, (2) the influx of capital from overseas investors fleeing from over \$10 trillion of negative-yielding debt, and (3) higher T-note yields that strengthen the dollar's interest rate differentials as the 10-year T-note yield recently rose to a 1-1/4 year high of 1.774%.

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





## WHEAT

### ➤ China's Wheat Crop Threatened By Toxin Risk After Flooding

*Gro Intelligence* - Henan province grows about 25% of China's wheat and 8% of China's corn. It is also home to 110 million people. Following a recent dry spell, torrential rainfall on July 19<sup>th</sup> of 146.09 mm, the highest single-day rainfall on record, caused flooding in Zhengzhou, the capital city.

The forecast for the rest of July and early August calls for more rain and temperatures over 32°C (90°F). The heat and humidity significantly increase the risk of mycotoxin contamination in Henan's freshly harvested wheat crop, threatening the quality of a significant portion of China's domestic wheat supply for the 2021/22 marketing year.

Record demand for animal feed has caused corn prices in China to skyrocket in the last year, which has caused producers to substitute wheat for corn in feed. A record 40 mmts of wheat will be used in feed this year, and usage next year is expected to be high as well.

China's imports of wheat and feed grains hit record highs in 2020/2021. A significant reduction in the domestic supply of wheat for feed would mean China will need to increase its import of wheat and feed grains still further. Prices of wheat, corn, and flour in Henan have been stable in the last couple of days.

### ➤ Wheat deteriorates in parts of Argentina due to poor rains -exchange

*Reuters* - Argentina's 2021/22 wheat crop is deteriorating in the country's northern and central farm belt due to inadequate rainfall, the Buenos Aires Grains Exchange said on Thursday, but kept its harvest forecast unchanged at 19 mmts.

Argentina is an important international supplier of wheat, especially to neighboring Brazil. The exchange said in its weekly report that Argentine growers had sown 98% of the 6.5 million hectares that it expects to be planted with the grain this year. Wheat harvesting in the country ends in January.

In northwestern Argentina "the condition of the crop continues to fall week by week, as crops begin to go through critical development stages" amid low rainfall, the exchange said.

"Toward the center of the farm belt, crop condition is gradually deteriorating from east to west, also due to dryness," it said. But in the southern part of the farm belt, an area heavily planted with wheat, crops were in optimal condition.

Argentina's 2020/21 soy crop has already been harvested with 72% of the 2020/21 corn crop already in the bag. The exchange expects a corn harvest of 48 mmts.

### ➤ Global Wheat Trade Boosted in 2021/22

USDA - Global trade in 2021/22 is boosted by 1.5 mmts to 205.5 mmts on the trade year (July-June). Exports for **Australia** and the **EU** are boosted by 1 mmts each to 22 mmts and 34 mmts, respectively. Both have larger supplies and are positioned to take

a greater share of global trade based on reduced trade for key competitors. Australia is poised to gain more share among some quality-sensitive buyers based on smaller exports from Canada and the United States. Exports are also boosted for **Ukraine** (+500,000 mts) and the **United Kingdom** (+150,000 mts), driven by larger supplies. **Pakistan's** exports are raised for both 2020/21 (up 200,000 mts to 500,000) and 2021/22 (up 300,000 mts to 600,000) based on estimated border trade with Afghanistan.

Table 8 - Summary of trade adjustments, July 2021<sup>1</sup>

Country	2020/21 Adjustments		2021/2022 Adjustments	
	Exports	Imports	Exports	Imports
	1,000 metric tons		1,000 metric tons	
Algeria		↑ 500		
Angola		↓ (150)		
Australia			↑ 1,000	
Brazil		↓ (350)		
Canada			↓ (500)	
European Union	↑ 750		↑ 1,000	
Iran		↑ 200		↑ 100
Kazakhstan	↑ 300	↑ 100	↓ (500)	
Morocco		↓ (400)		
Nigeria		↑ 500		↑ 400
Pakistan	↑ 200	↓ (200)	↑ 300	↑ 1,500
Switzerland		↓ (100)		
Thailand		↑ 150		↑ 300
Turkey		↓ (500)		
Ukraine	↓ (250)		↑ 500	
United Kingdom			↑ 150	↓ (400)
United States		↓ (150)	↓ (500)	↑ 400
Venezuela		↑ 100		↑ 100
Yemen		↓ (300)		↓ (100)

<sup>1</sup>Month-over-month changes to the July/June Trade Year. Changes less than 100,000 metric tons are not included

Source: USDA, Economic Research Service; USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

Conversely, exports are reduced for **Canada** (-500,000 to 23 mmmts) and **Kazakhstan** (-500,000 mts to 7.5 mmmts) based on reduced production estimates. Exports for the **United States** are also cut 500,000 mts to 24.5 mmmts with dry conditions causing tighter supplies of soft white winter wheat and high-protein spring wheat.

The largest import revision for 2021/22 by far is **Pakistan** (+1.5 mmmts to 2.5 mmmts). Imports in that country are expected to surge with the Government's recent decision to approve 3 mmmts of imports during 2021/22 to boost strategic reserves. For more information on this development, see the recent Pakistan Grain and Feed Update in the Global Agricultural Information Network (GAIN), published by the Foreign Agricultural Service (FAS). **Nigeria's** imports are boosted 400,000 mts to 5.6 mmmts to keep pace with a strong pace of shipments in 2020/21. Imports are reduced 400,000 mts for the **United Kingdom** with larger domestic production. Imports for the **United States** are raised 400,000 mts on the expectation that tight supplies of durum and other spring wheat will result in larger imports from Canada.

The following revisions to import estimates are generally based on assumptions that recent consumption and trade trends continue: **Thailand** (+300,000 mts to 3.5 mmmts), **Iran** (+100,000 mts to 2.1 mmmts), **Venezuela** (+100,000 mts to 1.1 mmmts), and **Yemen** (-100,000 mts to 3.8 mmmts).

Revisions to 2020/21 data largely reflect the pace of trade to date, with **EU** exports raised 750,000 mts to 30.75 mmmts and **Kazakhstan's** shipments are boosted 300,000 mts to 8 mmmts. Similarly, driven by pace of trade, **Ukraine's** exports are reduced 250,000 mts to 16.75 mmmts.

Imports for Algeria are raised 500,000 mts to 7 mmmts reflecting a strong pace of trade data and announced purchases. **Morocco's** imports are cut 400,000 mts to 5.7 mmmts based on the pace of trade and the expectation that June shipments will be minimal following the re-imposition of its import duty. Imports for **Nigeria** are raised 500,000 mts to 6 mmmts based on a strong pace of imports, despite foreign exchange shortages. Other revisions are primarily motivated by updated trade data.

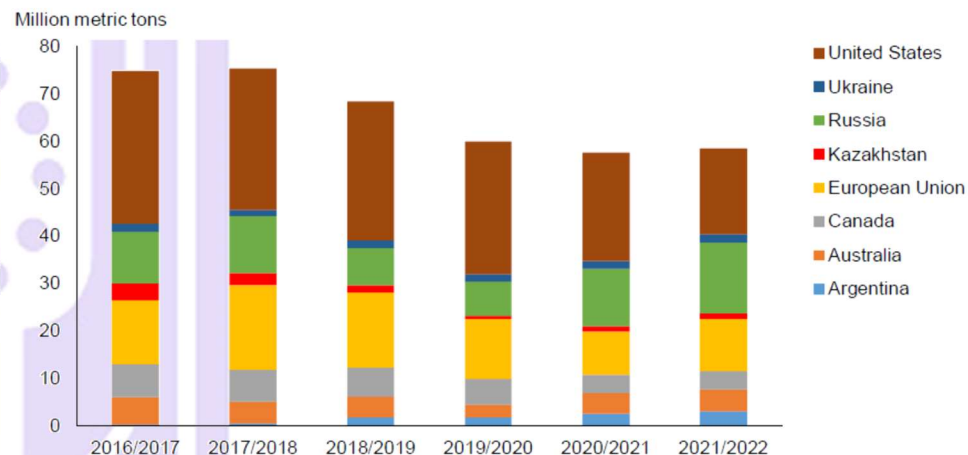
### ➤ **World Ending Stocks Tightened, but Still Up from Previous Year**

USDA – World ending stocks are reduced 5.1 mmmts to 291.7 mmmts in 2021/22, with major exporting countries accounting for many of the largest changes. **U.S.** stocks are lowered 2.9 mmmts to 18.1 mmmts, the lowest stock level since 2013/14. The large drop in production this month more than outweighs the combined effects of higher imports, reduced feeding, and smaller exports. **EU** ending stocks are projected 900,000 mts smaller with stronger feed and export demand more than offsetting the increased size of its crop. Ending stocks for **Kazakhstan** and **Russia** are reduced 600,000 and 500,000 MT, respectively, to account for smaller crops. **Ukraine's** ending stocks are raised 150,000 mts to 1.7 mmmts.

Ending stocks for **Argentina, Australia, and Canada** are unchanged this month. Exporter ending stocks collectively are down 4.7 mmmts from last month to 58.5 mmmts. Exporter ending stocks are considered a relevant metric to assess market availability

as they are the supplies that are the most available to the world market and affect global prices. Exporter ending stocks are now projected up only slightly from the previous year and remain relatively tight relative to the previous several years.

### **Exporter ending stocks recovering**



Source: USDA, Foreign Agricultural Service, *Production, Supply, and Distribution* database.

The balance of stocks among major exporters has shifted in the last few years with Russia's stocks growing significantly as a result of its export duty regime. Russia's stocks are projected larger than EU stocks and nearly catching up with U.S. stocks.

Outside of the major exporting countries, there are a few other notable revisions to projected 2021/22 stock totals. **Turkey's** stocks are projected down by 788,000 mts to 3.3 mmmts, motivated by a reduction to beginning stocks based on smaller 2020/21 imports. **Morocco's** beginning and ending stocks in 2021/22 are similarly reduced by 400,000 mts based on revised 2020/21 trade. **Iran's** projected ending stocks are boosted 300,000 mts, driven by import revisions.

**Pakistan's** projected ending stocks are raised 300,000 mts to 4.9 mmmts based on stronger 2021/22 imports as the government has stated the goal of increasing its strategic reserves of wheat. Stronger imports for Pakistan in 2021/22 more than offset the effect of its beginning stocks being lowered 1.1 mmmts to 3 mmmts based on upward revisions to its consumption series.

Global ending stocks for 2020/21 are reduced this month by 3.3 mmmts to 290.2 mmmts, partly due to the aforementioned stock adjustment for Pakistan. Furthermore, **Australia's** ending stocks for 2020/21 are lowered 1 mmt to 4.4 mmmts as reserves are drawn lower to meet its higher export total. Stocks for the subsequent year are not adjusted because of the larger production.

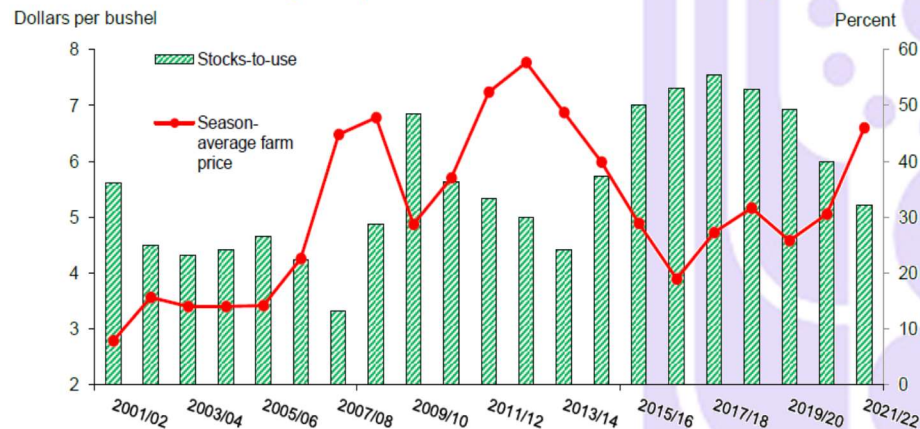
Many of the other by-country stock changes for 2020/21 are largely motivated by trade adjustments as the data are nearly completed for the marketing and trade years.

➤ **Production Cut for U.S. Durum, Other Spring Wheat Tightens Supply**

USDA - U.S. wheat supplies in the 2021/22 marketing year are cut nearly 5% this month on the dual influence of reduced carry-in from the 2020/21 marketing year and a sizable 152 mbus reduction in forecast 2021/22 production.

Lowered expectations for domestic supplies; projected to be the lowest since 2007/08 reduce both domestic and export use, lowering total utilization by 35 mbus.

**The U.S. wheat season-average farm price tends to rise as stocks-to-use ratio tightens**



Source: USDA, Economic Research Service calculations and USDA, World Agricultural Supply and Demand Estimates.

Despite the utilization cuts, the U.S. balance sheet and stocks-to-use ratio are further tightened this month, supporting a 10-cent-per bushel increase in the forecast season-average farm price to \$6.60 per bushel.

➤ **CME CBOT Wheat Futures**

A roller-coaster week for wheat across the futures complex showed white wheat prices hitting the \$9 mark for the first time since 2012, and hard red spring retreating from above \$10.

Drought impacts on the 2021 harvest across the Pacific Northwest are becoming more apparent, with discounts posted for high protein soft white and club premiums jumping to a dollar over white wheat as new crop club supplies dwindle.

The USDA reported weekly export sales at an improved pace for the third straight week, as U.S. wheat sales reached 17.4 mbus last week on the shoulders of a large Chinese purchase. Year-to-date sales stand at 279 mbus, which is 15% behind a year ago and 14% below the five-year average pace.

The top seller has been SRW at 6.8 mbus, and with 48 mbus in sales, 46% ahead of a year ago and 34% above average. HRW stands at 5 mbus in new sales to put commitments at 92 mbus, which is 25% behind a year ago and 20% below average. HRS sales came in at 4.2 mbus and with 84 mbus in bookings is now 13% behind a year ago and 11% below average. White wheat registered 1.4 mbus and with sales of 54 mbus, now 17% under last year and 22% below average.

China has been the big buyer of U.S. wheat last week, booking nearly 5 mbus of soft red winter, followed by the Philippines taking 4.5 mbus of mostly red protein wheat and Mexico buying 4.3 mbus.

Ukraine wheat export more than doubled vs last week. Cool temps across Russia and the Ukraine and mainly dry as harvest progresses. EU wheat conditions being watched. French harvest is slow to progress as rains continue.

FranceAgriMer data showed that French farmers had cut 14% of their 21/22 wheat crop through 7/19. That compared to a 67% harvest pace at the same point last season citing continued rain.

Russian grain harvest was 34.9 mmts through the 27<sup>th</sup> of July, with the Russian Ag Ministry expecting a total grain harvest of 127.4 mmts. Of that, they anticipate 81 mmts of wheat. The formulated Russian wheat export tax is set at \$31.40/mt for the coming week, down from this week's \$35.20/mt.



**CBOT September 2021 Wheat Futures** settled on Friday at \$6.84/bu, off 8¼ cents on the day, and down 8½ cents for the week.

SRW U/Z pushing wider, nearing -10 as no rainfall allows the last areas of SRW to move forward. Mill premiums still over delivery.



The weekly Commitment of Traders (CoT) report had CBOT spec traders at 3,770 contracts net short as of 7/20. That was a 84% reduction to their net short seen by short covering.

**Table 4: Supply and distribution of U.S. Soft Red Winter (SRW) wheat**

Attribute (million bushels, unless otherwise noted)	2017/18	2018/19	2019/20	2020/21	2021/22
Area planted (million acres)	5.8	6.1	5.2	5.6	6.4
Area harvested (million acres)	4.3	4.5	3.7	4.3	5.0
Yield (bushels per acre)	67.7	63.9	64.2	62.4	72.2
Beginning stocks	215.0	205.0	158.0	105.0	85.0
Production	293.2	285.6	239.8	266.2	362.0
Imports	4.3	4.6	3.5	4.9	5.0
Total supply	512.5	495.2	401.3	376.1	452.0
Food and seed use	165.6	161.6	158.7	160.5	162.0
Feed and residual use	50.8	47.6	45.2	62.0	75.0
Total domestic consumption	216.4	209.2	203.9	222.5	237.0
Exports	91.1	128.0	92.4	68.6	110.0
Total use	307.5	337.2	296.3	291.1	347.0
Ending stocks	205.0	158.0	105.0	85.0	105.0
Stocks-to-use (percent)	66.7	46.9	35.4	29.2	30.3

Source: USDA, Economic Research Service; USDA, World Agricultural Outlook Board.

U.S. Soft Red Winter (SRW) wheat, similar to HRW, is expecting larger area and improved yields (table 4). Conditions have been generally favorable for SRW harvest this year, although somewhat variable given the wide area over which the crop is produced.

Both exports and domestic use are expected to be stronger in the new marketing year. SRW is the only class that is forecast to have larger stocks in 2021/22.

**Kansas September 2021 HRW Wheat Futures** settled on Friday at \$6.46 /bu, off 7¼ cents on the day, and gaining 8½ cents for the week.

Premiums firm for HRW with Gulf paying +185 for 12's vs the Sept. Bid/Ask 180/190 for Sept and bid 180 OND with no offer. 11's 130/135 for Sept and 140 OND bid. KC scales mainly flat.

HRW spreads following the weaker tone as well as farmer continue to sell wheat. U/Z at -12 get hedges forward where needed as premiums should continue with the HRS/HRW relationship.

The weekly Commitment of Traders (CoT) report had KC wheat funds 27,745 contracts net long. That was a 6,078 contract stronger net long seen by a week of spec trader short covering.

**Table 2: Supply and distribution of U.S. Hard Red Winter (HRW) wheat**

Attribute (million bushels, unless otherwise noted)	2017/18	2018/19	2019/20	2020/21	2021/22
Area planted (million acres)	23.4	22.9	22.5	21.5	23.2
Area harvested (million acres)	17.6	16.9	17.3	16.0	17.1
Yield (bushels per acre)	42.5	39.1	48.9	41.3	47.0
Beginning stocks	589.3	580.9	515.8	506.4	426.3
Production	750.1	662.2	844.9	658.6	804.6
Imports	6.7	4.9	1.9	4.1	5.0
Total supply	1,346.2	1,248.1	1,362.6	1,169.1	1,235.9
Food and seed use	417.2	408.8	402.3	399.0	417.0
Feed and residual use	(25.5)	(8.4)	76.3	1.6	90.0
Total domestic consumption	391.8	400.4	478.6	400.6	507.0
Exports	373.5	331.9	377.6	342.2	360.0
Total use	765.2	732.3	856.3	742.8	867.0
Ending stocks	580.9	515.8	506.4	426.3	368.9
Stocks-to-use (percent)	75.9	70.4	59.1	57.4	42.5

Source: USDA, Economic Research Service; USDA, World Agricultural Outlook Board.

U.S. Hard Red Winter (HRW) is projected by the USDA in July to have larger production in 2021/22 with both area and yield seen rebounding from the previous year (table 2). Conditions for HRW were generally favorable this year, but there are some indications that the wetter weather that boosted yields this year may have caused a slight reduction in protein in some areas, based on harvest activity to date.

Consumption and exports of this class are both projected larger in 2021/22, resulting in a reduction in stocks.

The HRW stock level is projected to be the tightest since 2014/15 and the stocks-to-use ratio is forecast as the lowest since 2013/14.

## CME KC HRW Wheat Futures

Symbol: @KWU1  [Future Symbol Search](#)

Last: 646'0 | Chg: -76 | Open: 650'0s | High: 660'4 | Low: 639'2

Current Month: @KWU1

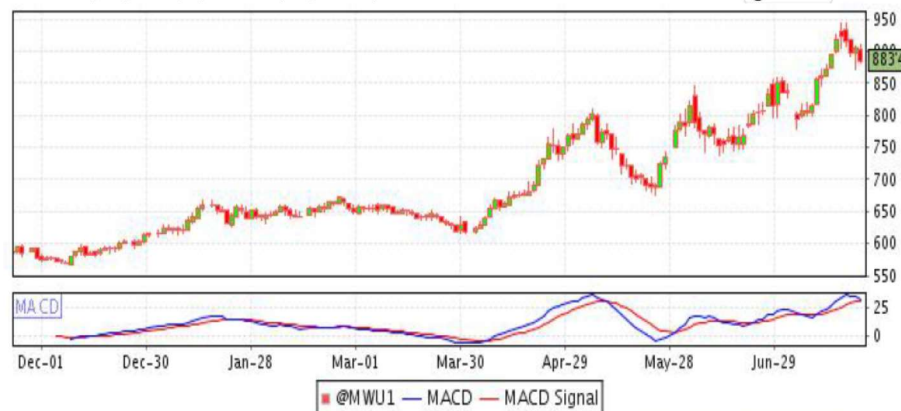


## ➤ MGE HRS Wheat Futures

Symbol: @MWU1  [Future Symbol Search](#)

Last: 883 1/4 | Chg: -20 1/4 | Open: 903 3/8 | High: 909 1/4 | Low: 882 1/4

Current Month: @MWU1



**MGE September 2021 HRS Wheat Futures** settled on Friday at \$8.83 1/2/bu, off 20 1/2 cents on the day, and dropping 40 3/4 cents for the week.

Canadian conditions remain dry, not helping the HRS crop. Wheat Quality tour next week across N Plains. HRS U/Z inverse seems to be doing the job moving wheat.

The weekly Commitment of Traders (CoT) report data for spring wheat showed new spec sellers reducing the groups net long by 122 contracts to 8,860.

USDA reported that the spring wheat area in a drought has increased to 99%. The 7-day QPF from NOAA shows complete dryness for the PNW. The Dakotas are expected to get less than an inch over the coming week, with dryness in MN limiting rainfall to less than 1 1/2" in a few isolated pockets. That is likely too late to save much of the crop

**Table 3: Supply and distribution of U.S. Hard Red Spring (HRS) wheat**

Attribute (million bushels, unless otherwise noted)	2017/18	2018/19	2019/20	2020/21	2021/22
Area planted (million acres)	10.5	12.7	12.0	11.5	10.9
Area harvested (million acres)	9.7	12.4	11.0	11.1	10.5
Yield (bushels per acre)	39.8	47.3	47.2	47.7	29.2
Beginning stocks	235.0	191.0	263.0	280.0	235.0
Production	384.2	587.0	519.9	530.2	305.4
Imports	88.0	67.3	52.2	46.9	70.0
Total supply	707.2	845.3	835.1	857.0	610.4
Food and seed use	272.0	271.6	283.4	278.0	266.0
Feed and residual use	15.0	51.9	2.6	60.1	5.0
Total domestic consumption	286.9	323.5	286.0	338.1	271.0
Exports	229.3	258.8	269.1	284.0	220.0
Total use	516.2	582.3	555.1	622.0	491.0
Ending stocks	191.0	263.0	280.0	235.0	119.4
Stocks-to-use (percent)	37.0	45.2	50.4	37.8	24.3

Source: USDA, Economic Research Service; USDA, World Agricultural Outlook Board.

The USDA July forecast of the production of Hard Red Spring (HRS) is down significantly this year because of the widespread drought in the Northern Plains (table 3). Yields for spring wheat are the lowest since 2002 coupled with higher levels of abandonment than the 5-year average.

With beginning stocks also tighter than last year, total supplies are projected down 29% from the previous year, even when accounting for higher imports expected from Canada. Exports, which are mainly shipped out of the Pacific Northwest (PNW) and destined for Asian markets, are down 23%. With both U.S. and Canadian spring wheat exports expected to be lower in 2021/22, buyers of high-protein wheat must seek other sources, with Australia being the most likely origin. HRS stocks are forecast to be the smallest since 2007/08.

**Table 5: Supply and distribution of U.S. White wheat**

Attribute (million bushels, unless otherwise noted)	2017/18	2018/19	2019/20	2020/21	2021/22
Area planted (million acres)	4.1	4.1	4.1	4.1	4.3
Area harvested (million acres)	3.8	3.8	3.9	3.9	4.1
Yield (bushels per acre)	67.5	71.3	69.5	77.6	58.2
Beginning stocks	105.0	87.0	88.0	95.0	70.0
Production	258.6	272.4	273.4	302.0	236.8
Imports	7.5	5.7	5.5	7.0	5.0
Total supply	371.1	365.1	366.9	404.0	311.8
Food and seed use	90.3	90.2	90.6	90.5	90.5
Feed and residual use	(0.7)	(9.7)	(6.6)	(25.0)	-
Total domestic consumption	89.6	80.5	84.0	65.5	90.5
Exports	194.5	196.5	187.9	268.5	170.0
Total use	284.1	277.1	271.9	333.9	260.5
Ending stocks	87.0	88.0	95.0	70.0	51.3
Stocks-to-use (percent)	30.6	31.8	34.9	21.0	19.7

Source: USDA, Economic Research Service; USDA, World Agricultural Outlook Board.

U.S. white wheat production is down 22 percent in 2021/22, mainly because of dry conditions in the PNW region (table 5).

Soft white wheat (SWW) grown in that region generally represents the bulk of total white wheat production. In addition to production being down substantially, beginning stocks of this class are already estimated to be the smallest in more than 5 years.

Overall supplies of this class are estimated down 23 percent from last year. Exports of SWW are normally destined for key customers in Asia, but 2020/21 shipments were especially robust because of abnormally strong demand from China.

This year's drought conditions in the in the PNW make it more likely that the harvested wheat will have a higher protein content.

Exports of white wheat overall are expected to be the smallest in 5 years, with ending stocks for that class projected as the tightest since 2013/14.



**Table 6: Supply and distribution of U.S. Durum wheat**

Attribute (million bushels, unless otherwise noted)	2017/18	2018/19	2019/20	2020/21	2021/22
Area planted (million acres)	2.3	2.1	1.3	1.5	1.5
Area harvested (million acres)	2.1	2.0	1.2	1.4	1.4
Yield (bushels per acre)	26.0	39.5	45.9	47.7	25.8
Beginning stocks	36.3	34.9	55.0	41.9	27.5
Production	54.8	78.0	54.0	68.8	37.2
Imports	51.4	52.0	40.7	37.3	60.0
Total supply	142.5	164.9	149.6	148.1	124.8
Food and seed use	82.5	81.8	86.9	93.0	89.5
Feed and residual use	7.5	6.4	(21.1)	(0.7)	-
Total domestic consumption	89.9	88.1	65.8	92.3	89.5
Exports	17.7	21.8	41.9	28.2	15.0
Total use	107.6	110.0	107.7	120.5	104.5
Ending stocks	34.9	55.0	41.9	27.5	20.3
Stocks-to-use (percent)	32.5	50.0	38.9	22.8	19.4

Source: USDA, Economic Research Service; USDA, World Agricultural Outlook Board.

U.S. Durum imports are expected to surge in 2021/22, with Canada as the likely source for the imports in grain form. Durum imports also include grain in the form of pasta products, about half of which is from Italy. U.S. exports are projected to drop off with limited supplies.

During the period of COVID-related lockdowns, pasta demand was strong, which supported elevated domestic use of durum in both 2019/20 and 2020/21. Durum consumption is expected to be down from 2020/21, but still robust.

Ending stocks of this class are projected as the smallest since 2007/08.

## COARSE GRAINS

### ➤ World Coarse Grain Trade Reduced, U.S. Corn Exports Projected Higher

USDA - The July forecast for world coarse grain exports for the October-September international trade years of 2021/22 is lower than projected in June. Global corn and sorghum exports are reduced, while barley trade is projected higher.

World **corn** trade is reduced 1.9 mmts to 194.3 mmts for the **2021/22** trade year and 0.8 mmts to 184.3 mmts for the current **2020/21** trade year.

A further reduction in Brazilian second-crop corn production for the 2020/21 crop year is expected to weigh down on Brazilian exports. For the local Brazilian March-February 2020/21 marketing year, corn exports are reduced 5 mmts. The second-crop corn in Brazil is marketed from July through February next year and a reduction in Brazilian corn exports is split between the two international October-September trade years: the last 3 months of 2020/21 and the 5 months stretching into 2021/22.

Consequently, corn exports from Brazil are projected lower for both the **2020/21** and for **2021/22** trade years; down 2 mmts to 30 mmts and 3 mmts to 37 mmts, respectively.

Given these reductions, corn imports are cut for the two top destinations of Brazilian corn exports—**Iran** and the **European Union** (mainly **Spain, Italy, and Portugal**)—for both trade years.

For the **2021/22** projection year, **U.S** exports are projected 1 mmts higher to reach 63 mmts (*50 mbus to 2,500 mbus for the September-August local marketing year*).

Further reductions in projected corn supplies and exports by Brazil this month are expected to support U.S. exports during the latter part of 2020/21 and the first part of 2021/22, when Brazil will be exporting second-crop (safrinha) corn, which is currently being harvested.

Higher corn output, coupled with reduced competition from Brazil, is expected to boost the **U.S.** 2021/22 share in global corn trade to 32%; with gains in such Asian countries as **Japan, Taiwan, and South Korea**, that import corn from both United States and Brazil. Increased corn production in **Russia** supports higher export prospects, up 0.3 mmts to 4.4 mmts.

## CORN

### ➤ USDA – Global Corn Trade

USDA - For the current **2020/21** trade year (ending in September 2021), a 2 mmts reduction in **Brazilian** corn exports is partly offset by higher projected exports for **Argentina**, up 1.5 mmts to reach 33.5 mmts; supported by an increase in 2020/21 corn production and highly competitive prices. Reduced corn output for the same year in **Paraguay** trims its export prospects 0.1 mmts to 2.6 mmts. Corn exports from **Mexico** are also cut 0.2 mmts to 0.7 mmts, based on pace of recent sales and shipments.

For the **2020/21** international October-September trade year, **U.S.** corn exports are unchanged at an all-time record of 73 mmts, an almost 40% share of the year's global corn trade. This is a robust share for current times and the highest since 2017/18, a year when all three other major corn exporters; Brazil, Argentina, and Ukraine, had weather-related crop production problems.

### ➤ Safra & Mercado 2021/22 Brazilian Corn Estimates

Michael Cordonnier/Soybean & Corn Advisor, Inc. - Last Friday, Safra & Mercado released their first estimates for the 2021/22 corn crops in Brazil.

Estimated were or the full-season corn acreage to increase 1.2% to 4.4 million hectares (10.8 million acres) and the production would be 25.6 mmts.

The safrinha corn acreage was estimated at 14.4 million hectares (35.5 million acres) with a production of 84.8 mmts.

Brazil's total corn production in 2021/22 was estimated at 122.6 mmts compared to their current estimate of 90.4 mmts for the 2020/21 crop.

## ➤ CME CBOT Corn Futures



**CME Corn December 2021** new crop contract settled on Friday at \$5.43 5.52, off 18¼ cents on the day, and losing 9 cents for the week. CZ 100-Day MA is \$5.35½.

COT funds are long 223k corn +15k. CFTC data as of Tuesday's close showed that net new spec buying paired with managed money short covering extended the group's net position by 14,503 contracts to 223,302 net long. That is 74% of total managed money OI, itself a 3-week high. As for commercials, the new net selling outmatched the new buying, for a 6,289 contract stronger net short now at 504,166 contracts.

Notable corn ratings last Monday saw improvement in IL, KS, IA, MI, MO and NE the past week but were they enough to counter drops in SD, WI, ND, OH and TX with the latter tumbling 10 points? Probably not... Once corn has finished pollinating, and the state fair is over, perhaps we will start to see a little more farmer give-up selling. The new crop picture remains the same.

Near-term forecast is hot and the market will be watching the radar closely to replenish moisture. Mid-day GFS was wetter for southeast SD, IA and MN, which added to today's pressure. The Sunday night weather forecast could cause a sharp move in futures.

More talk the Brazil corn crop being around 86 mmts, down over 17+ mmts (17%). This suggests a drop in Sep-Jan exports from 23.6 mmts last year, to 17.8 or so this year. Or about 225 mbu of potential added export demand for other origins.

BAGE reported Argentina's corn harvest had reached 72%, which compares to the average pace of 62% harvested.

The markets have been experiencing poor export sales this past month, as perhaps world end-users do not care for the flat price or high ocean freight.

The old crop basis is a mixed story with some ethanol plants paying pushes, while others are pulling bids due to the poor margin structure. Big picture, the market is telling us to stay on the short side of the basis.

NOAA's updated 7-day QPF shows the next week is likely to dry up some during pollination. There are a few scattered pockets in MN, Northern WI, the Northern corner of IL/IN, and a small pocket in the S.E. corner of NE - none of which are expected to amount to more than 1 1/2" accumulated.

## ETHANOL

### ➤ CME Ethanol Futures



**CME Ethanol August 2021** closed on Friday at \$2.15500 2.18000/gallon, up 2.500 cents on the day, but off 2.500 cents for the week.

Spot gross cash crush is in the 10th percentile since 2009. The slow down will hopefully start to be seen in the weekly EIA production. This led to chatter of firmer DDG values.

This week, a bipartisan bill called the "Corn Ethanol Mandate Elimination Act" was introduced by Senators in California, Pennsylvania, New Jersey and Maine. The new bill aims to amend the Clean Air Act to remove the corn-based ethanol mandate. The senators claim there are more advanced alternatives available that won't contribute to climate change. So far, the bill only has 2 democrat and 2 republican sponsors, which isn't enough to advance it very far and limits the risk on corn demand. However, the bill does reflect the eroding political support which could become a persistent battle for the ethanol industry.

Wednesday's Energy Information Administration report showed domestic ethanol plant production fell for a second week, falling 13,000 barrels per day (bpd) or 1.2% to a five-week low 1.028 million bpd. Four-week average output was at 1.048 million bpd, down 5,000 bpd from the four-week average the prior week.

Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ended July 22<sup>nd</sup> was 87.79% versus the three-year average of 110%. The value of DDG relative to soybean meal was 48.73% versus the three-year average of 42%. The cost per unit of protein for DDG was \$6.56, compared to the cost per unit of protein for soybean meal at \$7.65.

The DTN average price for domestic distillers dried grains (DDG) from 33 locations reporting for the week ended July 22 was \$177/ton, up \$7 from one week ago.

Prices turned the corner finally and moved higher on average as the cash corn price is nearly unchanged versus last week, while cash soybean meal is slightly higher than last week.

The demand in the export market this past week is also helping DDG prices firm. In their weekly DDGS export price update, the U.S. Grains Council said, "Export demand for DDGS has picked up this week with Barge CIF NOLA offers up \$10/mt and FOB Gulf offers up \$16/mt for August shipment and up \$10-13/mt for deferred positions. August DDGS are offered at \$236/mt this week with October/November offers near \$265/mt.

The Southeast Asia market has been active with early-week trades in the low \$300s supporting offers. Offers for 40-foot containers for shipment to Southeast Asia are up \$11/mt this week at \$311."

## BARLEY

### ➤ **Global Barley Market to Reach \$24.7 Billion by 2027**

*ResearchAndMarkets.com* - Amid the COVID-19 crisis, the global market for Barley estimated at US\$21.5 Billion in the year 2020, is projected to reach a revised size of US\$24.7 Billion by 2027, growing at a CAGR of 2% over the analysis period 2020 to 2027.

Malt Grade, one of the segments analyzed in the report, is projected to record a 2.3% CAGR and reach US\$9.7 Billion by the end of the analysis period. After an early analysis of the business implications of the pandemic and its induced economic crisis, growth in the Feed Grade segment is readjusted to a revised 1.7% CAGR for the next 7-year period.

**The U.S. Market is Estimated at \$5.8 Billion, While China is Forecast to Grow at 3.9% CAGR** - The Barley market in the U.S. is estimated at US\$5.8 Billion in the year 2020. China, the world's second largest economy, is forecast to reach a projected market size of US\$4.8 Billion by the year 2027 trailing a CAGR of 3.9% over the analysis period 2020 to 2027. Among the other noteworthy geographic markets are Japan and Canada, each forecast to grow at 0.3% and 1.4% respectively over the

2020-2027 period. Within Europe, Germany is forecast to grow at approximately 0.8% CAGR.

**Food Grade Segment to Record 1.8% CAGR** - In the global Food Grade segment, USA, Canada, Japan, China and Europe will drive the 1.5% CAGR estimated for this segment. These regional markets accounting for a combined market size of US\$2.7 Billion in the year 2020 will reach a projected size of US\$3 Billion by the close of the analysis period.

China will remain among the fastest growing in this cluster of regional markets. Led by countries such as Australia, India, and South Korea, the market in Asia-Pacific is forecast to reach US\$3.3 Billion by the year 2027, while Latin America will expand at a 2.5% CAGR through the analysis period.

### ➤ **USDA – Global Barley Trade**

USDA – Global barley trade is projected higher this month for both the 2021/22 and 2020/21 October-September trade years. With higher 2021/22 projected barley output for Australia and Ukraine, but lower for the European Union, exports are increased 0.9 mmts for Australia and 0.1 mmts for Ukraine; and reduced 0.3 mmts for the E.U.

The robust pace of barley sales and shipments supports increases for Australia and the European Union for the current 2020/21 trade year, up 0.7 and 0.6 mmts, respectively.

With higher barley exports projected for Australia, barley imports are raised for both years for Thailand and Vietnam, the two major export destinations for Australian barley exports since Australia shifted away from China, its previous major foreign market.

Barley imports for the 2020/21 trade year are also projected higher for China and Iran, mainly from the European Union; these countries' typical major supplier.

Barley imports for Canada are reduced, following a decline in U.S. supplies, and are expected to be fractional in 2021/22.

### ➤ **Less Wheat, Barley, and Oats Tighten Feed and Residual Outlook**

USDA - Feed and residual for all grains (corn, sorghum, barley, oats, and wheat) is projected at 151.6 mmts for 2021/22; increased from the previous month's projection of 151.3 mmts.

Raised feed and residual for corn outweigh the reduction to wheat, barley, and oats.

Total grain feed and residual is expected to be lower year over year; down 1% from the 2020/21 estimate of 153 mmts; the result of tighter global grain markets.

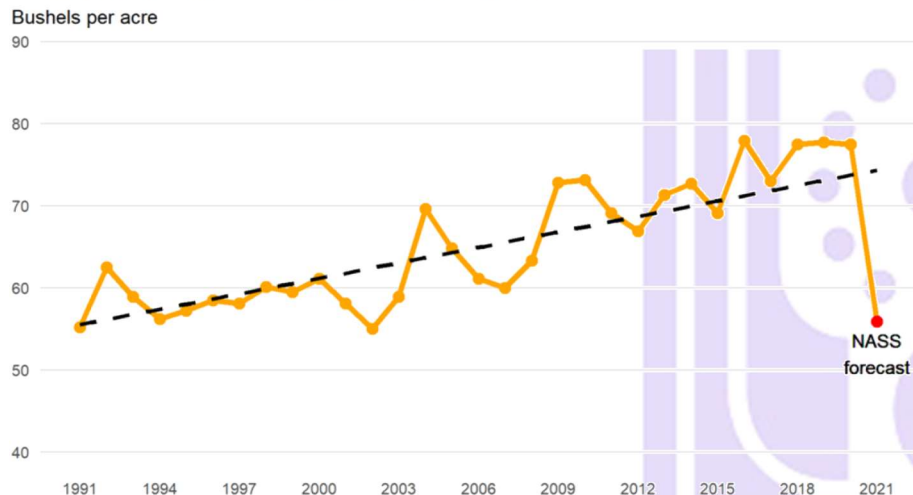
### ➤ **U.S. Barley Production to Decline Substantially in 2021/22**

USDA - U.S. barley production for 2021/22 is projected to be 114 mbus, according to NASS's *July Crop Production* report published on July 12<sup>th</sup>.



NASS projects national barley yields at 55.9 bus/acre and 2 million acres of harvested area. If realized, the national barley yield would be the lowest national average yield since 2002/03. The yield forecast is the result of NASS's first survey-based yield for this year's barley crop.

#### Barley yields, United States, 1988 to 2021 July forecast



Source: USDA, National Agricultural Statistics Service.

The biggest yield reductions are found in the Northern Plains and Northwest States; including the largest-producing States of North Dakota, Montana, and Idaho. These States have been greatly affected by drought conditions that have persisted in the Western part of the country.

According to the USDA *Drought Monitor* through July 6<sup>th</sup>, the 3 most severe drought categories (severe, extreme, and exceptional) account for 51% of the Idaho's crop, 41% of Montana's, and 95% of North Dakota's.

## GRAIN SORGHUM

### ➤ USDA – Global Grain Sorghum Trade

USDA – Global **sorghum** trade for the 2021/22 October–September trade year is projected slightly lower this month, down 0.2 mmts to 11.9 mmts.

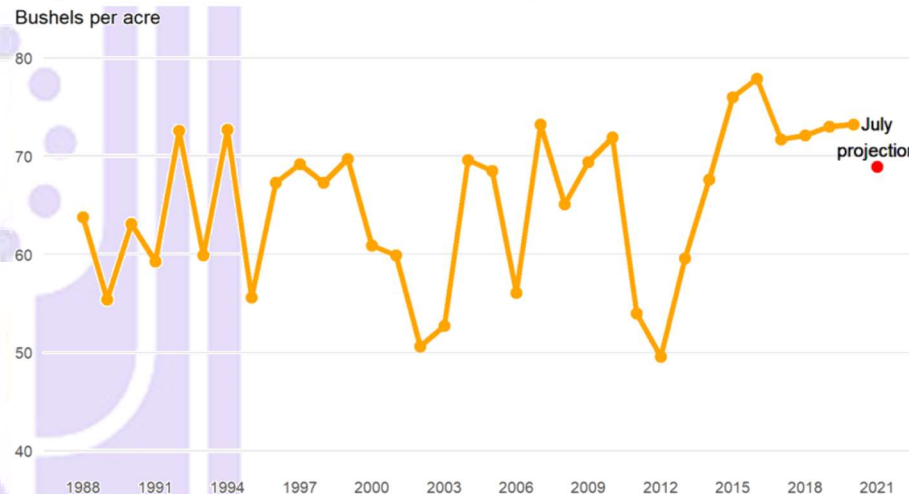
Tighter sorghum supplies and reduced exports for the **United States**, down 0.7 mmts, is partly offset by higher export flow from **Argentina** to **China**.

This is a comparatively recent development, as China becomes more accustomed to a large volume of sorghum imports from Argentina. As a result, China's sorghum imports for 2021/22 are reduced by just 0.2 mmts to 9.8 mmts.

### ➤ U.S. Grain Sorghum Production Lowered, Exports Reduced for 2021/22

USDA - Lower sorghum supplies in the July WASDE result in a tighter market outlook for 2021/22. U.S. sorghum production for 2021/22 is projected to total 399 mbus, a 28 mbus reduction from the June projection, due to the first survey-based forecast of harvested acres published in the *Acreage* report.

#### Sorghum yields, United States, 1988 to 2021 projection



Source: USDA, National Agricultural Statistics Service.

Yield projections remain virtually unchanged at 69.0 bus/acre, based on the 20-year median. Lower production is combined with a 5 mbus reduction in beginning stocks, to result in total supplies 33-million bushels lower than the previous month, totaling 412 mbus.

Total use estimates for 2020/21 are raised 5-million bushels to 390 million bushels. The increase is due to higher estimated feed and residual, now forecast at 75 million bushels. The most recent NASS *Grain Stocks* report estimated June 1 sorghum inventories at nearly 41 million bushels for the current year—down from 73 million bushels the same period the previous year. The drawdown of inventories between March 1 and June 1 shows that there has been a strong rate of domestic usage (and specifically for feed and residual, as minimal use of sorghum for fuel ethanol continued through May), in addition to the strong pace of exports that has been witnessed thus far in the 2021/22 marketing year.

The reduced supply outlook for 2021/22 results in fewer supplies available for export. Sorghum export projections for the year are lowered 30 million bushels from the previous month's report, totaling 320 million bushels. That reduction would still represent a 5-percent increase from the current 2020/21 estimate of 305 million

bushels. Ending stocks for 2021/22 are projected at 17 million bushels, a 3-million-bushel reduction from the June WASDE.

The season-average farm price for sorghum is projected at \$6.00 per bushel—a \$0.10 reduction from the previous month, primarily due to the lowered price outlook for corn. Sorghum prices remain high by historical standards, due to the tight market outlook.

## OATS

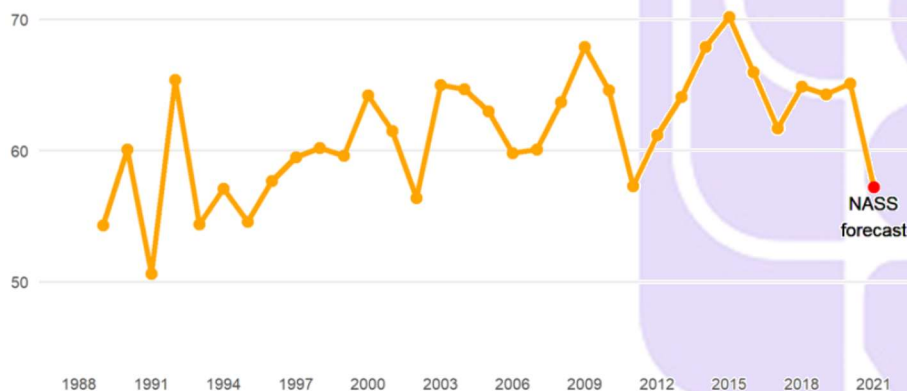
### ➤ U.S. Oat Production Projections Reduced for 2021/22

USDA - NASS forecasts 2021/22 oat production at 41 mbus in the July *Crop Production* report; a 12 mbus decrease from the June WASDE projection.

The reduction is due to lower yields and, to a lesser extent, reduced harvested area forecast by NASS.

#### Oat yields, United States, 1988 to 2021 projection

Bushels per acre



Source: USDA, National Agricultural Statistics Service.

11

Feed Outlook, FDS-21g, July 14, 2021  
USDA, Economic Research Service

NASS reported that ending stocks for 2020/21 are estimated at 38 mbus in the June 30<sup>th</sup> *Grain Stocks* report; a 1 mbus reduction from the previous month's WASDE. With ending stocks known, feed and residual for 2020/21 is currently estimated at 67 mbus, 3 mbus less than estimated in the previous month's forecast.

For 2021/22, feed and residual projections 2021/22 are reduced 10 mbus to 65 mbus; and food, seed, and industrial use is reduced 1 mbus to 79 mbus, due to the lower production outlook.

The season-average farm price for 2020/21 is \$2.77 per bushel, as reported by NASS through the end of the marketing year in May; \$0.02 above the previous month's forecast.

U.S. ending stocks for 2021/22 are reduced 5 mbus to 25 mbus, due to the updated supply and use outlook. The season-average farm price remains unchanged; although higher on an annual basis, at \$3.60 per bushel.

## OILSEEDS COMPLEX

### ➤ China's June soybean imports from Brazil fall as demand wanes

Reuters - China's soybean imports from Brazil edged down in June from a year earlier, customs data showed on Tuesday, as poor crushing margins weighed on demand.

China, the world's top buyer of soybeans, brought in 10.48 mmts of the oilseed from top supplier Brazil, slightly down from 10.51 mmts the previous year, a record high, according to customs data.

The fall came as Brazilian soybean exports to China slowed as demand in the world's top market weakened on plunging crush margins.

The figures were still up by 14% from 9.23 mmts in May, as demand continued to be supported by the country's recovering pig herd, data from the General Administration of Customs showed.

Appetite for the oilseed was not as strong as expected, however, as declining hog margins weighed on demand for soymeal, the main protein in animal feed. Chinese crushers import soybeans to crush into soymeal to feed livestock, and soyoil for cooking oil.

Meanwhile, China shipped in 54,806 mts of soybeans from the United States in June, its second largest soybean supplier, down 80% from 267,553 mts in the same month last year.

### ➤ India's soybean planted area upgraded to 10m ha, lower on the year

India's new soybean crop planted area is estimated at 10.4 million hectares, 12% lower on the year but 20% above the latest estimates set forth by the government, SOPA, the soybean processors association of India, said Friday.

"In [the main producing state] Madhya Pradesh, soybean area is expected to reduce by 10% as compared with 2020, as farmers have switched to other crops... mostly due to higher price of seed and non-availability of good quality certified seed," SOPA said on a press release.

SOPA estimates planted area in Madhya Pradesh will decline from 5.8 million hectares in 2020 to 4.8 million hectares in 2021.

Meanwhile, SOPA's data shows that planted area in the second main producing state Maharashtra is expected to lift by over 15% on the year to 4.2 million mt.

In 2020, India produced 10.4 million mt of soybeans and no estimates have yet been set forth for the new crop when below-average rainfall volumes may threaten yields.

"There are concerns of moisture stress in some areas, mostly in Madhya Pradesh and Rajasthan, where early sowing was done," SOPA said.

The association added that "if it does not rain soon, it may cause yield loss" but concluded saying "it is too early to make any comments on yields at the moment."

### ➤ **EU imports of oilseeds and vegoils show significant lag**

Soybean imports into the European Union during the week to July 18<sup>th</sup> dropped to 192,285 mts, bringing total imports for the first three weeks of the new 2021/22 season to 508,340 mts, down 37% on the year, data from the European Commission showed Tuesday.

The Netherlands was the number one importer of soybeans at 69,497 mts, followed by Denmark at 53,720 mts, Spain with 36,916 mts.

Weekly soymeal imports into the EU were 233,481 mts, with the lion's share delivered into Poland (63,165 mts), followed by the Netherlands (57,766 mts) and Denmark (54,229 mts). That took the 2021/22 meal import figure to just over 554,028 mt, down 46.6% on the year.

European imports of palm oil sank 46.3% on the year to 180,088 mt, while weekly imports were 100,422 mts. The bulk of the volume was delivered to the Netherlands (59,394 mts), and Spain (29,732 mts).

## SOYBEANS

### ➤ **Safras & Mercado 2021/22 Brazilian Soybean Estimates**

Michael Cordonnier/Soybean & Corn Advisor, Inc. - Last Friday, Safras & Mercado released their first estimates for the 2021/22 soybean crops in Brazil.

For soybeans, they estimated that the acreage would increase 2.3% to 39.82 million hectares (98.3 million acres) and that the production would increase 3.7% to 142.2 mmts.

### ➤ **CME CBOT Soybeans Futures**

Weatherwise, the weekend is expected to be on the warmer side, with only chances of rain in the Northwest, while the East has good chances of  $\frac{3}{4}$  -  $1\frac{1}{2}$ " by next Friday.

Chinese SBM stocks for the week ending July 16<sup>th</sup> were up 20% year-to-year as weak pork prices hamper soybean meal demand. Where did the demand go? Has ASF returned? Are they pushing hogs to processing ahead of their normal weight/time?

CNG&OIC reported weekly China crush 50 K lower last week at 1.73 mmts, nearly 14% less than the corresponding 2020 level. At the current pace, crush is running about 10 mmts below the USDA's 100 mmts forecast for 2021/22

It is highly likely the Chinese will be back for soybeans late first quarter and it's a good bet they will be heavy buyers, but until then, the spreads may have a weak effect on down futures days. Especially if the Q/U, or U/X is allowed to leak.



New crop **CME November 2021 Soybean Futures** settled on Friday at \$13.51 $\frac{3}{4}$ /bu, down 10 $\frac{1}{2}$  cents on the day, and losing 40 cents for the week.

The nearby CME August contract was the sharpest drop, settling at a 51 cent premium to new crop values at \$13.99 $\frac{1}{2}$  /bu. August Options expired on Friday with futures settling at \$14.01, putting \$14.00 Calls in the money.

CFTC's weekly CoT report showed soybean specs were net buyers on the week ending the 20<sup>th</sup> of July. The 11k new longs moved the group's net position 13,101 contracts more long to 95,874 contracts. Commercial soybean traders added 18,918 hedge positions bringing their net short back up to 170,796 contracts.

The CME soy crush ratio pulled back for old crop's August crush, but was otherwise +1/bushel for the crushes through at least May '22. USDA's biodiesel price for the week ending 7/23 was down by 11 cents to \$5.89/gal (IA). Going into the weekend, soymeal prices were 2.7% weaker with a \$10/ton drop in October contracts. Soybean oil held up the complex, closing 66 to 115 points in the black.

River Basis values are still sharply above DVE for the Aug, FH Sept time frame. Gulf shipments, at the moment are not supporting the spreads, as Unshipped export sales of soybeans are down 60% vs last year; and unshipped sales to unknown destinations are down 67% vs last year. Nearby export shipments or sales do not feel robust.

No definitive signs that soybean export demand is begging to pick-up. The latest four-week average for barge loadings continues to languish around 4.3 mbus per week



However, USDA reported on Friday 100 kmts of 2020/21 soybeans sold to Mexico. Brazil's July soybean shipments to China are approaching 4.1 mmts, about 2 mmts less than the comparable year-ago level

Sunday night 10-14 day weather forecast will determine early direction in crop prices. A review those maps on Sunday night will determine most likely whether the market direction for the market early next week.

### CANOLA / RAPESEED



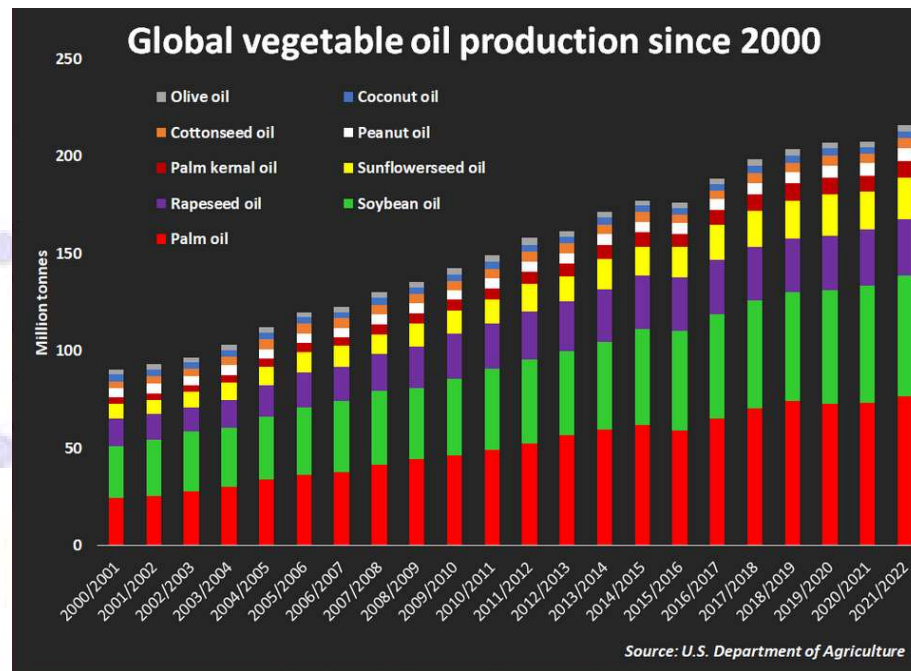
New crop **ICE November 2021 Canola Futures** settled on Friday at C\$883.40/mt, up C\$2.10 on the day, but losing \$34.10 for the week.

### VEGETABLE OILS

*GHA: I thought this recent chart helped to put world vegetable oil production over the past 22 years into a comparative perspective. It is also interesting to note that world production has doubled in 20 years.*

*From a demand perspective, it would appear that growth in renewable fuels from Biodiesel and proposed Aviation fuels, demand will continue to outstrip production for a few more years.*

*At the moment at least four new soybean crushing plants being planned in the U.S., with two currently under construction. Four of these are not from existing U.S. crushers. Each of these has between \$350-\$400 million cash in hand and have smart and experience commodity people closely involved.*



Source: U.S. Department of Agriculture

### CME Soybean Oil



**CME August 2021 Soybean Oil Futures** settled on Friday at \$65.66/cwt, up \$0.66 on the day, but losing \$2.65 for the week.

CFTC's weekly CoT report showed soybean oil spec traders were also shifting out of shorts into longs for a net build of 8,220 contracts to 57,147 net long.

➤ **China Jan-Jun soyoil imports surge 95%, crush margins turn negative**

China's soyoil imports reached 662,000 mts in the first half of 2021, almost doubling from the same period a year ago on the back of strong demand for the soft oil while soybean crushing margins in China remained negative, data from China's General Administration of Customs (GACC) showed.

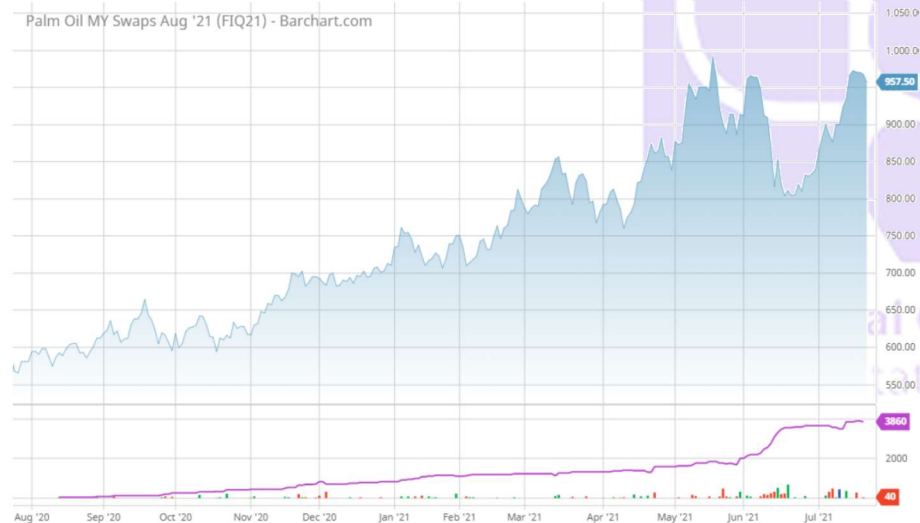
Soyoil import volumes for the six months of this year have totaled 662,000 mts, a jump of 95% from 338,000 mts on the same period last year, and the highest level since 2009, according to GACC.

The largest suppliers were Argentina, with imports totaling 280,000 mts over the period, followed by Brazil with 219,000 mts over the period, both representing about 42% and 35% of the total imports from China, respectively.

Crush margins remain negative in China, for all origins, supporting the import of soyoil at the expense of beans to be imported and crushed to obtain the oil and meal.

At the same time, the GACC data showed a sharp increase in soymeal imports in the first half of the year totaling 55,600 mt, at a jump of over 300% on the same period last year, as demand from the feed sector remains robust.

➤ **CME Palm Oil Swaps**



**CME August 2021 Palm Oil Swaps** settled at \$957.50/mt on Friday, off \$10.25/mt on the day, and losing \$9.75 for the week.

➤ **Palm rises over 2%, set for fifth weekly climb on India buying**

**Reuters** - Malaysian palm oil futures jumped more than 2% on Friday and were set for a fifth consecutive weekly gain, buoyed by strong demand from top buyer India amid concerns over tight production.

The benchmark palm oil contract for October delivery on the Bursa Malaysia Derivatives Exchange gained 98 ringgit, or 2.38%, to 4,219 ringgit (\$999.29) /mt by the midday break. Palm has risen nearly 2% so far this week and is on course for its longest weekly gaining streak since mid-June 2020.

"We have seen the Indian palm demand more focused on Indonesia recently on higher supply levels and improved discounts," said Marcello Cultrera, institutional sales manager and broker at Phillip Futures in Kuala Lumpur.

Indonesia crude palm oil prices, which were two weeks ago at levels similar to those in Malaysia, are now at a \$30 discount, Cultrera said, adding production in the world's largest producer was also improving. A labor shortage and coronavirus restrictions are clouding the palm oil production outlook in No. 2 producer Malaysia, dimming hopes of a large rise in output in the seasonal peak months during the third quarter of the year.

Dalian's most-active soyoil contract fell 0.3%, while its palm oil contract slipped 0.8%. Soyoil prices on the Chicago Board of Trade were down 0.4%.

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

Palm oil may fall to 4,009 ringgit/mt, as it failed a few times to break a resistance at 4,164 ringgit, Reuters technical analyst Wang Tao said.

**PLANT PROTEIN MEALS**

➤ **CME CBOT Soybean Meal**



**CME August 2021 Soybean Meal Futures** settled on Friday at \$353.60/short ton, off \$9.60/ton on the day, but dropping \$9.60/ton for the week.

CFTC's weekly CoT report showed soymeal spec traders were 4,793 contracts more net long to 21,497. That came with near equal short covering and new buying.

➤ **China's soybean imports to slow over rest of 2021 on curbed meal use**

Reuters - China's soybean imports are set to slow sharply in late 2021 from a record first-half tally, confounding expectations for sustained growth from the top global buyer and denting market sentiment just as U.S. farmers look to sell their new crop.

A collapse in hog sector profitability and a sharp rise in wheat feed use are crimping demand in China, where imports this year may now be less than 100 mmts, compared with a recent U.S. forecast of 102 mmts.

As China accounts for 60% of global soybean imports, its diminished appetite, just as U.S. farmers pull in what is projected to be their third-largest harvest ever, stands to add further volatility to the critical crop, which rallied to nine-year highs this year.

"Soymeal demand is reaching rock bottom. Basis is now at minus 120 yuan (in northern China), lowest this year. Demand might come back up, but it sucks now," said a manager with a crusher in northern China that processes two cargoes of soybeans on average per month. "We can't really place orders to make purchases. The volume of U.S. soybean exports will surely be affected."

His plant only had one cargo booked for August, while normally it would have been fully booked until after October. As it stands, crushers in key soy processing hub Shandong would lose nearly 400 yuan with each tonne of the oilseed crushed.

China imported a record 48.95 mmts in the first half of 2021, up nearly 9% on the year as hog herds recovered from a deadly disease outbreak and top producer Brazil shipped a record crop. Now, however, demand is stumbling, analysts say.

"The (imports) momentum earlier in the year was quite strong. But then since May, year-on-year increase of imports has been slowing down," said Zou Honglin, analyst with Myagric.com, a trade website.

**MORE FEED, LESS SOYMEAL** - A key driver of the slowdown in soybean use has been the reversal in hog margins, which started the year strongly as farmers tried to rebuild herds after a deadly outbreak of African swine fever (ASF), but then collapsed along with pork prices as fresh ASF outbreaks sparked herd liquidations and a surge in pork output.

Hog margins in China currently range from -150 yuan to 84 yuan, down more than 100% since the beginning of the year.

"The market kept lowering estimates on full-year imports. It is very obvious that protein consumption increase lags far behind the increase of feed consumption," said Zou, who has lowered his full-year China soybean import estimates to 97 mmts.

Another critical factor has been a change in feed mix in China, which reduced the volume of soymeal required in animal rations.

China produced 139.33 mmts of feed in the first six months of 2021, up 21.1% from 2020, according to China's feed industry association. Pig feed volumes were 62.46 mmts, up 71.4% from the year before.

In comparison, the volume of soybeans crushed during the same period rose 1.62% on year, to 42.63 mmts, according Myagric, tracking soymeal's reduced share in feed.

"Demand is not as good as expected; a large volume of wheat and rice are going into feed, which would displace a lot of soymeal," said another manager with a major crusher that has plants across China.

The manager added that some top feed producers who bought soymeal earlier were now reselling the contracts.

Rising soymeal stocks also indicated slower consumption. Soymeal inventories held by major crushers climbed 19% in June from the month before. They are 20% above year-ago levels, and about 7% higher than the three-year average for this time of year, according to the China National Grains and Oils Information Center.

The high level of wheat in feed mixes is expected to continue into next year.

**SLOW FLOWS** - Soybean flows to China are already slowing.

"The signs don't look optimistic for a recovery at the moment. Domestic crush margins are still in the red while soymeal inventories remain high, said Howie Lee, economist at OCBC Bank. "Using U.S. new crop orders as a proxy, China has not been placing as much bids for the new U.S. soybean crop compared to 2020."

## **OTHER RELATED NEWS**

➤ **China's hog prices to extend rebound in near future - official**

Reuters - China's hog prices will continue to rebound in the short term, an official from the country's state planner said on Monday, after a decline in the number of pigs born at the start of the year.

The number of hogs slaughtered in July and August is seen declining to some extent, Wan Jinsong, the head of the price department under the National Development and Reform Commission, told reporters, with fewer pigs born in January and February. "We expect live hog prices may continue to rebound in stages for a period of time," said Wan.

China's hog prices have plunged this year, confounding expectations in the market that they would stay high on a continued shortage caused by disease.

Production of piglets fell at the start of the year after a severe wave of disease, including new strains of African swine fever as well as other pig viruses, hit farms hard during the winter months.

However, the disease outbreaks had the effect of pushing up the number of pigs being sent to slaughter, pressuring prices.



The fall in prices in turn caused further panic slaughtering by farmers during the second quarter, boosting the volume of pork produced to abnormal levels during a period of seasonally weak demand.

The state planner has begun purchasing pork from the market to support prices, its first such move since 2019, helping prices recover about 15% since the end of June. It will make its third purchase of pork this month on July 21.

Beijing will also step up regulation when necessary to prevent major fluctuations in hog and pork prices, Wan said.

#### ➤ **China's African swine fever control situation remains complicated**

Reuters - China's efforts to control African swine fever outbreaks among its pig herd remained complicated, with 11 outbreaks officially reported so far this year and new variants of the virus also present, an agriculture ministry official said on Tuesday.

Beijing has been rebuilding its pig herd after the virus, first detected in China in 2018, slashed pig and pork output in the world's top market.

Industry sources have said there have been fresh outbreaks in northern and northeastern China earlier in the year. New outbreaks were also detected in the southwestern province of Sichuan, Reuters reported.

"The control and prevention situation is still complicated, and the task remains severe," said Xin Guochang, an official at the husbandry bureau of the Ministry of Agriculture and Rural Affairs. The risk of fresh outbreaks persisted even as the overall disease situation is stable, Xin told reporters.

China's herd of 439 million pigs at the end of June was 99.4% of the level at the end of 2017, with sow herd at 45.64 million head, 102% of the level at end of 2017, said Zeng Yande, head of development and planning under the ministry, at the same event.

Recovery of pig production has led to more use of corn, a main ingredient of animal feed, and pushed up prices of the grain, said Song Danyang, another agriculture ministry official, at the press briefing. Corn supplies are guaranteed and prices will probably remain high and stabilize before the new harvest in the fall as the arrivals of imported corn, sorghum and barley increase, Song said.

Feed producers have also turned to cheaper wheat to replace corn in feed recipe. China's use of wheat in feed is expected to stay at relatively high level as the grain retains a price advantage over corn, Song added.

## TRANSPORTATION

### ➤ **Baltic Dry Freight Index - Daily**



The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea. The index is a composite of three sub-indices that measure different sizes of dry bulk carriers: Capesize, which typically transport iron ore or coal cargoes of about 150,000 tonnes; Panamax, which usually carry coal or grain cargoes of about 60,000 to 70,000 tonnes; and Supramax, with a carrying capacity between 48,000 and 60,000 tonnes.

Not restricted to Baltic Sea countries, the index provides "an assessment of the price of moving the major raw materials by sea. Taking in 23 shipping routes measured on a time-charter basis, for dry bulk carriers carrying a range of commodities including coal, iron ore, grain, and other commodities.

Because dry bulk primarily consists of materials that function as raw material inputs to the production of intermediate or finished goods, the index is also seen as an efficient economic indicator of future economic growth and production.

Source: <https://www.tradingview.com/chart/?symbol=INDEX%3ABDI>

### ➤ **Baltic Dry Index - Capesize jump lifts Baltic index to one-week high**

Reuters - The Baltic Exchange's main sea freight index, which tracks rates for ships carrying dry bulk commodities, rose to its highest in a week on Thursday, helped by a jump in the capesize segment.

- The index, which factors in rates for capesize, panamax and supramax shipping vessels, added 45 points, or 1.5%, to 3,103, its highest level since July 14.

- The capesize index jumped 116 points, or 3.3%, to 3,629, its highest in a week.
- Average daily earnings for capesizes, which typically transport 150,000-tonne cargoes of iron ore, rose by \$963 to \$30,098.
- Chinese iron ore futures fell for a fourth consecutive session to their lowest levels in nearly three weeks on Thursday, on prospects of more imports of the steel-making ingredient and as demand eased on the government's decision to cut production.
- The panamax index dropped 17 points, or 0.5%, to 3,560, the lowest in nearly a month.
- Average daily earnings for panamaxers, which usually carry coal or grain cargoes of about 60,000 tonnes to 70,000 tonnes, dropped by \$153 to \$32,042.
- "A quiet market became even more so on Tuesday and Wednesday due to the Id holidays," shipbroker Fearnleys said about the Panamax segment in its weekly report.
- "However there seem to be a bit of optimism in the Pacific basin going forward. Period activity has been rather limited."
- The supramax index gained 35 points to 2,842. (Reporting by Seher Daren in Bengaluru; Editing by Aditya Soni)

#### ➤ **Dry bulk and container freight rates set to stay elevated this year**

*International Shipping News Source: The Edge Markets* – The tide may have finally turned for Bursa Malaysia-listed dry bulk operators, which have suffered from depressed freight rates due to excess capacity in the industry since the 2008/9 financial crisis.

Roaring commodity demand, a return to strength in manufacturing activity as well as scrapping of vessels and underinvestment in recent years have pushed dry bulk freight rates higher, and shipowners such as Malaysian Bulk Carriers Bhd (Maybulk) and Hubline Bhd are likely to gain further traction from the higher rates, as capacity is likely to get even tighter.

The Baltic Dry Index (BDI), a bellwether for global dry bulk shipping, has risen 137% year to date (YTD) to close at 3,241 points last Wednesday. It touched a multi-year closing high of 3,418 points on June 29.

The surge in BDI has translated into a broader lift for the local dry bulk shipping market, which saw freight rates starting to climb in March to levels not seen in the past



decade, says Hubline CEO and managing director Dennis Ling Li Kuang. He notes that the group's freight rates were up 25% in June 2021 from December last year, owing to a shortage of vessels to carry cargo in Southeast Asia. Ling believes dry bulk freight rates are likely to stay at elevated levels throughout the year.

The Sarawak-based shipping firm, which owns 23 sets of tugs and barges with a capacity of 8,000 to 11,000 tonnes, reported a net profit of RM12.95 million for the six months ended March 31, 2021, against a net loss of RM2.5 million a year ago. It expects to swing back to the black for the financial year ending Sept 30, 2021 (FY2021), driven by its dry bulk segment, which accounts for two-thirds of the group's revenue. The aviation segment contributed the remaining one-third of revenue. In FY2020, the group posted a net loss of RM60.87 million.

Ling sees the dry bulk market settling into an extended period of good earnings for the next three years. He estimates dry bulk freight rates to climb about 40% in the second half of 2021 compared with December last year. "This includes container shipping, whose rates have gone up even more," he says.

Ling's bullishness stems from an anticipated rush of orders in Europe and the US as these economies reopen, following a lower incidence of Covid-19 and the broad rollout of vaccines. "Since the start of the pandemic, manufacturing activity in Europe and the US has slowed because of lockdown restrictions. But this part of the world, like China, continued to produce and export goods to the West. As the European and US economies reopen, we can probably see a surge in demand (for shipping)," he tells The Edge.

"In fact, we have come to a stage where we are not able to cater for demand. Hubline's vessels are fully booked till September despite the strong rise in prices."

Another reason for Ling's bullishness is that the dry bulk market continues to be tight.

"The scrapping of older ships and the decline in new ship orders in the last 10 years had led to the current supply tightness. While some carriers have started to order vessels, traditionally, it takes about two years to build a ship. Moreover, steel prices have gone up substantially such that most shipowners, including Hubline, will just have to wait and see how the situation evolves. If we were to order new vessels now, steel costs alone would result in a 15% increase in vessel prices.

"Because the new shipping capacity is unlikely to come in soon, this should keep the market tight and spot dry bulk prices at an elevated level for at least three years," he says.

According to him, infrastructure developments such as China's Belt and Road Initiative and Singapore's airport expansion are also driving demand for raw materials, which bodes well for dry bulk carriers such as Hubline that carry gypsum, aggregates, coal, palm kernel shells and scrap metal between countries in Southeast Asia such as Indonesia, Vietnam, Singapore and Thailand.

Maybulk, the country's largest dry bulk operator, which is controlled by tycoon Robert Kuok, has also seen its fortunes improving. The group recorded a net profit of

RM15.01 million in the first quarter ended March 31, 2021 (1QFY2021) compared with a net loss of RM49.78 million in 4QFY2020.

Maybulk attributed this to a 25% increase in charter rates to US\$12,860 a day in 1QFY2021 from US\$10,306 a day in 4QFY2020, lower vessel operating expenses and the redelivery of two loss-making chartered-in vessels. The group owns five vessels and operates two under long-term charter, which are scheduled for redelivery in early 2022 and mid-2023.

It is also expecting near-term performance of the dry bulk sector to remain positive, as dry bulk volumes have recovered and markets have rebounded from the 2020 Covid-19 shock.

### **Container shipping thrives amid pandemic**

Dry bulk shipping is not the sole bright spot. Tasco Bhd deputy group CEO Tan Kim Yong shares Ling's sentiment. He says the cost of container freight has more than quadrupled from 2020 as current market demand outstrips supply and because of a shortage of containers, owing to congestion in Europe and the US, and, recently, China's Yantian port backlog.

The average price worldwide to ship a 40ft container (FEU) has more than quadrupled from a year ago, to US\$8,399 as at July 1, according to London-based Drewry Shipping Consultants Ltd.

"Container freight rates are at historical highs. In January, spot freight rates were US\$4,000 per FEU and are now at US\$6,000. This time last year, the rates were US\$1,500. Ocean freight rates from Asia to Europe and the US have risen the most, but rates for intra-Asia routes have gone up as well," Tan says.

He notes that the rates started edging upwards from 3Q2020, owing to imbalanced container trade, with full containers entering the US and Europe but returning empty to China, whose economy has recovered faster from the pandemic than any other big economy.

Tan expects container freight rates to remain high this year as demand continues to outstrip capacity, benefiting both liner operators and non-vessel-owning common carriers such as Tasco.

Tasco, which derives about 40% of its revenue from its airfreight and ocean freight forwarding divisions, saw net profit grow 364% to RM41.27 million year on year for the financial year ended March 31, 2021 (FY2021), while revenue rose 27% y-o-y to RM946.61 million in that period.



Tasco expects to continue its growth for this financial year, targeting a revenue of RM1 billion. The investment tax allowance granted through the Malaysian Investment Development Authority will further uplift its profit, says Tan.

### **Shipping stocks have mixed reaction to high freight rates**

On the equity front, investors' reaction to shipping stocks has been mixed YTD as investors await results of the shipping companies' June 2021 quarter.

After turning up from a 52-week low of 34.5 sen last August to as high as 82 sen in May, Maybulk's share price has pulled back subsequently to close at 71 sen last Thursday. The stock is up 37% YTD.

Harbour-Link Group Bhd and Shin Yang Shipping Corp Bhd have also seen their share prices rise 27% and 13% YTD to close at RM1.03 and 35 sen respectively last Thursday.

However, Hubline's share price is down 20% YTD to close at four sen on Thursday. Ling believes that, once the group's results for FY2021 are announced, the market will fully appreciate the high freight rates enjoyed by Hubline.

In its FY2020 financial statements, Hubline's external auditor had red-flagged the group's ability to continue as a going concern, as its current liabilities had exceeded its current assets by RM62.29 million. Management had indicated, however, that the group has adequate resources to continue as a going concern for the foreseeable future.

"A lot of the current liabilities are bank overdraft, which is a rolling facility. In addition, we had recently undertaken a private placement of up to 10% of the group's total issued shares, raising about RM16.38 million. So, it is not that we don't have enough funds to continue as a going concern," Ling explains.

According to him, the downside earnings risks are the bunker prices, which had risen 5% y-o-y in the March 2021 quarter, and a lockdown at ports, which may cause shipping delays.

Nevertheless, a strengthening US dollar will have a favourable impact on Hubline, as most of its revenues are earned in US dollars and 2% to 3% in Singapore dollars.

For Maybulk, the downside risk is pressure from Chinese regulators later in the year seeking to curb excess capacity and pollution in heavy industries, which may affect iron ore and coal imports. "The resurgence of Covid-19 infections in the Indian subcontinent and other parts of Asia also presents downside earnings risk, increased vessel trading complexities and quarantine risks," it said in its notes accompanying its 1QFY2021 earnings report.

### ➤ **Shipping costs soaring**

*World Grain* - Is the US-China trade war dead? It certainly is for US agricultural exporters, although renewed demand is bringing with it the specter of soaring bulk



shipping costs. Indeed, ship owners are enjoying something of a commodities supercycle that is driving up both the prices of raw materials and ship owner profits.

Overall demand for bulk shipping in the first four months of 2021 reached a record 1.69 billion tonnes, up 6.1% compared with the same period last year, according to shipping association Bimco. It is not hard to identify what has been firing demand: commodity prices are approaching, and in some cases exceeding, historical peaks. China's iron ore import price, for example, recently passed \$200 per tonne for the first time, while prices for Australian coal topped over \$100 per tonne earlier this year — still below the peak of \$180 per tonne enjoyed by miners in mid-2008 but more than double the lows of mid-2020. US corn and soybean prices in spring neared the record highs reached during the vicious drought of 2012 that devastated production.

“Demand has been buoyed by government stimulus packages and the continued, albeit unsteady, recovery of the global economy from the worst effects of COVID-19 lockdowns,” noted shipping analyst MSI.

The upshot of all this has been far higher rates for shippers and healthy bottom lines for ship owners. Capesize earnings in May were running at a daily average of \$36,536, more than nine times higher than in May 2020. The rest of the market also was delivering strong profits to owners and operators, noted Bimco, with panamax earnings standing at \$24,903 per day and supramaxes \$27,430 per day on May 26.

“Just as freight rates are up for all ship sizes, the appetite for cargo transport has increased across the board,” said Peter Sand, chief shipping analyst at Bimco.

“Supramaxes are the biggest winners, with demand for these soaring by 10.6% in the first four months of this year, compared with 2020.”

Over the same period, capesize demand rose by 6% and panamax demand edged up 1.5%.

**Grain trade surging:** Grain shipments are more than playing their part in the commodities supercycle with demand for bulk carrier capacity out of the United States and Brazil driving up freight and charter rates in sub-capesize shipping markets.

“A surge in grain trade has been a key reason for the current continuous rally in the dry bulk market, especially among the small bulkers,” said Rahul Sharan, lead analyst, Drewry.

All of which is clearly reflected in the IGC Grains and Oilseeds Freight Index, which was pushing 200 at the end of the first week in June compared to just 80 at the same point of 2020. On June 8 this year, the IGC's sub-indices for the United States, Black Sea, Australia and Brazil were up 115%, 168%, 143% and 140%, respectively, compared to a year before.



The same trends were apparent on the Baltic Exchange's dry bulk indices. The BDI was just 520 at the start of June 2020; a year later it was 2568. Over the same period the BPI and BHSI rose from 777 and 274 to 2801 and 1339, respectively.

Sharan believes there are two key elements to the grain shipping story. First, an increase in grain tonne-miles this year due to geographical procurement patterns has sucked up sub-capesize capacity.

“There has been more trade on the long hauls, especially from the US Gulf to the Far East and also between South America and Asia,” he told World Grain.

Second, a significant increase in congestion at grain ports in South America, particularly in Brazil, added additional gusto to freight rate increases in the initial months of this year.

“On a similar note, port calls and waiting days at the discharge ports in China have increased recently, which is squeezing the supply in the Pacific, restricting any sharp fall in the freight rates,” Sharan said. He predicted rates will remain strong through the third quarter. “Soybean is a winter crop, and it is already winter in Brazil,” he said. “The soybean season will remain active over the next two to three months. However, we are anticipating that the rates should soften in the fourth quarter of this year.”

Sand told World Grain there was ample reason to believe that global grains traffic would remain strong into the third quarter. “Brazilian soybean exports tend to peak in May, though exports remain high in June, before declining throughout the second half of the year,” he said. “So, this will continue to provide some support in the coming weeks but will then start declining, leaving a slight lull in the summer months before the US season then kicks in.”

The United States, of course, is set for a bumper year of agricultural sales, not least because the US-China trade war has lost some of its venom after a trade deal was struck in early 2020. This is expected to help US farmers to ship a record \$37.2 billion worth of farm goods to China this year, according to the US Department of Agriculture (USDA). Sales of soybeans, corn and wheat and poultry lead the way.

Sand is also bullish on the outlook for US agricultural exports. “The International Grains Council forecasts that next season the United States will export 56.8 mmts of soybeans, an 8.5% drop from the current season when they expect exports to total 62.1 mmts,” he said. “By the end of May, 57.5 mmts had been exported. Excluding the current season, if exports do reach 56.8 mmts next season, that would be the highest export total since the 2017/18 season.”

**Demand from China also looks healthy:** “It seems the pig herd has been rebuilt to pre-culling levels,” Sand said. “The culling provided an opportunity for the Chinese to move pig farming away from individual farmers with a couple of pigs in their backyards toward huge pig herds in multi-story buildings. These seem to have a more grains-heavy diet as food waste has been cut out.”

However, while demand for shipping out of the United States and South America remains strong, it has been a different picture in the Black Sea.

“Black Sea grains exports have actually fallen in the first five months of this year compared to 2020, down to 24.1 mmmts from 36.2 mmmts,” Sand said. “In fact, exports so far this year have been the lowest since the start of 2016.”

Australia, on the other hand, has seen strong growth in its grains exports, up 83.5% in the January-April period this year compared to 2020, with exports totaling 14.9 mmmts. This is despite an almost 40% fall in grains exports to China, which went from 1.6 mmmts in January-April 2020 to just under 1 mmmts in the first four months of this year.

“Compensating for that loss there has been strong growth in exports to Indonesia (up 154.7% to 1.7 mmmts), and seemingly out of nowhere Australia has gone from not exporting any grains to Saudi Arabia in the first four months of the year since 2018, to suddenly exporting 2 mmmts, making Saudi Arabia the largest destination for Australian grains so far this year,” Sand said.

There is little on the ship supply side of the equation to suggest freight rates will soften any time soon. While there has been brisk trade in secondhand ships this year as owners and operators rush to cash in on the boom in demand, Bimco noted in May that in the year to date just 92 ships have been ordered, versus 111 in the same period of 2020. Panamax ships were the most popular option with 44 ordered. Of the 30.1 million DWT expected to be delivered this year, just 16 million DWT had arrived in late May, compared to demolitions of 4.2 million DWT.

“This leaves the fleet at 923.9 million DWT, 1.3% up from the start of the year,” Sand said. “In the full year, Bimco expects the fleet to grow by 2.4%, with demolitions likely to reach around 9 million DWT. This will be the slowest fleet growth since 2016.”

For shippers hoping for lower shipping costs, there are some optimistic signs, however. On top of high demand for bulk carriers and more need for long-haul deliveries, logistics bottlenecks have prevented the optimal deployment of the global fleet in recent months. This is mostly due to a geographically uneven economic recovery, port congestion and COVID-19 outbreaks among crew, which are forcing some vessels to quarantine.

However, as some of those disrupting factors are removed, MSI believes markets could soften.

“There is growing evidence that port congestion is falling, particularly in Brazil and China, after absorbing significant amounts of tonnage during the first quarter of the year,” Sand said. “This would remove an important support for the market. Meanwhile, the direction of trade will closely depend on China’s responses to rising inflation and potential overheating of economic growth.”

## LOGISTICS

### ➤ Regulatory fix on ocean carriers may bring unintended consequences

*Feedstuffs* - In maritime shipping, the global marketplace has rapidly consolidated. In 2000, the largest 10 shipping companies controlled 12% of the market. Today, it is more than 80%, leaving domestic manufacturers who need to export goods at these large foreign companies’ mercy. In a recent executive order signed by the President, the administration specifically encourages the Federal Maritime Commission to ensure vigorous enforcement against shippers charging American exporters exorbitant charges.

“This has let powerful container shippers charge exporters exorbitant fees for time their freight was sitting waiting to be loaded or unloaded. These fees, called ‘detention and demurrage charges,’ can add up to hundreds of thousands of dollars,” the [White House fact sheet](#) explains.

The whole issue of lack of container access is a real dilemma and some ag sectors are impacted greater than others. The pork industry for example gets a premium for exporting fresh versus frozen cuts. But when the supply chain isn’t operating as efficiently, they’re going to suffer as a result, says Mike Steenhoek, executive director of the Soybean Transportation Coalition.

The cost to move a container from China to the U.S. West Coast has a spot rate of \$6,288, while the cost to move containers full of goods from the West Coast back to China is \$986, he explains. With those rates at six times the value of bringing in the product from China to the U.S. versus taking from the West Coast to China, it’s no wonder those Chinese shippers are trying to turn those boats back around as quick as they can.

Steenhoek says the overwhelming reason we’re in this situation is the seismic shift in consumer spending and the unexpected stress on worldwide manufacturing and logistics as a result. Many manufacturers are realizing they can’t afford to get caught in another situation that COVID pandemic shutdowns created in the just-in-time delivery of goods. Steenhoek expects the supply chain challenges to continue.

“Having the global supply chain under stress will continue through 2021 and likely into 2022,” he says. He expects to see a bit more return to normalcy but that supply and demand imbalance when it comes to transportation services will be there throughout 2021.

**MOU details:** The Department of Justice’s Antitrust Division and the Federal Maritime Commission have signed the first interagency Memorandum of Understanding to foster cooperation and communication between the agencies to enhance competition in the maritime industry. Acting Assistant Attorney General Richard A. Powers and FMC Chairman Daniel Maffei signed the MOU between the Antitrust Division and the FMC effective immediately following the earlier announcement of the Executive Order on Promoting Competition in the American Economy.

Steenhoek says the MOU is a way for the administration to show their recognition of the ongoing shipping concerns as a priority and a way to direct resources at the

Department of Justice leveraged towards this as well. "This also makes sure there's a seamless effort to help address this," he adds.

Steenhoek cautions whether mandating certain amounts of shipments for specific modes and industries is the right response.

"You always have to be careful when you start to impose how these modes and industries behave in trying to assign a regulatory fix," Steenhoek says. "I'm not saying it's never good, but sometimes just like when you squeeze a balloon, you mitigate pressure in one area but that augments it in another area. A proposed regulatory solution may have that same effect." He says those ag shippers may see some benefit of a relief at first, but all of a sudden it may become more costly or less efficient elsewhere.

Key provisions of the MOU facilitate communication and cooperation between the agencies. In particular, the MOU establishes a framework for the Antitrust Division and the FMC to continue regular discussions and review law enforcement and regulatory matters affecting competition in the maritime industry. The MOU includes provisions to establish periodic meetings among the respective agencies' officials. The MOU also provides for the exchange of information and expertise that may be relevant and useful to the agencies' oversight and enforcement responsibilities, as appropriate and consistent with applicable legal and confidentiality restrictions.

"Collaboration between the Antitrust Division and the FMC is important to ensuring healthy competition in the maritime industry," says Powers. "Our partnership with the FMC is one of the many ways in which the Antitrust Division is prepared to play its role in achieving the competition objectives of the President's Competition Executive Order."

"The Federal Maritime Commission has an important enforcement role as an economic regulator of a vital industry," says Maffei. "As such, we will continually assess how the agency can improve its capacity to protect the integrity of the marketplace. This memorandum between the Commission and the Department of Justice supplements and strengthens the FMC's ability to detect, address, and pursue violations of the law or anticompetitive behavior by those we regulate."

## GOVERNMENT

### ➤ **Australia Port Lincoln, Thevenard denied exemption from wheat code**

*World Grain* - The Australian Competition and Consumer Commission (ACCC) has decided not to exempt Viterra's Port Lincoln and Thevenard facilities from parts of the Port Terminal Access (Bulk Wheat) Code due to lack of competition.

The decision means that Viterra will continue to be subject to the non-discrimination requirements of the code at its Port Lincoln and Thevenard facilities and must also provide access-related dispute resolution processes for exporters. Viterra also will continue to require ACCC approval for any changes made to its capacity allocation systems and must publish certain information about expected capacity and bulk grain stocks held at these port terminals.

"After looking at the South Australian grain industry and latest shipping data in detail, we consider that Viterra doesn't currently face sufficient competition at its Port Lincoln and Thevenard facilities to justify removing certain protections for independent exporters seeking to export wheat through these ports," said Mick Keogh, deputy chair of the ACCC. "We acknowledge that T-Ports' Lucky Bay operation now provides an alternative export pathway for certain areas of the Eyre Peninsula, particularly the eastern section. However, at this time we consider that the higher level of protections for exporters under the code is needed to ensure they can continue to gain fair and transparent access to Viterra's facilities."

Keogh continued to emphasize the ACCC's decision to not exempt the two ports were in the best interest of the growers and the industry but will continue to monitor competition as the market changes.

The ACCC said Viterra also is required to deal with exporters in good faith, publish a port loading statement and loading procedures, and make standard terms and reference prices available in relation to all of its port terminal facilities as part of the Bulk Wheat Code.

Viterra made applications to be exempt from Parts 3 to 6 of the Code at all six of its South Australian port terminals in July 2019. In April 2021, the ACCC made final determinations exempting Viterra's Inner Harbour and Outer Harbor facilities in Port Adelaide where there is more competition, but determined not to exempt Viterra's Port Giles and Wallaroo facilities due to lower levels of competition.

### ➤ **New Argentina biodiesel law to weigh on international soyoil**

Reuters - Argentine soyoil exports will likely rise, driving down prices internationally, due to a new law cutting the amount of soyoil-based biodiesel blended into common diesel fuel sold domestically, industry officials said on Monday.

Lawmakers in Argentina, the world's No. 1 soyoil exporter, last week approved a measure allowing a reduction in the amount of soy-based biofuel to be mixed into domestically-consumed diesel.



The measure, backed by President Alberto Fernandez, was expected to sign it into law before the end of the month.

"The reduction of biodiesel used in fuels locally will reduce consumption of soyoil in Argentina. So we will have more soyoil to be exported. That could impact international soyoil prices, considering the large portion of the international market that Argentina has," said Gustavo Idigoras, head of the CIARA-CEC agricultural export chamber.

Argentina exported a 5.36 mmts of soyoil last year, according to government data. India was the main buyer, taking 53.4% of those sales. China and Bangladesh came in second and third with 7.8% and 7.6% of total exports, respectively.

Argentina, also a major corn exporter and the world's top supplier of soymeal livestock feed, has developed a huge biofuels industry thanks to its robust agricultural output and state support for biofuels being used in diesel and gasoline.

The new law, aimed at guaranteeing the sustainable use of biofuels in diesel and gasoline, was approved by the Senate on Friday after being passed by the lower house of Congress. It foresees a minimum use of biodiesel of 5%, which could drop to 3%, in diesel for sale to the public, from the previous 10%.

Argentina has some of the world's biggest and most efficient soy crushing plants, making the country competitive against its agricultural export rivals Brazil and the United States.

According to the USDAg, Argentine soyoil averaged \$1,191/mt last month versus \$1,233/mt in Brazil and \$1,608/mt in the United States.

"Lowering the blend in Argentina means higher bean-oil exports," said Luis Zubizarreta, head of Argentina's Carbio biofuel industry chamber. This, he said would put downward pressure on the price of Argentine soyoil. With the blend at 10%, Argentina has consumed about 1 mmts of biodiesel annually, to be blended with biodiesel. With the new blend, that volume would be cut in half, Zubizarreta said.

Agriculture is the country's top source of export dollars needed to refresh central bank reserves strained by a weak peso and grinding recession exacerbated by the COVID-19 pandemic.

## International Crop & Weather Highlights

### ➤ La Niña threatens another drought cycle

Noticias Financieras - As happened at the beginning of the current agricultural season, characterized by a drought that impacted yields on most crops, the climatic factor will once again play a central role in the 2021/22 season.

It is that in the run-up to the new agricultural cycle the threat of a new La Niña phenomenon is almost a certainty and sows doubts about what may happen from spring until late summer.

A report by the Buenos Aires Grain Exchange highlights that "the 2021/2022 climate scenario points to a similar profile, but with less severe features than those observed in the previous 2020/2021 season."

It refers in particular to the arrival of another dry season, derived from the La Niña phenomenon, and which is already beginning to show signs of what is to come.

The key to la Niña is a season of water scarcity, which depending on the severity, duration and time in which it occurs ends up affecting with greater or lesser forcefulness the various crops.

Just to remember, the last soybean season had a decline of 12% and there was also a drop in corn and wheat yields. Thus, production is affected, exportable balances fall, and although prices may be good, in the future scenario there is a lower inflow of foreign exchange, depending on the depth of the phenomenon.

Similar to the previous season, activity at the South Pole so far this winter has gone below normal negative values, and is expected to remain at that level until mid-January 2022, "driving cold, dry air masses into the Southern Cone."

This will contribute to the development of La Niña, by "pushing towards Ecuador the cold water mass that occupies the Subtropical Pacific," the Buenos Aires Grain Exchange stressed. "We can expect a 2021/2022 season with similar features, although less marked than those of the previous season, with entity disturbances, which will include a weak episode of "La Niña", strong polar winds and the cooling of the Atlantic Coast, "explains the report of the Buenos Aires stock exchange.

In terms of impact on the various productive areas, the entity highlights that "a broad focus of drought is expected over the interior of the Argentine agricultural area, western Paraguay and southern Brazil."

### ➤ China's Deadly Floods Hit Pig Farms and Raise Swine Fever Risks

Bloomberg News - The heavy rains that pounded Henan province in central China will cause damage to some hog farms in the major pork-producing region and potentially trigger fresh cases of African swine fever.

Small farmers will be severely affected by the torrential rains and there will be a "significant" short-term impact on logistics, including the transportation of hogs, according to Shanghai JC Intelligence, an agriculture consulting firm.

A bigger worry is the potential outbreak of African swine fever, said Lin Guofa, a senior analyst at consultancy Bric Agriculture Group. Floods increase the risk of disease as the virus can be found in pig's blood, feces and tissue. Healthy hogs may be infected through contact with sick pigs or contaminated feed and water.

While China has largely recovered from the outbreak of African swine fever that started in 2018, the situation remains complicated and a worsening spread could harm the goal of replenishing pork supplies in the top consumer. The nation has reported 11 incidents of the disease this year and the emergence of new strains with milder symptoms and a longer incubation period makes it difficult to identify cases immediately, the farm ministry said Tuesday.

**Quality Issues:** Henan province is the country's top wheat grower, accounting for nearly 30% of output, and the second-largest hog producer. It's home to the world's biggest pig farm operated by Muyuan Foods Co. and the planet's top pork processor, WH Group. While Muyuan is closely watching the rain and says operations are normal, its shares tumbled almost 5% Wednesday to the lowest since November.

At least 12 people have died following widespread floods in Henan and about 100,000 have been evacuated. The main wheat crop is already harvested, but rains have affected its quality, which will lead to higher imports.

Henan is also the country's largest egg producer, accounting for 15% of output. Heavy rains may push up egg prices, but the impact on corn and cotton will be muted, according to JCI. Corn is at a stage when it requires water, while the province's cotton production represents less than 1% of the nation's total.

#### ➤ **USDA/WAOB Joint Agricultural Weather Facility – 17<sup>th</sup> July 2021**

**Europe** – Excessive Rain Caused Historic Flooding In Germany

- Heavy to excessive rain caused devastating flooding in parts of Germany, though the worst deluges bypassed major croplands save for northwestern growing areas.
- Showers eased short-term dryness from Italy into Hungary and the western Balkans.
- Hot weather was untimely for reproductive corn in the lower Danube River Valley, though recent wetness helped mitigate the heat impacts somewhat.

**Western FSU** – Warm With Showers In Ukraine, Hot And Dry In Russia

- Warm, showery weather in Ukraine was generally beneficial for corn, sunflowers, and soybeans approaching or entering reproduction, though northern crop areas have been unfavorably dry.
- Heat trimmed yield prospects for reproductive corn in Russia, with northern short-term dryness contrasting with recent wet weather in the southwest.

**Eastern FSU** – Much-Needed Rain And Cooler

- Much-needed rain eased drought and improved prospects for later-developing spring grains in northern Kazakhstan and parts of central Russia. Conversely, spring wheat conditions remained very good in the Siberia District.
- Sharply cooler weather reduced irrigation demands for flowering to open-boll cotton in Uzbekistan and environs.

**Middle East** – Dry Weather In Turkey

- Sunny skies in Turkey promoted the development of reproductive to filling summer crops; recent rain in northern and western Turkey contrasted with lingering drought in the south and east.

**South Asia** – Favorably Wet In Western India

- Showers across western India provided a much-needed boost to moisture supplies for cotton and oilseed establishment after a poor start to the wet season.

**East Asia** – Beneficial Moisture For Most Summer Crops

- Rainfall throughout eastern China maintained good soil moisture for reproductive summer crops. However, heat and dryness in the south stressed rice.

**Southeast Asia** – Widespread Showers

- More wet weather in Thailand and environs as well as the Philippines aided rice establishment.

**Australia** – Showers Continued

- Passing showers and mild weather continued to favor winter grain and oilseed development.
- The rain was most welcome in northern Victoria, an area which had been somewhat drier than surrounding croplands.

**South America** – Dry Weather Dominated Much Of The Region

- Mostly dry weather fostered rapid maturation of corn, cotton, and other crops in central and southern Brazil, although showers benefited wheat in some southern production areas.
- In Argentina, scattered showers temporarily delayed late corn and cotton harvesting.

**Mexico** – Beneficial Rain Continued Throughout Most Regions

- Seasonal showers benefited rain-fed summer crops while boosting reservoirs.

**Canada** – Warm, Mostly Dry Weather Dominated The Prairies

- o Unseasonable warmth and dryness maintained stress on spring grains and oilseeds.

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 23<sup>rd</sup> July 2021**

**In the West**, Arizona continues to receive widespread and locally heavy showers. A few showers extend northeastward across the Intermountain West and the central Rockies. In contrast, hot, mostly dry conditions persist in California, the Great Basin, and the Northwest. Wildfire season has arrived early in northern California and the Northwest, with dozens of wildfires actively burning. Four of those fires—two in California and one apiece in Idaho and Oregon—have charred at least 100,000 acres of vegetation. The size of the Bootleg Fire in southern Oregon is approaching 400,000 acres.

**On the Plains**, dry weather and slowly increasing temperatures across the southern half of the region are increasing moisture demands for most summer crops. However, soil moisture reserves in most areas of the central and southern Plains continue to support normal crop development. Meanwhile, widely scattered showers on the northern Plains are providing only localized relief from historically hot, dry conditions that have sharply curtailed hay production and have devastated a variety of rain-fed crops, including barley, durum wheat, and spring wheat.

**In the Corn Belt**, showers are arcing across northern corn and soybean production areas. However, most of the Midwest is experiencing dry weather—a spell that has lasted a week or more. Temperatures remain favorable for reproductive summer crops east of the Mississippi River, but this afternoon's highs will creep above 90°F in the western Corn Belt.

**In the South**, a low-pressure system east of the Eastern Seaboard is helping to draw showers away from the southern Atlantic coast. However, Florida's peninsula remains in a hot, humid, unsettled weather pattern. Growing conditions across the remainder of the South are nearly ideal, with near- to slightly below-normal temperatures and generally abundant soil moisture reserves.

**Outlook:** An active Southwestern monsoon circulation will continue to generate locally heavy, drought-easing showers in the Four Corners States. Lighter showers may reach into southeastern California and the southern Great Basin. However, the remainder of California, along with the northern Plains and Northwest, will continue to endure hot, dry weather and rampant wildfire activity. Farther east, only widely scattered showers will occur during the next 5 days across the central and southern Plains, accompanied by building heat that may signal the onset of "flash drought" conditions. Elsewhere, significant Midwestern rainfall will be mostly limited to the Great Lakes region, while scattered showers will return across the Southeast. The NWS 6- to 10-day outlook for July 28 – August 1 calls for the likelihood of near- or above-normal temperatures nationwide, except for cooler-than-normal conditions in New York and New England. Meanwhile, near- or below-normal rainfall across most of the country should contrast with wetter-than-normal weather in the Great Basin, Intermountain West, and portions of the Great Lakes region.

Contact: Brad Rippey, Agricultural Meteorologist, USDA/OCE/WAOB, Washington, D.C. (202-720-2397)

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

➤ **Reference: Conversion Calculations**

Metric tonnes to Bushels:

- Wheat, soybeans = metric tonnes \* 36.7437
- Corn, sorghum, rye = metric tonnes \* 39.36825
- Barley = metric tonnes \* 45.929625
- Oats = metric tonnes \* 68.894438

Metric tonnes to 480-lb bales

- Cotton = metric tonnes \* 4.592917

Metric tonnes to hundredweight

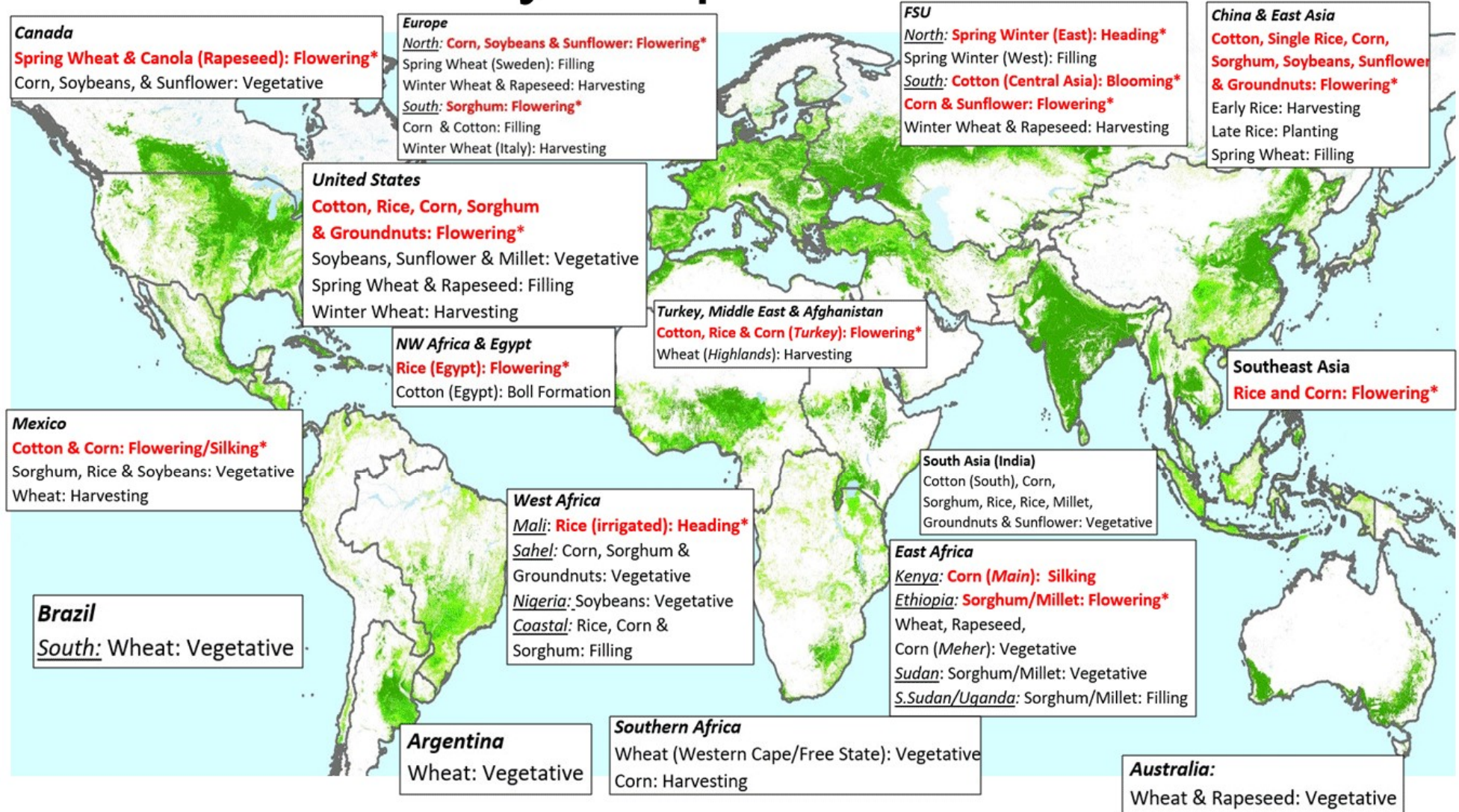
- Rice = metric tonnes \* 22.04622

Area & weight

- 1 hectare = 2.471044 acres
- 1 kilogram = 2.204622 pounds



# July 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)