



Notes and Observations in International Commodity Markets

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U.S. Corn Exports, Chinese Demand, Corn Prices and Livestock Markets... a Global

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- [Beijing Scores Victory, 15 Nations Sign World's Biggest Free-Trade Deal](#)
- [China to Remain Pork Importer for 4-5 Years](#)
- [Australia On-Track to Deliver Above Average Winter Crop](#)
- US DOLLAR & FOREIGN EXCHANGE**
- WHEAT & GAINS COMPLEX**
- [Lower Global Production On Dryness in Argentina](#)
- [Global Wheat Consumption Increases; Gains in China, EU, and US](#)
- [Global Wheat Carryout Remains Record at High](#)
- [U.S. Wheat Overview](#)
- [CBOT Corn December 2020](#)
- [USDA Corn Prices To Increase in 2020/21 as Exports Raised](#)
- [Sorghum Production in 2020/21 Marginally Higher](#)
- [China 2020-21 Corn Import Forecast Unched, Trade Thinks Differently](#)
- [Ethanol and Corn Demand](#)
- OILSEEDS COMPLEX**
- [Palm Hits Set New 8-Year High On Production Concerns](#)
- RELATED NEWS**
- [China's Pig Herd Grows 26.9% in October](#)
- [China Issues Guideline to Stabilize Grain Production](#)
- TRANSPORTATION**
- GOVERNMENT**
- [November Crop Calendar](#)

Corn and Soybeans Set New Highs, While Wheat Consolidates

GHA – Corn and soybeans made new highs this week, supported by strong exports and declining production outlook. New highs were also reached on the Dalian January corn and soybean futures contracts as corn topped the US\$10.00/bu mark and soybeans rising to over US\$22.30/bu. An eight-year high in Palm Oil, supported by a declining production outlook also lent support to the oilseed complex.

Wheat prices stalled and consolidated through the week.

The threat of Covid-19's "second wave" remains as a cloud over the market and is undermining demand in wheat and corn. This week's ethanol report had production down 5.2% year to year. Implied corn/milo grind to-date is running about 62 mbus behind last year as travel remains severely restricted. However, promises of a "soon to be released vaccine sparking longer term optimism in the financial and stock markets.

A major story this week is the signing of a 15 nation Regional Comprehensive Economic Partnership (RCEP), which includes China, Japan, Korea, Australia, New Zealand and the 10 ASEAN nations. Its impact on agricultural trade is minimal, but it does demonstrate China's desire to become a regional power in the Asia Pacific region.

There is a lot going on both domestically and internationally, and becoming increasingly difficult to put all the pieces together in a coherent view of the markets.

➤ **Beijing Scores Victory, 15 Nations Sign World's Biggest Free-Trade Deal**

The South China Morning Post - China scored a "victory" yesterday as 15 Asia-Pacific nations signed the world's biggest free-trade pact, sealing an agreement that excludes the United States and extends Beijing's economic sway in the region.

The realisation of the Regional Comprehensive Economic Partnership (RCEP) comes after eight years of negotiations. It also comes amid questions over Washington's engagement in the region, with the US absent from two of the most important trade groups that span the world's fastest growing region, the RCEP and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a rival trade bloc of 11 countries that went into effect in 2018.

Soon after taking office in 2017, President Donald Trump withdrew the United States from the Trans-Pacific Partnership (TPP), predecessor to the CPTPP.

Yesterday, leaders from China, Japan, South Korea, Australia, New Zealand and the 10 members of the Association of Southeast Asian Nations (Asean) witnessed the signing of the pact by trade ministers in a video conference.

The RCEP encompasses close to one-third of the world's population and global economy, and is projected to add US\$186 billion to the world economy through - improved regional trade, according to New Zealand Minister for Trade and Export Growth Damien O'Connor.

The pact aims to liberalize trade and investment across the Asia-Pacific region by progressively lowering tariffs and cutting red tape, as well as laying out new rules on government procurement, competition policy and e-commerce.

Premier Li Keqiang said the signing of the RCEP was "a victory of multilateralism and free trade". "The signing of the RCEP is not only a landmark achievement of East Asian regional cooperation, but also a victory of multilateralism and free trade ... and provides new impetus to the recovery of world economic growth," Li said.

The pact would take effect within the next two years after all nations ratified the agreement domestically, Indonesia Trade Minister Agus Suparmanto said last week.

Without providing details, China's Ministry of Finance said the new pact included promised to eliminate tariffs within the group, including some immediately and others gradually over a decade. The ministry also said China and Japan achieved a "historic breakthrough" by reaching a bilateral tariff reduction arrangement on top of their multilateral trade pact; again without elaborating.

The deal marks the first time the rival East Asian powers of China, Japan and South Korea have agreed to enter into a joint free-trade pact.

Participants in the agreement include a mix of developed, developing and poor economies, with special clauses for transitional arrangements, including technology transfers for the least developed nations such as Laos, Myanmar and Cambodia.

The RCEP members also reaffirmed that they continued to "highly value India's role in the RCEP" and remained open to India's accession down the road. New Delhi withdrew from talks late last year amid concerns over the country's trade deficit with China.

Unlike the CPTPP, the RCEP does not cover labour and environmental standards. Regional trade analysts and officials have said that despite having limited provisions on services and investment, and lower standards than the CPTPP, the China-backed trade grouping would give much needed impetus to the pandemic-hit world economy. That would further pull the economic centre of gravity towards Asia, with China poised to take the lead in writing trade rules for the region.

"The RCEP may prove to be the tonic Asia needs to recover from the pandemic-induced slump," said Stuart Tait, regional head of commercial banking at HSBC. "Intra-Asian trade, which is already larger than Asia's trade with North America and Europe combined, will continue to power global economic growth and pull the economic centre of gravity towards Asia."

Asean overtook the European Union as China's biggest trading partner in the first quarter of this year. The protracted trade war with the US and Washington's economic decoupling threats have also pushed China to diversify its trade options and reduce reliance on the US market.

"Our priority has to be put on trade ties with Asia," He Weiwen, a former Chinese trade official and now senior researcher at the Centre for China and Globalisation, said at a forum in Beijing on Thursday. "In the last three years of the trade war with the US, we have witnessed a significant increase in trade with Asean, a moderate increase of trade with Europe, and a decline in trade with the United States. Trade with Asia and Europe now accounts for 70% of our overall trade. This will give us bargaining power when dealing with the United States."

Wendy Cutler, who was acting deputy US Trade Representative under US president Barack Obama and helped negotiate the TPP, called the signing of the RCEP "another wake-up call for the United States on trade". "Beijing will likely claim victory upon the signing," said Cutler, vice-president of the Asia Society Policy Institute. "It has been a promoter of the RCEP since day one. Then, as the US retreated from the regional stage and pursued a trade policy based on unilateralism, Chinese leaders used that vacuum to portray Beijing as the reliable partner of choice for economic growth, trade, and investment."

➤ **China to Remain Pork Importer for 4-5 Years**

Reuter - The world's top pork consumer China is likely to remain an importer of the meat for up to five years as new outbreaks of African swine fever delays attempts to restore pig production, head of Europe's biggest pork producer said on Thursday.

An epidemic of the incurable African swine fever swept through China's hog herd in 2018, causing production to plunge and reduced the breeding stock by an estimated 60% by late last year.

"I think rebuilding of the pig production will see some setbacks," Jais Valeur, chief executive of Danish Crown, said in an interview. "We've seen that they get the sector up and running, only to be hit by African swine fever again because the situation was not under control," he said. "My prediction is that there will be a need for imports in China in the next four to five years because of African Swine Fever," said Valeur.

Danish Crown, which produces around 18 million pigs each year, has over the past year shipped a record 30% of its total production to China, benefiting from high prices in the country. Danish Crown had seen a spike in exports to China since 2018, but Valeur said shipments to the country have fallen since Beijing in October and November temporarily banned imports from two plants in Denmark after workers had been infected with COVID-19.

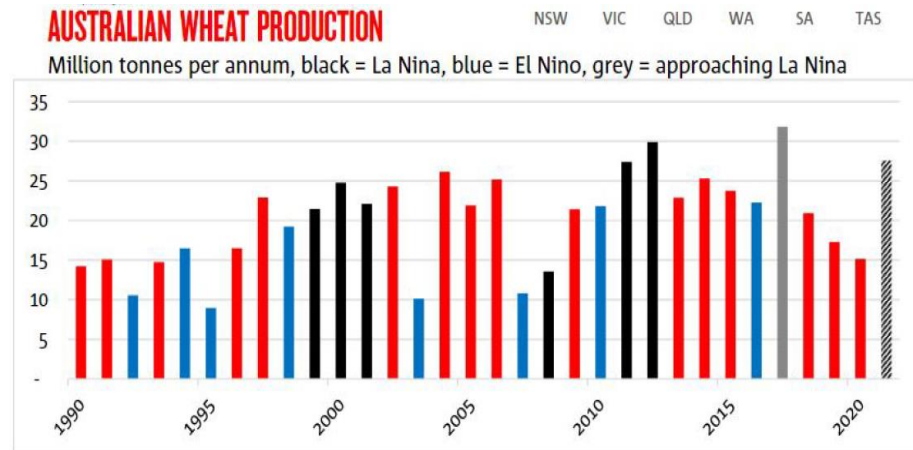
The company's only meat processing plant in China near Shanghai is running at low capacity, because an agreement with Alibaba ended shortly after the plant opened in September as the Chinese company did not take the expected volumes, he said.

➤ **Australia On-Track to Deliver Above Average Winter Crop**

NAB Grain Central - Australia is likely to see a strong harvest this year, with indications pointing to a bumper crop in the eastern states, and an average crop in Western Australia (WA), according to NAB's 'In Focus: Winter Crop Harvest' report released this week.

The NAB report forecasts national wheat production at 27.6 mmts, the largest crop since 2016.

ABARES' September forecast had WA wheat production at 8.9 mmts, while the Grain Industry Association of Western Australia's (GIWA) November forecast is 7.9 mmts, up from its October forecast of 7.4 mmts, suggesting that yields are better than expected for a season with below average rainfall.



Source: ABARES, ABS, BoM and NAB Group Economics

GHA - Interesting to note Australia's large crops in a La Niña year. With La Niña recently declared by the Bureau of Meteorology, its implications are significant.

La Niña is generally associated with above average spring-summer rainfall in eastern and northern Australia, but tends to cause droughts in the western Americas.

Source: NAB - Download NAB's 'In Focus: Winter Crop Harvest' report

US DOLLAR & FOREIGN EXCHANGE

➤ **US Dollar Index**

The US dollar extended its slide against all of the major currencies on Friday as the Index dropped to 92.358, off 0.352 from last Friday's 92.710 mark.

The dollar edged higher on Friday, in tight ranges as traders digest a potential rift between U.S. Treasury Secretary Steven Mnuchin and the Federal Reserve. U.S. Treasury Secretary Steven Mnuchin called an end to some of the Federal Reserve's pandemic lending, as he asked for \$455 billion allocated to the Treasury under the

CARES Act to be re-appropriated for other spending. The central bank openly disagreed with the move. This was the first sign of a rift between these two essential bodies and sparked concern from some investors who had counted on central bank support, helping the safe-haven dollar.

This move overturned the earlier weakness in the greenback after earlier reports that U.S. Senate Republican and Democrat leaders had agreed to resume negotiations on another coronavirus stimulus package.

Weekly US initial claims numbers had risen on Thursday for the first time in five weeks as the restrictions caused by the surge in Covid-19 cases halted the recovery in the employment market.

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Elsewhere, GBP/USD rose 0.1% to 1.3270 after U.K. retail sales rose 1.2% in October, and were 5.8% higher than a year earlier, bucking forecasts for growth to slow to 4.2% as consumers started their Christmas shopping early.

EUR/USD dropped 0.1% to 1.1870, USD/JPY rose 0.1% to 103.86, while the risk sensitive AUD/USD fell 0.1% to 0.7286.

However, news about a potential trade deal between the U.K. and the European Union continues to be the main driver for sterling, meaning moves on economic data tend to be limited.

WHEAT & GRAINS COMPLEX

➤ **CME Wheat Futures**

Wheat had a mixed week and consolidated price levels through the week. The wheat trade has been a mostly quiet atmosphere across the wheat exchanges to close out

the week with futures posting small gains. The daily trading range has been within 10 cents, which would be the narrowest daily range since mid-Sept.

The cloud of another Covid19 shutdown as we approach the holidays continues to weigh on demand uncertainty.

Biggest global headline was Pakistan postponing a 400 kmt milling wheat import tender until next week. French wheat shipments were active this week with shipments to Algeria and China. Cuba was also listed as a destination for a boat now loading. In addition to the French wheat movement to China. Weekly Russian wheat loadings were steady at 1.1 mmts, which brings the 2020-21 marketing year total to 20.7 mmts, which is 16% ahead of last year, giving the bulls a bit of pause on the demise of Russian wheat supplies. Canada also tracking well ahead of last year with 6.1 mmts more wheat shipped, or 27% year on year.

Wheat news will most likely be thin for the next few weeks as dry winter wheat conditions will be a concern, but trade knowing the key will be spring moisture. Australian harvest mostly as expected helping to defuse any Argentine bullishness.

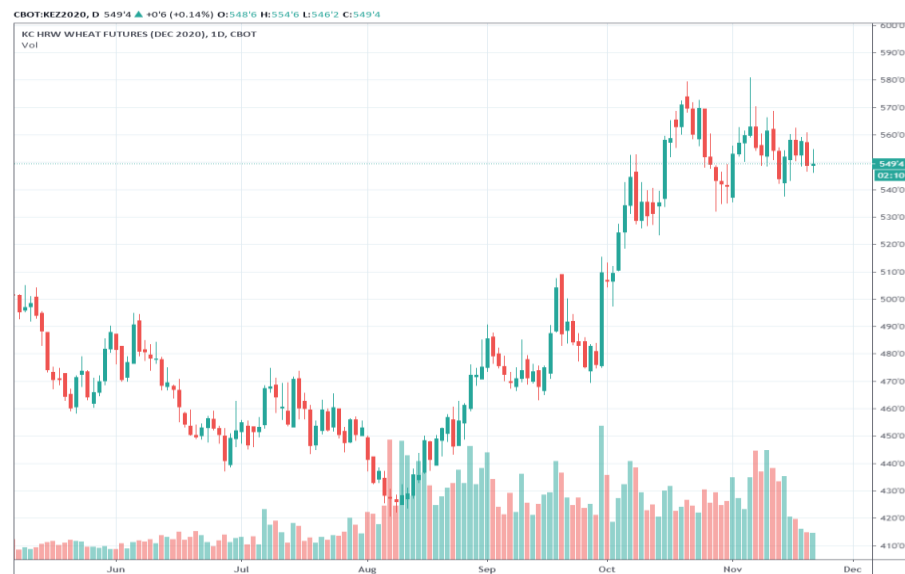
As we approach December delivery, open interest is at the lowest seasonal mark across the last five years for all exchanges, suggesting it's best to be out of the December contract as there can be some increased knee jerk spread moves.

Wheat "class" spreads had something for both the bulls and bears with Chicago firmer, Minneapolis HRS weaker and KC HRW mixed.

The lead **CBOT December 2020 Wheat Futures** had a mixed week, before settling on Friday at \$5.93/bu, up ¼ cents on the day, and mostly unchanged for the week. The March21 Contract appears to be consolidating towards the \$6.00 mark.



Kansas December 2020 HRW Wheat Futures settled on Friday at \$5.50/bu, up 1¼ cents on the day, and mostly unchanged for the week.

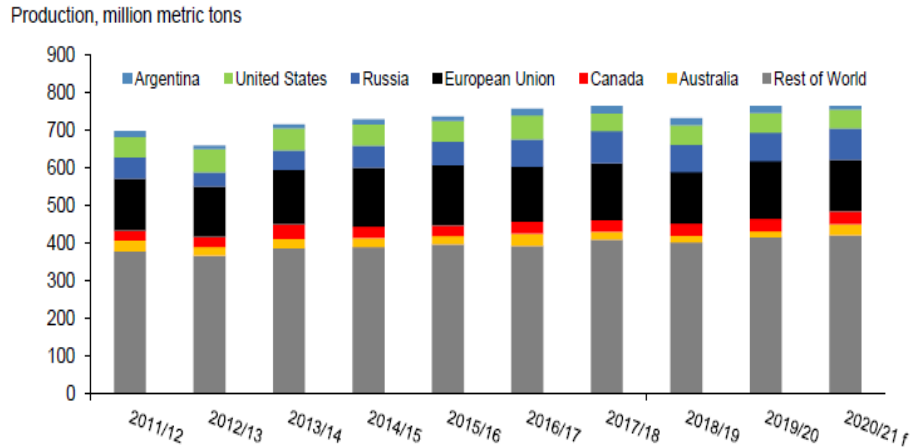


MGE December 2020 HRS Wheat Futures settled at \$5.44¾/bu on Friday, off 1½ cents on the day, and down 10 cents for the week.



➤ Lower Global Production On Dryness in Argentina

Global wheat production trimmed slightly, remains record-high



USDA - While global production remains record high this month, the projected 2020/21 harvest is trimmed on reductions for Argentina and Turkey.

Increased carry-in from the 2019/20 season more than offsets the effects of reduced production on supplies, which are raised 0.7 mmts this month to 1,073.1 mmts.

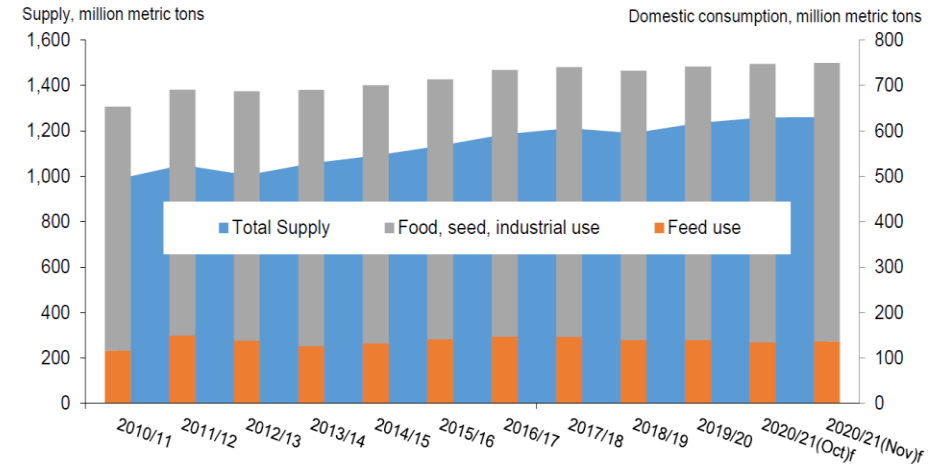
The boost in available supplies provides room for expanded consumption of wheat for domestic use. Wheat feed use in China was raised 1 mmts on an abundance of feed quality stocks and active sales in government auctions of what is expected to be stocks of older wheat. Feed use in the EU was also increased by 1 mmts on both regional availability of feed quality wheat and reduced abundance of corn, both domestically and from key trade partner, Ukraine. Correspondingly, corn production in the EU was lowered 1.9 mmts on losses for France and Romania. In 2020, France and Romania are projected to supply 22% and 17% of the total EU corn supply.

➤ Global Wheat Consumption Increases; Gains in China, EU, and US

USDA - Despite last week's WASDE Report's modest cut to global production in 2020/21 supplies are increased 0.7 mmts 1,073.1 mmts on rising carry-in.

More abundant wheat supplies support a 1.7 mmts lift in consumption with gains attributable primarily to increased feed and residual use in China and the European Union. In China, abundant supplies of sub-milling grade wheat are expected to supplement feed rations.

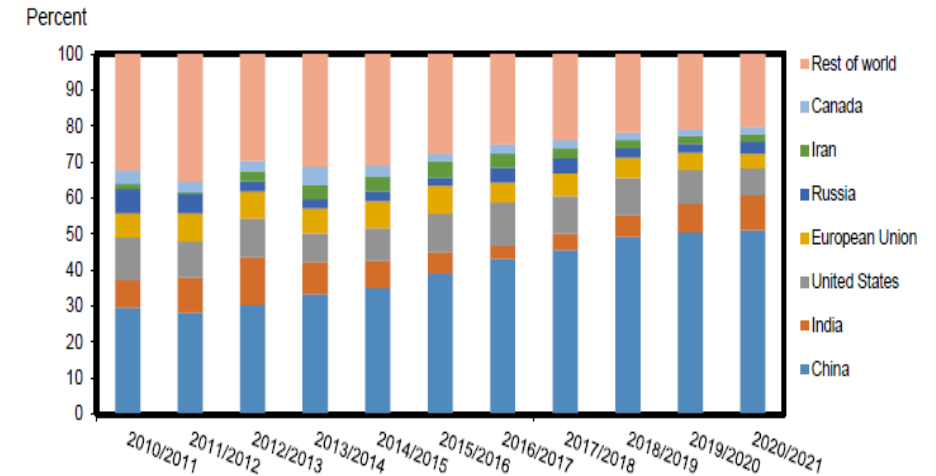
Global domestic consumption tends to grow with total global supply 1/



Wheat demand in feed and residual use was raised in the EU following a significant cut in corn feeding stemming from reduced domestic and Ukraine-grown corn availability.

➤ Global Wheat Carryout Remains Record at High

China and India hold more than 60 percent of global wheat stocks



USDA - With global consumption rising more than this month's increase in supply, ending stocks for the 2020/21 marketing year are reduced by 1 mmts.

At 320.45 mmts, global carry-out remains record large. Most global wheat stocks continue to be held in China; global carry-out less China is estimated at 156.77 mmts, indicating that more than 51% of wheat stocks in the world are held in the Asian nation. India holds the second-largest volume of wheat stocks with 31.33 mmts in storage or slightly less than 10% of total global stocks

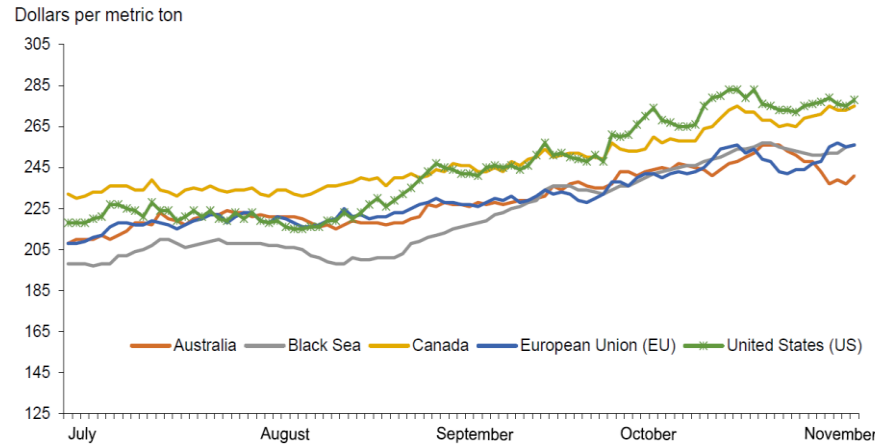
➤ **U.S. Wheat Overview**

USDA - Last week's USDA Reports also made no adjustments to U.S. All Wheat beginning stocks, imports, or production. U.S. wheat supplies are unchanged this month and remain at 2,979 mbus, the lowest level since 2015/16.

Modest, offsetting adjustments by class are made for modest changes in both imports and exports. Slower-than-expected sales of soft red winter and hard red winter wheat led to 5 mbus reduction in the export projections for both these classes.

The recent pace of white wheat exports being particularly notable. The pace of white wheat to date has exceeded expectations with total sales through the first 4 months of the marketing year coming in more than 18 mbus, and well ahead of the 2019/20 pace. This month, white wheat exports are raised 10 mbus to 195 mbus edging closer to the 2018/19 total of more than 196 million, and well above the 5-year average exports of about 178 mbus.

Leading U.S. wheat export price remains above competitors' prices since late September, 2020



Note: EU wheat is Grade 1, Rouen; US is Gulf Hard Red Winter wheat (11.5% protein). Black Sea wheat is milling quality. Canada wheat is Canadian Western Red Spring (13.5% protein) from St. Lawrence. Australia wheat is Soft White out of Port Adelaide. Source: International Grains Council.

Generally, buying from South Korea, Japan, and China has been robust, but U.S. wheat export prices have remained above key competitors in global markets since late September. US wheat values continue to be supported by robust futures prices in the

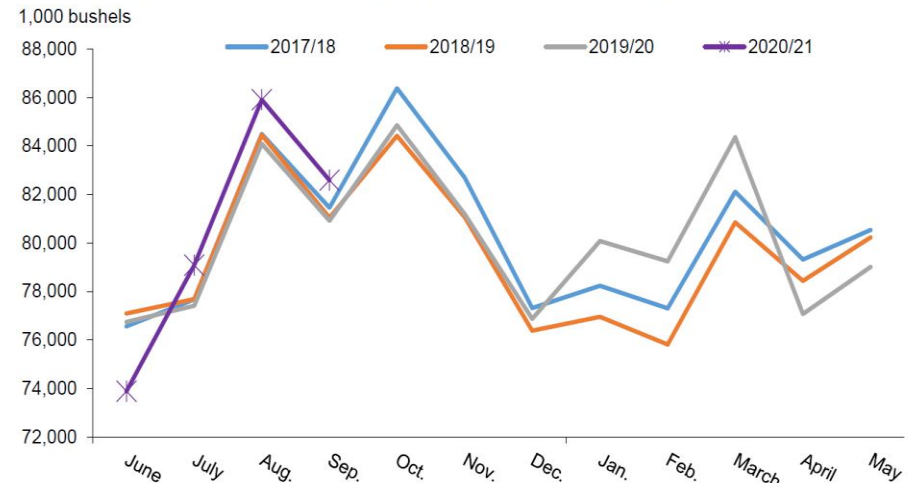
domestic market that have lately surged on prolonged dryness in the HRW wheat belt, among other factors

In response to data released in the quarterly USDA, NASS Flour Milling Product report on November 2, domestic consumption in the US was raised on a moderate rise in food use following a recalculation of monthly U.S. wheat food use estimates through September 2020. After a sharp decline in June following a previous, months-long increase linked to the COVID-19 pandemic, food use rebounded again July through September. The US trade-adjusted use of durum for food use in the first 4 months of the 2020/21 were also up considerably from a year prior.

In the first several months of COVID-19-related orders to shelter in place, retail consumers stocked up on flour and purchased enough baked goods to more than offset declining foodservice use. However, the effects of stocking up eased in early- to mid-summer and wheat food data indicated the start of a decline. After the earlier increase, June 2020 wheat food use came in at 3 mbus below the June 2019 estimate. This shift was expected by the wheat milling industry to set the tone for future months as food service spending slowly recovered and retail demand for wheat products remained inhibited.

However, the most recent USDA, NASS Flour Milling Products report underscores the relatively high level of variability in food use during the first four months of the 2020/21 marketing year, a period marked by unprecedented changes in U.S. food consumption patterns. Specifically, all wheat food use staged a remarkable rebound July through September, leading net food use for the first 4 months of the marketing year to total more than 2.3 mbus above the same period a year prior.

U.S. monthly food use rebounds July-September, 2020 after sharp drop in June



Sources: USDA, NASS Flour Milling Products report; USDA, Economic Research Service calculations, and U.S. Bureau of the Census.

Surging all wheat food use is wholly supported by very strong durum wheat sales. With trade adjustments, durum food use through the first 4 months of the current marketing year total more than 31 mbus compared to 26 mbus in 2019, an increase of 5.3 mbus. Based on the pace of durum food use to date, the USDA 2020/21 projection was raised to a record-high 90 mbus.

U.S. wheat area planted and production projected to rebound slightly in 2021/22



Sources: USDA, National Agricultural Statistics Service, Quickstats Database and USDA, Economic Research Service Longterm Projections to 2030. Production and all wheat planted area for the 2021/22 marketing year are projected.

On November 6, USDA's Economic Research Service (ERS) issued the U.S. Agricultural Baseline Database with 10 years of U.S. crop projections through 2030. The wheat early-release baseline tables reveal expectations for planted area to rise by nearly 1.7 million acres to 46.0 million in 2021/22 while production is forecast to rise slightly to 1,890 mbus.

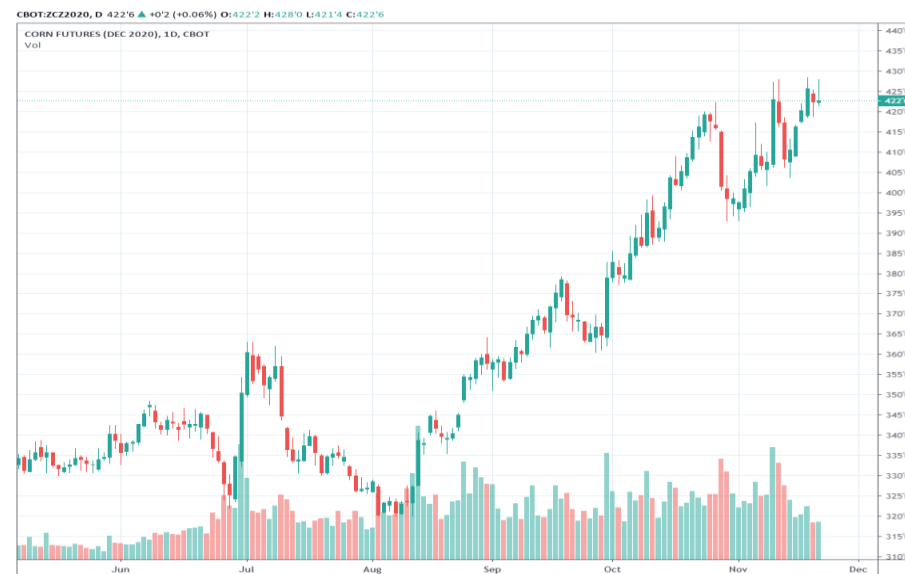
In January, NASS will release the annual Winter Wheat and Canola Seedings report, which will inform updates in estimating 2021/22 all wheat planted area. In late February, USDA will update the commodity balance sheets, including wheat, as part of the Agricultural Outlook Forum

➤ **CBOT Corn December 2020**

After making new highs on Wednesday of \$4.28½/bu, the lead **CME Corn December20** contract settled Friday at \$4.22¾/bu up a ¼ of a cent on the day, and gaining 13½ cents on the week.

Barge freight was a touch firmer, which implies FH Dec near DVE and LH Dec above DVE. CIF for Mar/May/Jly are all over DVE. FOB Upper IL River bids are posted above delivery.

ACBL reported a lower Mississippi River closure during daylight hours for grading operations at mile 356 for two weeks beginning November 30th.



As the market worries over the potential plant slowdowns, DDG values have been firming. CIF DDG trading 130% the value of corn and 55% to 60% the value of soybean meal.

➤ **USDA Corn Prices To Increase in 2020/21 as Exports Raised**

USDA - The U.S. season-average farm price of corn was raised to \$4.00 per bushel, a 40 cent/bushel increase from the previous month's projection.

Two main developments, one on the supply side and one on the demand side, combined this month to generate that outcome. On the supply side, Ukrainian corn production and exports both plunged, creating a world export supply gap and enhancing U.S. corn export opportunities.

On the demand side, Chinese corn imports increased substantially. As these two developments boost U.S. corn exports, a reduction of Ukrainian exports is fully offsetting, leaving global corn trade virtually unchanged.

U.S. corn production in 2020/21 is lowered 215 mbus in the November Crop Production report, to 14.507 bbushels. Exports are raised 325 mbushels, based on higher foreign demand and lower foreign production. Feed and residual use is lowered 75 mbushels, offsetting some of the changes in production and exports. U.S. corn exports got an exceptional boost to a record-high 66.0 mmbushels. U.S. ending stocks are projected to be 1.702 bbushels, 465 mbushels decrease from the previous month.

Record Corn Exports Projected for 2020/21

The United States is projected to export 2.650 bbushels of corn in 2020/21, a 325 mbushel increase from the October report. If realized, this would be a record export total for the

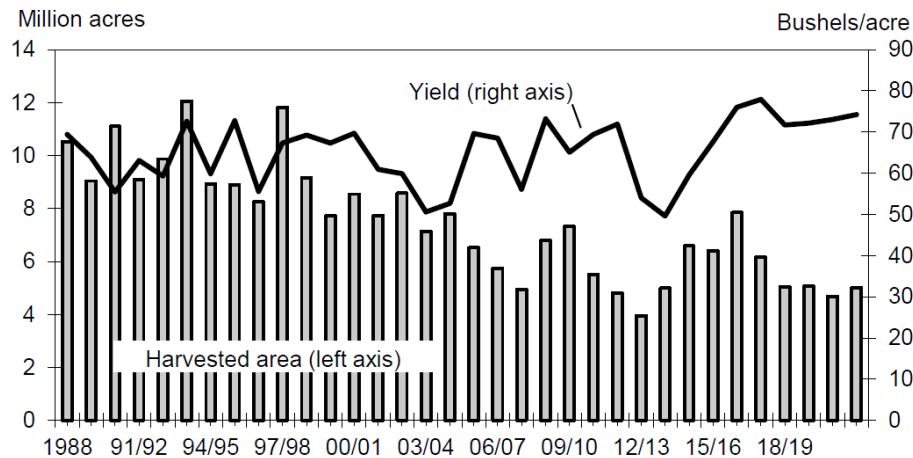
United States. The increase in exports is due to two major global market developments.

First, China has been increasing its pace of grain imports to meet increasing feed demand, as its livestock inventories and meat production have increased. Additionally, while China has a Tariff-Rate Quota (TRQ) in place for corn imports, it appears that it will exceed that amount for the 2020 calendar year.

Second, corn production in Ukraine for 2020/21 has been reduced substantially due to hot, dry conditions in some regions of the country. This has reduced national yields, as Ukraine nears the completion of its fall harvest. In recent years, Ukraine has been the 4th largest corn exporter in the world. With fewer global supplies, the U.S. is expected to capture a larger share of global exports in 2020/21.

The U.S. is currently the only major corn exporter that holds sufficiently large corn stocks available for export and is well positioned to fill the world trade gap created by the fall in Ukrainian exports. The additional 8.0 mmts in U.S. exports are expected to come out of stocks that are projected by the USDA to fall by 11.8 mmts to the lowest level since 2013/14. Despite recent production cuts, the U.S. is currently the most competitively priced corn exporter to all major destinations, with this advantage expected last through May 2021 when the South American new crop becomes available.

➤ **Sorghum Production in 2020/21 Marginally Higher**
U.S. sorghum harvested area and yield



Source: USDA, Economic Research Service with data from USDA, National Agricultural Statistics Service, Quick Stats and USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*.

USDA NASS - Sorghum area in 2020/21 remains unchanged from the previous month's forecast at 5.000 million acres. Yield projections from NASS are up 0.1 bus/acre from the October forecast, totaling 74.2 bus/acre. With this change,

production is marginally increased by 0.2 mbus to 370.8 mbus for the year. There are no changes to export or domestic use projections this month, leaving total use unchanged at 370.0 mbus.

The season average farm price is up \$0.45 /bus from the October projection, at \$4.05/bu in 2020/21.

➤ **China 2020-21 Corn Import Forecast Unched, Trade Thinks Differently**

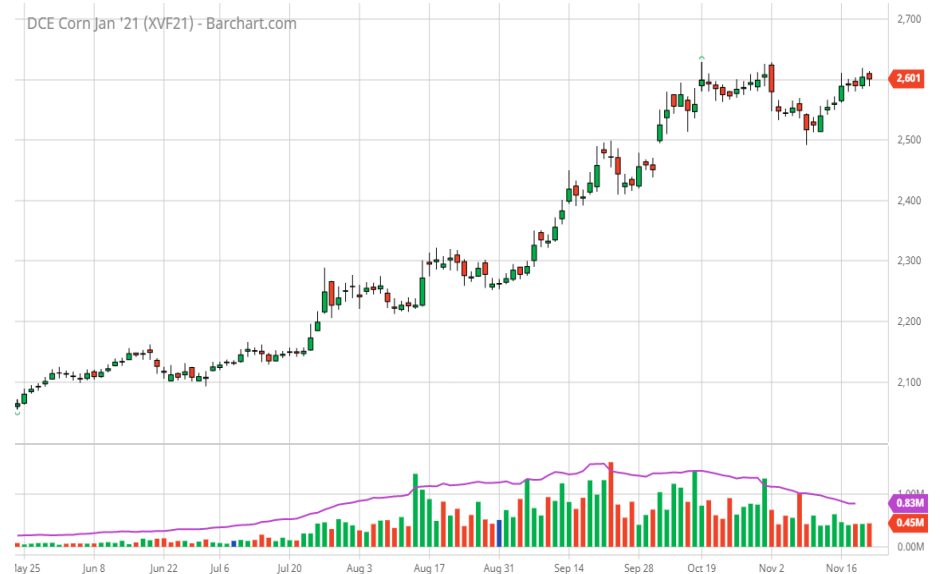
GHA - Chinese Agriculture Outlook Committee (CAOC) has kept the country's corn production and import outlook for 2020-21 marketing year (October-September) unchanged in its latest survey even as various indicators are pointing toward greater imports into the country.

The Chinese corn harvest is basically over. During the growing season the Northeast region was hit by a typhoon early in the growing season, but the actual output and quality were not believed to have been significantly affected.

China's corn output is seen at 264.71 mmts in 2020-21 as compared to 260.77 mmts in 2019-20, while the import is forecast at 7 mmts in 2020-21, down from 7.6 mmts in 2019-20, according to CAOC data.

China also kept the 2020-21 consumption forecast unchanged at 288.17 mmts as against 278.30 mmts in 2019-20. This would imply an approximate short fall of 24+/- mmts, with now change in Ending Stocks.

Dalian January 2021 Corn Futures



Corn prices in the domestic market have rallied since February, and in October, the national price averaged around US\$362/mt (US\$9.20/bu) the highest since August

2015, indicating supply tightness in the market. This week corn futures on the Dalian Commodity Exchange traded over US\$393.50/mt (US\$10.00/bu and USD vs RMB @ 6.56).

While China officially maintains the import outlook at 7 mmts in 2020-21, the US corn sales to China paints a different picture. The outstanding US corn sales to China stood at 8.56 mmts in 2020-21 as of the 29th of October, according to the USDA.

China is expected to import 13 mmts of corn in 2020-21, up from 7.6 mmts in 2019-20, according to the USDA FAS Report released on November 10th.

The surge in corn imports is partly based on China Customs Statistics and US Grain Inspections data through early November, which indicate that imports will far exceed the tariff-rate quota (TRQ) level of 7.2 mmts in calendar year 2020. There have been no public statements that would indicate that additional quota has been allocated by the National Development Reform Commission, the authority governing the TRQs.

However, Total export commitments to China currently stand at 10.774 mmts. In addition, there are currently 5.447 mmts of unknown corn sales on the books, of which 50% is estimated to be destined for P.R. China. This would bring the total to 13.50 mmts, already exceeding the 13 mmts previously mentioned.

➤ **Ethanol and Corn Demand**

Although the impact of Covid-19 remains a concern for US corn demand as a second wave of the pandemic may mean further lockdowns, and a corresponding impact of ethanol demand as travel is restricted, the news of a potentially successful vaccine appears to be lending support to prices for the moment.

Analysts expect corn used for ethanol to increase to 5.075 to 5.450 bbu in 2021-22.

Corn is susceptible to potential coronavirus-related shutdowns that may reduce demand for gasoline and ethanol, as approximately 40% of US corn demand come from ethanol production.

According to the US Energy Information Administration, weekly ethanol production rose to 977,000 b/d in the week to November 6th, the highest since March 20th, after which coronavirus-related lockdowns weighed on ethanol production numbers.

Analyst will be watching Thanksgiving holiday gasoline demand numbers for direction of things to come through the holiday period through December to early January.

In the longer term, the Biden-Harris administration is expected to move the US toward renewable energy at a faster pace, including electric vehicles, which would mean less gasoline consumption, and therefore less ethanol blended in gasoline.

OILSEEDS COMPLEX

➤ **CBOT Soybeans January 2021**

Soybeans rallied to new 4-year highs again this week as futures continued to rally, with most of the support coming from weather concerns in South America. Weather in Brazil and Argentina is not ideal, and lower crop estimates are starting to circulate through the trade. For example, one “rumor” is suggesting Argentina may be as low 46.5 mmts; and Brazil might be as low as 125.0 mmts. However, just too early to make any real hardline estimates on crop, but price and volatility are increasing. That said; liquidity and volumes for FOB soybean trade in Brazil on Friday continues to weaken.

The lead **CME January 2021 Soybean Futures** contract reached \$11.96³/₄bu on Friday before settling at \$11.81³/₄bu, up 4½ cents on the day, and gaining 33¢ cents for the week.



Soybean futures climbed through the week supported by strong demand from exporters and domestic processors as well as spillover support from higher energy and equities markets amid hopes for a COVID-19 vaccine.

Much of the market's focus remains on exports, particularly to China, which has slowed purchases from the brisk pace earlier in the autumn. China is believed to still need U.S. soybeans and corn before the next South American harvest arrives.

Gains were capped by improving crop prospects in South America after weekend rains in Argentina and parts of Brazil exceeded expectations.

The National Oilseed Processors Association (NOPA) on Monday reported a record large crush of 185.245 mbus in October, topping all trade estimates.

The USDA said 2.24 mmts of soybeans were inspected for export last week, near the high end of a range of trade estimates. More than three quarters of the beans were bound for top importer China. China reportedly purchased two January cargos as US soybeans are cheapest origin for China through January, until Brazil is back in the mix.

➤ **CBOT Soybean Oil January 2021**

CME January 2021 Soybean Oil Futures made new highs every day this week reaching \$39.0/cwt, before settling on Friday at \$38.35/cwt, down 16 cents on the day, but up \$1.44 cents for the week.

Soybean Oil values remained relatively strong this week as palm oil traded to an 8-year high.



➤ **Palm Hits Set New 8-Year High On Production Concerns**

Reuters – On Thursday Malaysian palm futures hit their highest in more than eight years on Thursday, boosted by expectations of lower production output due to a heavy-rain forecasts.

The benchmark palm oil contract for February delivery on the **Bursa Malaysia Derivatives Exchange** rose 1.66%, to 3,420 ringgit (\$835.27/mt) by the midday break, its highest since May 3, 2012.

Palm oil prices are also found support from technical buying, reflecting firmer soybean oil and a break through the resistance level of 3,400 ringgit on the most-active month, after touching high of 3,370 ringgit.

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 Palm Oil Futures, Malaysia, KualaLumpur:FCPOct, D



Also on Thursday, Dalian's most-active soybean oil contract rose 2%, while its palm oil contract jumped 2.7%. Soybean oil prices on the CBOT were up 0.6%.

Palm oil is affected by price movements in related oils as they compete for a share in the global vegetable oils market. A sharp rise was also seen in soybean oil prices on China's Dalian Commodity Exchange, as well as the US CME.

Meanwhile, Malaysia's Meteorology Department forecast heavy rains, storms and strong winds across the country to last until the end of December, state media Bernama reported this week.

Traders now await November 1st to 20th export data by cargo surveyors due out Friday and expect a monthly decline in shipments as higher prices are starting to ration export demand.

➤ **CBOT Soybean Meal January 2021**

CME January 2021 Soybean Meal Futures failed to make new highs this week consolidating prices. Soybean meal is balking at the \$400 a ton, a level which has not been seen since the spring of 2018. The January contract settled on Friday at \$392.70/short ton, up 40 cents on the day, and gaining \$3.90 for the week.



RELATED NEWS

➤ China's Pig Herd Grows 26.9% in October

Xinhua - China's pig herd grew 26.9% in October from a year earlier and its sow herd rose by 31.5%, the ministry of agriculture said on Monday, extending strong rebounds in the previous few months after large numbers of pigs were killed by the African Swine Fever (ASF).

Pork supplies improved as a result, with meat prices declining since October, the ministry said. Wholesale pork prices in the second week of November were quoted at 46.47 yuan (US\$7.06) per kilogram, down over 20% compared to the highs in February.

China, the world's top producer of hogs and pork, saw its pork output fall to its lowest level in 16 years last year after African swine fever swept through farms nationwide from 2018 onwards.

After Beijing called last September for an urgent rebuilding of pork supplies, producers have poured billions of yuan into new farms, triggering a rapid rebound.

➤ China Issues Guideline to Stabilize Grain Production

Xinhua – China's General Office of the State Council has released a guideline on preventing non-grain use of arable land and stabilizing grain production to ensure food security. Underscoring food security as the top priority in China's agricultural work, the guideline stressed that grain production must be a priority in using farmland resources.

It urged related departments to optimize production structures, implement the strictest farmland protection policies, and use arable land scientifically.

The country should unveil special protection measures and regulations for using arable land, the guideline said, calling for strict restrictions on converting arable land into other types of agricultural land, such as forests and gardens. Efforts should also go into preventing the disorderly production of inedible produces that are excessive in the market, it said.

The guideline stressed fulfilling the targets of protecting permanent basic farmland, calling for efforts to regulate production and business activities, and prohibit the destructive use of the land.

Also, the country should implement incentive policies and improve the economic compensation mechanism in major grain-producing regions while rolling out measures to encourage local governments and farmers in grain production.

To enhance the production efficiency in the functional areas of grain production, more policy support, as well as agriculture-oriented funds, will be provided.

Apart from improving the mechanical technologies in grain production, the guideline also said that authorities would monitor and assess arable land nationwide with satellite remote sensing technologies and report cases of non-grain farmland use.

TRANSPORTATION

- **Rail:** U.S. Class I railroads originated 27,426 grain carloads during the week ending November 7. This was a 2-percent increase from the previous week, 26% more than last year, and 23% more than the 3-year average. Average November shuttle secondary railcar bids/offers (per car) were \$63 above tariff for the week ending November 12. This was \$302 less than last week and \$175 more than this week last year. There were no non-shuttle bids/offers this week.
- **Barge:** For the week ending November 14, barge grain movements totaled 972,835 tons. This was 5% more than the previous week and 9% more than the same period last year. For the week ending November 14, 607 grain barges moved down river—1 barge fewer than the previous week. There were 913 grain barges unloaded in New Orleans, 4% fewer than the previous week.
- **Ocean Vessels:** For the week ending November 12, 41 oceangoing grain vessels were loaded in the Gulf—32% more than the same period last year. Within the next 10 days (starting November 13), 66 vessels are expected to be loaded—38% more than the same period last year. As of November 12, the rate for shipping a metric ton (mt) of grain from the U.S. Gulf to Japan was \$41.25. This was 2% less than the previous week. The rate from PNW to Japan was \$22.75/mt, 2% less than the previous week.
- **Vessel Loading Activity in U.S. Gulf Up Since Late Third Quarter of 2020**
In recent weeks, loading activity of oceangoing grain vessels has accelerated in the U.S. Gulf. From the week ending the 3rd of September to the week ending 12th of November 2020, there has been a weekly average of 47 grain vessels loaded or

waiting to load. In comparison, from the week ending the 2nd of January 2020 to the week ending the 27th of August 2020, there was a weekly average of 36 vessels loaded or waiting to load. H

Higher U.S. Gulf grain vessel loading activity is partly due to strong grain shipments to Asia, especially China. Year-to-date 2020 (as of 12th November 2020), China has imported 23 mmts of U.S. soybeans, compared to 12.5 mmts for the same period in 2019. In addition, ocean freight rates for shipping bulk items, including grain, were lower than for the same period a year ago.

➤ **Corn and Wheat Inspections Increase, but Total Grain Inspections Decrease From Last Week**

For the week ending the 12th of November, total inspections of grain (corn, wheat, and soybeans) for export from all major U.S. export regions totaled 3.5 mmts. Total grain inspections were down 12% from the previous week, up 26% from last year, and up 21% from the 3-year average.

However, corn inspections increased 18%, and wheat inspections increased 7, from the previous week. Demand for wheat increased primarily from Africa, and demand for corn increased mainly from Asia. Yet, the increases could not offset the 22% drop in soybean inspections. From the previous week, grain inspections decreased 19% in the Pacific Northwest (PNW) and decreased 12% in the Mississippi Gulf. During the last 4 weeks, inspections were up 49% from last year and up 32% from the 3-year average.

➤ **Diesel Fuel Prices Have Largest Weekly Increase of the Year**

For the week ending November 16th, the U.S. average diesel fuel price increased 5.8 cents from the previous week to \$2.441 per gallon. Diesel prices have not had a weekly increase this high in over a year (September 2019).

According to a recent Transport Topics article, trucking demand is high, putting upward pressure on diesel fuel prices. In its latest Short-Term Energy Outlook, the U.S. Energy Information Administration (EIA) expects global oil inventories to continue falling in the coming months. However, EIA expects high global oil inventories and surplus production capacity of crude oil will limit upward pressure on oil prices through the end of 2020.

GOVERNMENT

➤ **Senate Advances Grains Standards Reauthorization Act**

The U.S. Senate unanimously passed the bipartisan U.S. Grain Standards Reauthorization Act of 2020 on Monday, after having passed out of the Senate Agriculture Committee on June 24th.

The bill authorizes the Federal Grain Inspection Service (FGIS) of the U.S. Department of Agriculture to establish official marketing standards for certain grains

and oilseeds. The covered crops are barley, canola, corn, flaxseed, oats, rye, sorghum, soybeans, sunflower seed, triticale, wheat and mixed grain.

The bill will be “held at the desk” on the House floor when it comes over from the Senate, rather than go through the House Agriculture Committee, so that it can be considered quickly, a House Agriculture Committee spokesman said on Tuesday. The current Grain Standards Act expires the 11th of December 2020.

➤ **USDA Releases Baseline Projections To 2030**

The USDA released part of the USDA Agricultural Projections to 2030 report this week, with the complete report due to be released at the Agricultural Outlook Conference in February 2021.

USDA’s long-term agricultural projections are not official USDA forecasts, rather they are a departmental consensus on a long-run representative scenario for the agricultural sector for the next decade. The projections are based on specific assumptions about macroeconomic conditions, policy, weather, and international developments – namely that the industry continues to operate with no domestic or external market shocks.

Recent rising commodity prices resulting from increases in demand are contributing to expectations that total acreage planted to these three crops will increase by nearly 3% or 7 million acres. Corn acres planted are projected at 90 million, soybean acres are expected at 89 million, and all wheat acres are expected at 46 million. Increasing record yields are also expected to continue to rise for corn, while lower crop yields are expected for both soybeans and wheat in 2021.

International Crop & Weather Highlights

➤ La Nina Impact to Continue

DTN - A closely watched climate analysis and forecast agency, the International Climate and Research Institute (IRI), headquartered in New York City, released its updated forecasts for the next three- and six-month periods Monday. The forecast keeps the chances high for continued dryness and drought potential in the US Southern Plains and in the South America crop regions of southern Brazil and Argentina. The IRI forecast description features these details:

The SST (sea surface temperature) forecast is for moderate to strong La Nina conditions to continue through winter, likely weakening during the spring but persisting as a weak La Nina. Warm SSTs in the North and South Pacific, southeast Indian Ocean, and the North and South Atlantic are forecast to persist through the spring while the tropical Atlantic Ocean remains near normal.

Precipitation forecasts for the coming season are consistent with typical La Nina teleconnections. In December to February, strongly enhanced probabilities of below-normal precipitation are forecast for Mexico and the Southern U.S., southeast South America, with moderately enhanced probabilities of below-normal precipitation in Southwest Asia. Enhanced probabilities of below-normal precipitation persist in the Southwestern U.S. through March-to-May, but relax towards climatology elsewhere by Jan-March.

The southeast South America region described in the IRI summary is an area including the state of Rio Grande do Sul southern Brazil, the entire country of Uruguay, and northern through central Argentina. These are primary row crop producing areas. Rio Grande do Sul is the third-largest soybean production state in Brazil; and in Argentina, the coverage of dry conditions in the IRI forecast includes the states of Santa Fe, Cordoba and Buenos Aires, the top three corn and soybean producing states in Argentina.

Farther north, the central Brazil state of Mato Grosso is not in a high chance category for dry conditions; however, indications are that precipitation will be near to below normal. Central Brazil is already in a drier pattern; thus, the message is that of a higher chance for reduced crop size in South America than previous estimates.

In the U.S., dry conditions remain prominent in the IRI forecast for the Central and Southern Plains, and from the southern California coast east to the Carolina coast. Below-average precipitation in the Southern Plains forecast leads to more concern about lower winter wheat output from this region in 2021. Above-average moisture has a high probability in the Northwest, with near- to above-average precipitation indicated for the Midwest during the winter season.

➤ **USDA/WAOB Joint Agricultural Weather Facility - 17th November 2020**

EUROPE – Highlight: Mild, Dry Weather Prevailed

- Mild, dry weather across much of Europe promoted seasonal fieldwork and winter crop development.

- Late-week showers returned to Spain, maintaining good soil moisture supplies for winter grains.

FSU – Highlight: Sharply Colder Weather Ushered Crops Into Dormancy

- Sharply colder weather during the latter half of the period ushered winter crops toward or into dormancy. Ukraine's winter crops are entering dormancy in good shape, while conditions for winter wheat remained very poor in Russia.

MIDDLE EAST – Highlight: Rain Shifted Eastward Over Iraq And Iran

- The season's first significant rain shifted eastward into Iraq and Iran, improving prospects for winter grain establishment.
- Drier weather returned to Turkey, favoring wheat and barley establishment following recent rain.

SOUTH ASIA – Highlight: Good Weather In India For Rabi Crops

- Seasonably dry weather continued to facilitate rabi crop sowing across India and Pakistan, while showers in southeastern India boosted soil moisture for rain-fed crops.

EAST ASIA – Highlight: Mild Weather In Eastern China

- Sunny, warmer-than-normal weather in eastern and southern China promoted wheat and rapeseed development.

SOUTHEAST ASIA – Highlight: More Tropical Cyclones

- Two tropical cyclones, one of which was a strong typhoon, added to the barrage of tropical cyclones slamming the Philippines and Vietnam since mid-September.

AUSTRALIA – Highlight: Still Wet In The West

- Widespread showers persisted in the west, slowing wheat, barley, and canola dry down and harvesting.
- Showers dotted the wheat belt in the south and east, favoring local cotton and sorghum germination and emergence while allowing winter grain and oilseed harvesting to progress with minimal delays.

SOUTH AMERICA – Highlight: Beneficial Rain Returned To Argentina And Central Brazil

- Locally heavy rain returned to Argentina's western and southern production areas, providing timely moisture for summer grain and oilseed germination, as well as development of immature winter grains.
- Scattered showers boosted moisture for emerging soybeans in central Brazil, but more widespread rain was needed throughout the country, particularly in unseasonably dry southern summer crop areas.

SOUTH AFRICA – Highlight: Showers Continued In Key Summer Crop Areas

- Beneficial rain maintained favorable early prospects for corn and sugarcane

➤ **Agricultural Weather Highlights – Friday - November 20, 2020**

- END -

In the West, cool air has settled across the northern half of the region, where winter grains are benefiting from recent topsoil moisture improvements. Meanwhile, gusty offshore winds are developing in parts of southern California as a high-pressure system builds across the northern Intermountain West. Elsewhere, warmth lingers across the Desert Southwest, where fieldwork such as Arizona's cotton harvest—61% complete on November 15—is advancing.

On the Plains, temperatures have fallen to more seasonable levels, following a period of record-setting warmth. Today's high temperatures will range from sub-freezing values in northern North Dakota to near the 80-degree mark in westcentral Texas. According to the November 17 U.S. Drought Monitor, 41% of the U.S. winter wheat production area is experiencing drought, including all wheat acreage in Colorado and Nebraska.

In the Corn Belt, mild, dry weather across the Ohio Valley and lower Great Lakes region continues to promote late-season corn and soybean harvesting. In the upper Midwest, where harvest activities are largely complete, colder air is arriving.

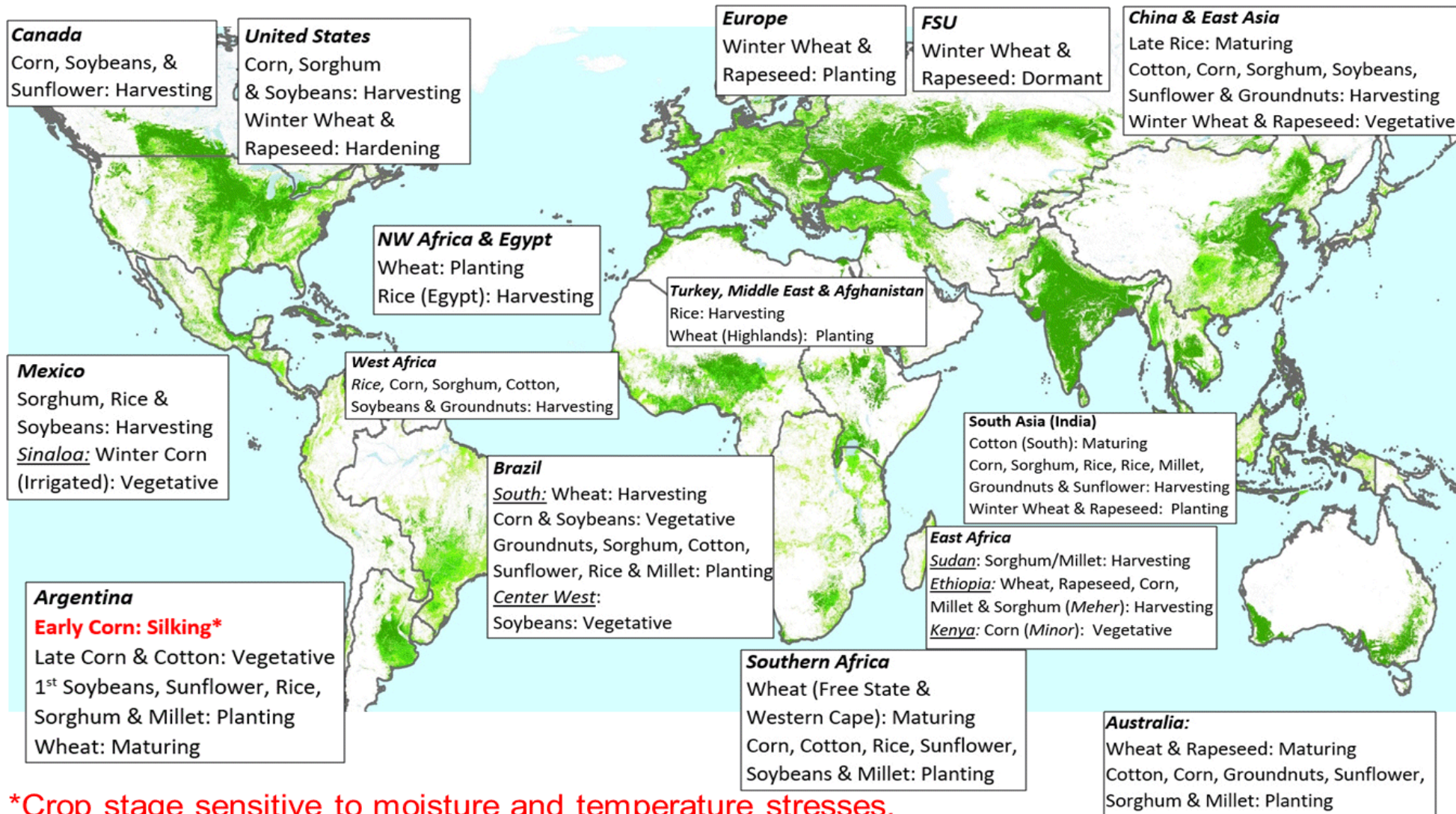
In the South, widely scattered showers are occurring across Florida's peninsula. Elsewhere in the Southeast, dry weather and warmer conditions favors an acceleration of fieldwork previously delayed by autumn wetness. On November 15, only 40% of Virginia's cotton had been harvested, compared to the 5-year average of 82%. Cotton was 59% harvested on the same date in North Carolina and South Carolina.

Outlook: A pair of storms will follow similar paths across the central and southern Plains and the Midwest, drawing cooler air across the nation's mid-section and generating 5-day precipitation totals that could reach 1 to 2 inches or more from parts of Kansas and Oklahoma into the Ohio Valley and the lower Great Lakes region. Similar totals may occur in the Northeast. In contrast, little or no precipitation will fall during the next 5 days west of the Rockies, except in the Pacific Northwest. Dry weather will also prevail into early next week in the Southeast, except for scattered showers along the southern Atlantic Coast.

The NWS 6- to 10-day outlook for November 25 to 29 calls for the likelihood of near- or below-normal temperatures in the West, while warmer-than-normal weather will dominate areas from the Plains to the East Coast. Meanwhile, below-normal precipitation from California to the Plains and upper Midwest should contrast with wetter-than-normal conditions in the Pacific Northwest and along and east of a line from coastal Texas to Lake Michigan.

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

November 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)

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