



Notes and Observations in International Commodity Markets

15th January 2021

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

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

KSU Agriculture Today Podcast Link – January USDA WASDE Comments:

<https://www.ksre.k-state.edu/news/radio-network/ag-today.html>

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January Crop Calendar

Bonus – 20 Year Price Charts

USDA Reports Rally Markets TO Seven Year Highs

GHA – CME corn, soybean and wheat futures rallied to new multi-year highs on Tuesday following the release of the monthly USDA WASDE Report and USDA Quarterly Stocks Report. The surge took prices to highs not seen since 2014.

Corn was locked “limit” up for the first three contract months of March, May and July, jumping by as much as 5%. Soybeans added nearly 4% to prices, while wheat gained almost 5% as well.

On the day (Tuesday) CBOT March corn ended the day locked up the 25-cent limit at \$5.17-1/4 a bushel, with options markets suggesting a close above \$5.25, the highest level for a nearby contract since May 2014. May and June futures were also limit-up, and all three were trading synthetically through options about 8 cents above closing prices.

March soybeans jumped 45¢ cents to \$14.18 1/4/bu, at the highest level for a nearby contract since June 2014.

CME CBOT March wheat gained 30 1/4 cents to \$6.65/bu, the highest since December 2014.

The eagerly awaited data showed 2020 U.S. corn and soybean harvests to be smaller than expected, number confirmed by the stock numbers reported on the 1st of December. The USDA estimated the 2020 U.S. corn harvest to be 14.182 bbu based

on an average yield of 172.0 bus/ acre and soybean production at 4.135 bbus on a yield of 50.2 bus/acre. All were notably below average trade expectations.

As a result, the USDA forecasted ending stocks for corn and wheat supplies below trade estimates, and confirmed concerns of the tightest U.S. soybean ending stocks in seven years.

Concerns surrounding available supplies from competing exporters also added support to prices. A number of countries are limiting exports. Argentina has moved to curb corn exports. In addition, the top wheat exporter, Russia, is applying an announced export tax on the grain in February. Ending stocks are getting historically tight, suggesting there is more potential “up-side” to even these current values.

➤ **US Ag Exports Top \$15 Billion For Second Month in A Row**

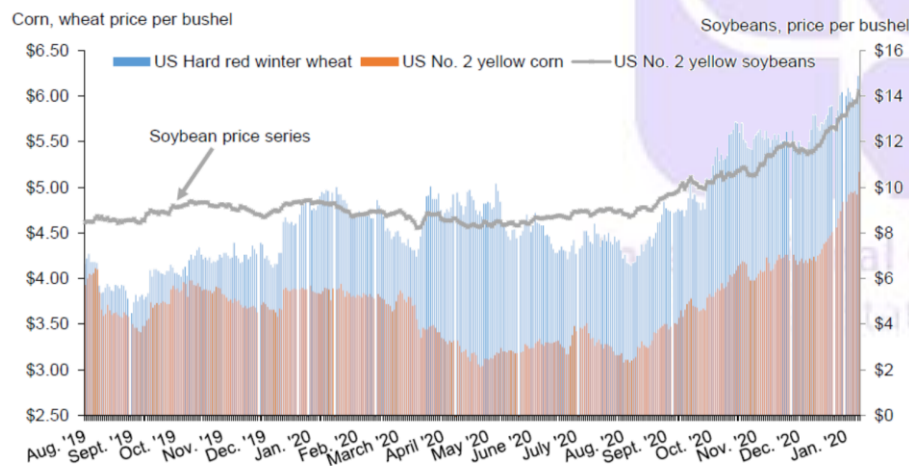
Feedstuffs - Late last week, the USDA FAS updated its November trade export figures to \$15.5 billion, the second highest month on record.

Bart Kenner, USDA economist, said the record amount comes second only to November 2013 which led into what turned out to be a record high export year. “It’s not out of the realm of possibility that we might be on track to set a record for exports this year if the trend continues,” Kenner said.

Total agricultural exports to date were \$129.9 billion, up from \$124.7 billion for the same 11-month period in 2019, an increase of 4%.

➤ **Higher Grain and Oil Crops Prices Lifting U.S. Wheat Values**

Futures prices for major U.S. row crops trending strongly up in the last six months



Notes: All prices reported are dollars per bushel.
Sources: Chicago Mercantile Exchange and USDA, Economic Research Service calculations.

Futures prices for wheat, corn, and soybeans have been rising since August 2020. This six-month trend of rising prices accelerated in recent weeks with even stronger futures price gains.

For example, the CME's HRW (11.5 % protein) contract rose 72 cents/bu or 13% during the 30-day period prior to the 12th of January 2021; while CME's corn and soybean contracts rose 98 cents and \$2.69/bu, respectively, or approximately 23% each, during the same 30-day period.

The bullish price movements for the major U.S. row crops (wheat, corn, and soybeans) have been stimulated by tightening supplies coupled with strong demand from export markets, which has most notably been destined for China.

In addition, dry conditions in key areas of corn and soybean production in South America have reduced production prospects and provided strength to associated U.S. commodity prices.

➤ **Rising New-Crop Corn, Soy Prices Intensify Duel For Acreage**

Karen Braun, Reuters - There is no doubt that new-crop Chicago corn and soybean futures have risen to profitable levels for U.S. farmers in 2021, and that should support strong plantings in the spring. But the dwindling domestic stockpiles magnify the impending acreage showdown even further.

USDA data suggests domestic corn and soybean stocks-to-use for 2020-21 at 10.6% and 3.1%, respectively, both seven-year lows. Some industry analysts have suggested that with supplies that tight, the United States cannot return to a plentiful situation within the 2021-22 cycle, even with strong harvests.

Whether corn or soybeans can observe the bigger recovery in stocks will start with farmers' planting decisions. Farmers will begin relaying to USDA their 2021 spring crop plans in early March for the prospective plantings report due at the end of that month.

There are various factors that influence farmers' decisions, but the ratio of CME CBOT November soybeans to December corn is a primary indicator of implied profitability. So far in January, that ratio has hovered near record, soybean-favoring levels for the time of year and is comparable with only 2017 and 2018.

Soybean plantings reached a respective 90.2 million and 89.2 million acres in those years, far above 2016's 83.5 million, a distant third place in the record books.

This implies that soybean acreage should be strong in 2021. However, U.S. farmers love to plant corn, and many of them report more confidence in corn yields than those for soybeans. New-crop corn prices are at seven-year highs for the time of year.

New-crop soybeans sit at eight-year highs for the date, but it is interesting to note that speculators have recently adopted a particularly bearish view of soybeans relative to corn. The stance is comparable with the same point in 2015 but opposite to those of 2017 and 2018.

HIGH PRICES STAY HIGH?

There are still a lot of trading days left in January, and the 2021 corn and soybean insurance guarantees to U.S. farmers appear on track for at least six-year highs, if not seven, and that should encourage the acreage boost this spring.

Within the last three decades, the average price of November soybeans during February, which sets the insurance guarantee, was within 5% of the January average in 26 of those years. The same stat for December corn is 24 of the 30 years.

Five of the six years with corn moves larger than 5% in February featured price gains and only one was a significant loser, 2009. The four soybean outliers were split: two up and two down.

The average settle for new-crop corn and soybean futures between Monday and Wednesday was about \$4.51 and \$11.69 per bushel, respectively. Applying the 5% bounds would yield a corn range of \$4.28 to \$4.73 per bushel and a soybean range of \$11.10 to \$12.27.

This assumes futures in January will not change much from current levels for the sake of a simple example, but even the lower ends of those ranges are significantly better than in prior years.

The corn insurance price averaged \$3.93 per bushel in the past five years while soybeans averaged \$9.58. The 2021 prices will challenge the 2014 levels of \$4.62 and \$11.36, but they are still well off 2013's \$5.65 and \$12.87.

These higher prices will allow farmers to plant corn and soybeans this spring with fewer concerns about profitability than usual. If the harvest price (average of November soybeans and December corn during October) is lower than the February projected price, farmers get to use the February one to calculate their revenue guarantee.

The actual payout of the federally sponsored revenue protection crop insurance depends on a producer's chosen coverage level.

BIGGER UNIVERSE

USDA on Tuesday placed 2020 U.S. principal crop planted acres at 310.1 million, up 7 million from 2019's flood-ridden season, but down from 319.3 million in 2018. That suggests U.S. farmers could find at least an extra 9 million acres to plant in 2021.

Updated data from USDA's Farm Service Agency on Tuesday showed 10.2 million acres prevented from planting in 2020, the second-highest on record but down from 19.6 million in 2019. Low prices in the spring of 2020 discouraged farmers from planting on unfit soils.

Prevented acres are likely to return to lower levels in 2021 barring any weather complications in the spring. The 2016-2018 average was 2.6 million acres, with a low of 1.9 million in 2018.

Winter wheat has occupied a larger share of the U.S. acreage mix than analysts expected. USDA placed winter wheat plantings for the 2021 harvest close to 32 million acres, up from the trade guess of 31.5 million and 2020's 30.4 million, a 111-year low.

US DOLLAR & FOREIGN EXCHANGE

➤ U.S. Dollar Index

Barchart - The U.S. Dollar Index on Friday rose +0.525 (+0.58%). The dollar index on Friday climbed to a 3-1/2 week high as weakness in stocks spurred liquidity demand for the dollar. The dollar also rose after EUR/USD tumbled to a fresh 1-month low on concern that additional Covid lockdowns in Europe will weaken Eurozone economic growth. USD/JPY traded mixed on Friday.

U.S. stock indexes on Friday retreated, which boosted demand for the dollar. Stocks fell as President-elect Biden's \$1.9 trillion pandemic stimulus plan released late Thursday came under scrutiny. Markets are concerned that Biden's proposals could be watered down by congressional opposition. Also, stocks were undercut by the possibility of higher taxes.



Please note that a 20 year chart can be found on the last page of this report.

The dollar maintained its gains Friday despite mostly weaker-than-expected U.S. economic data. U.S. December retail sales fell -0.7% m/m and -1.4% m/m ex-autos, much weaker than expectations of unchanged m/m and -0.2% m/m ex-autos. Also, the Jan Empire manufacturing index unexpectedly fell -1.4 to a 7-month low of 3.5, weaker than expectations of +1.1 to 6.0. In addition, December PPI ex-food & energy rose +0.1% m/m and +1.2% y/y, weaker than expectations of +0.2% m/m and +1.3% y/y. Finally, the University of Michigan U.S. Jan consumer sentiment fell -1.5 to 79.2, weaker than expectations of -0.8 to 79.5. A supportive factor for the dollar was the

+0.9% increase in U.S. Dec manufacturing production, stronger than expectations of +0.5% m/m.

Comments on Friday from Minneapolis Fed President Kashkari were dovish for Fed policy and negative for the dollar when he said that "the end of the pandemic is further away than maybe we thought it was," and it could stretch through all of 2021.

The ongoing Covid pandemic is leading to prolonged lockdowns, which slows economic growth and is dovish for central bank policies and negative for the dollar. Germany reported a record of more than 1,500 Covid deaths on Friday, and Chancellor Merkel seeks to tighten and expand lockdown restrictions. Also, France expanded a daily 12-hour curfew nationwide starting Sunday. In addition, Italy's Health Minister said today that the government might need to return to a strict lockdown as Covid infections soar. Globally, Covid infections have risen above 93.664 million, and deaths have exceeded 2.005 million.

Bullish Factors: (1) safe-haven demand for dollar liquidity as the stress in the global financial system encourages flight into the world's reserve currency, and (2) the influx of capital from overseas investors fleeing from over \$10 trillion of negative-yielding debt.

Bearish Factors: (1) the Fed's new 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 Fed's extraordinary blast of monetary stimulus in response to the pandemic, (4) the severe U.S. and global economic damage caused by the Covid pandemic, which is dovish for Fed policy, (5) trade tensions and Washington political uncertainty, and (6) the wide U.S. budget and current account deficits.

WHEAT

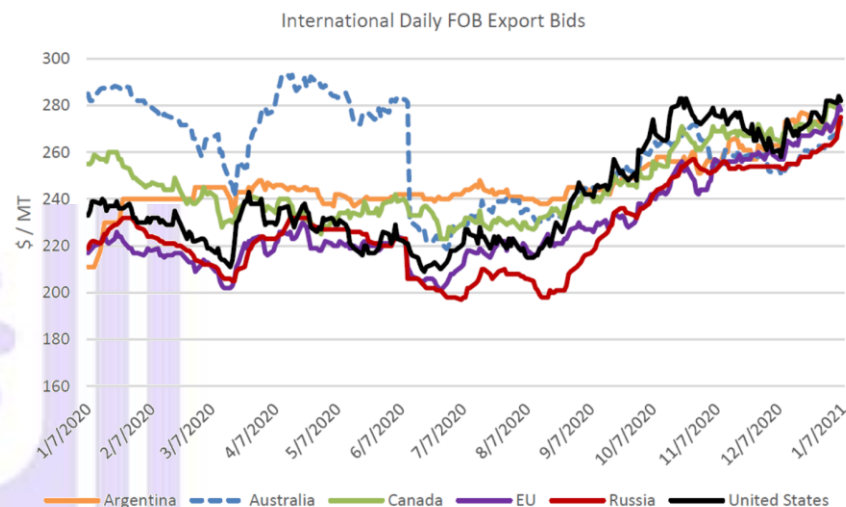
USDA – This week's USDA WASDE Report estimated global wheat production to be down with smaller crops in Argentina and China more than offsetting a larger crop in Russia.

Global consumption is boosted on higher feed consumption in China and increased food, seed, and industrial use in Russia. Global trade is also up slightly, with higher exports for Canada, the European Union, and India more than offsetting lower exports for Argentina and Russia. Higher imports for China and Jordan, meanwhile, more than offset lower imports for Algeria and the United Arab Emirates.

➤ **FOB Wheat Prices**

USDA – FOB wheat prices rose in most major exporting countries since last month's WASDE due to the Russia export tax and stronger prices for corn and soybeans.

Australia prices strengthened on stronger demand in Southeast Asia in lieu of less exportable supplies in Russia with its export restraints. The major exporters are currently all quoting prices within a very narrow range.



Argentina	Australia	Canada	EU	Russia	United States
\$273	\$274	\$281	\$276	\$275	\$281

Note: As of January 7th, 2020

➤ **Russian Traders Rush to Move Wheat**

USDA - The Russian government is preparing to hit wheat exports with stiff new taxes from the 15th of February through the 30th of June 2021 and traders are accelerating shipments ahead of those duties. The export tax will be the equivalent of about \$31/mt inside a 17.5 mmts combined quota for wheat, rye, barley, and corn. Above the quota, the tax will be at least \$122/mts. Thus far, Russia has exported around 25 mmts of wheat from July to December 2020, nearly two-thirds of the forecast for the year. That nearly exceeds the full-year USDA FAS forecast.

➤ **Russia to Release Wheat From State Stockpile**

Reuters - Russia announce plans on Friday to release about 75,000 mts from its government stockpile to the domestic market during the first quarter of 2021, said the state trader United Grain Company. Sales will begin on the 20th of January.

Interfax news agency reported recently that there are about 200,000 mts of grain in the Russian government's stockpile.

Russia, perennially among the world's largest wheat exporters, has seen its state grain inventories depleted in recent months as demand for grain-based products have risen sharply during the COVID-19 pandemic, which began 11 months ago.

Because of the high demand for grains, domestic food prices have risen, leading Russia to issue an export quota and tax on wheat in an attempt to curb prices.

➤ **CME CBOT Wheat Futures**



Please note that a 20 year chart can be found on the last page of this report.

CBOT March 2021 Wheat Futures put in a new contract high on Friday of \$6.93, as the market attempts to reach for the \$7.00/bu mark, before settling at \$6.74¾, up 4½ cents on the day, and gaining 36½ cents for the week.

New crop July 2021 wheat settle on Friday at \$6.57 ½ 6.30¼/bu, down 2½ cents on the day, and up 27 cents for the week.

Wheat traded in a wide range this week, setting new contract highs in a back and forth direction to end the week. The trade continues to debate the potential impact of changing Russian wheat policies, alongside changes to the U.S. demand picture. Prices initially rallied on chatter that Russian government agencies proposed doubling the upcoming export duty as well as re-implementing the export tariff this summer that had been suspended for the past few years. In an attempt to control the domestic prices, it was reported that Russia would release roughly 70,000 mts of their internal wheat reserves by way of auctions commencing next week. This is roughly one-third of the industry estimated reserves.

Winter wheat spreads had a bullish reaction to the ongoing developments as a bigger export program seems more likely if export curbs from Russia are realized. Throw in the uncertainty on acreage and limited value of space this summer, and we have the potential for a very snug wheat supply and demand situation

Major global importers of wheat still have a comfortable balance of supplies meaning we could afford a little slow-down in global trade, but this was still the biggest year on year drop on a percentage basis in major buyer supplies since 2014 season. If China/Asian buyers decide to increase wheat feeding in the face of expensive feed grains, one could make an argument that wheat needs to mimic the trading environment of corn.

➤ **CME KC HRW Wheat Futures**



Kansas March 2021 HRW Wheat Futures reached new highs on Friday as well, touching 6.60/bu, before settling on Friday at \$6.44¾, up 7¼ cents on the day, and gaining 50½ cents higher for the week.

The July 2021 new crop HRW contract settle at \$6.46/bu on Friday, up 5½ cents on the day, after making new contract highs \$661½/bu, and gaining 44 cents for the week.

KC wheat still offers carry to December. However, commercial hedgers would find it tough to hold ordinary wheat and bypass selling DVE values. With the supply questions, it's likely that wheat will try to stay out of feed rations for a while.

The protein outlook could also add support to values. If a warehouse is wanting to carry something, high protein wheat is justifiable today.

➤ MGE HRS Wheat Futures



MGE March 2021 HRS Wheat Futures settled at \$6.43¾/bu on Friday, up 2¾ cents on the day, and gaining 33½ cents for the week, after making a new contract high of \$6.53¾/bu .

The new crop **MGE September 2021 HRS Wheat Futures** contract settled Friday at \$6.59/bu, 4 cents higher on the day, and gaining 36½ cents for the week.

➤ Higher Russia Wheat Export Tax Could Benefit Australia

Russia is considering a further increase in its wheat export tax, which could open opportunities for Australia to export wheat to North Africa and the Middle East, regions that have traditionally been supplied by Russia and Europe.

Russia last month imposed a 25 Euro/mt export tax on wheat for shipment from February to June in an effort to stabilize domestic prices. However, grain exporters report this levy could go higher.

Meanwhile, Australian wheat production has been forecast to roughly have doubled in the 2020/21 crop year to more than 30 mmts, helped by the return of rains after a prolonged drought. This month the USDA estimated Australian wheat export to be 20 mmts.

Australia has traditionally sold much of its wheat to China, but heightening trade tensions between the two countries has meant Australia must seek out new export markets, which also could include Southeast Asia.

COARSE GRAINS

➤ World Coarse Grain Production Prospects Decline

USDA – This week's USDA WASDE Report forecast global coarse grain production in 2020/21 to be lower at 1,438.5 mmts, down 9.3 mmts. The decline was due to lower number in the United States, with non-U.S. coarse grain production forecast down only 1.1 mmts to 1,063.9 mmts.

Estimated global corn production to be lower as reductions for Argentina, Brazil, the European Union, and the United States more than offset increases for China and India. While world changes for some other coarse grains are only small, corn production is projected to be down 9.7 mmts from last month's forecast, while corn output in the U.S. was reduced by 8.2 mmts. Non-U.S. corn production is lowered by only 1.4 mmts, with several partly offsetting changes.

The largest revision for non-U.S. corn production this month is for Argentina, down 1.5 mmts to 47.5 mmts. Last month, a production reduction in Argentina was caused by lower projected planted area. This month, persistent dryness affected early-planted corn during the critical stages of reproduction in the heart of the main corn-growing regions of western Cordoba, southern Santa Fe, and northern Buenos Aires, limiting yield prospects. About 30% of corn in these regions is assessed by local sources to be in fair to poor condition. However, seasonally warm weather, with no serious heat stress to the crop and timely rains in some areas, are expected to limit losses. The current yield forecast assumes normal weather going forward. The projected corn production is still the 3rd highest on record.

The same weather is also stressing corn yields in southern Brazil, particularly parts of Rio Grande do Sul and Santa Catarina. These states that produce almost half of Brazil's first crop corn are now moving to the filling phase of the reproductive period. The first crop corn represents only about a quarter of projected corn output, which moderates the impact of the reduction on the total crop. The rest, about three-quarters of the Brazilian corn output comes from the second-crop "safrinha" corn. Area and yield assumptions for safrinha corn are unchanged this month. Corn prices are running high in Brazil and are expected to boost safrinha corn area relative to last year, further reducing the impact of lower first crop yields and production on total corn output. With reduced first-crop yields, 2020/21 corn production for Brazil is projected down 1.0 mmts this month, less than 1%, to leave a still record high forecast of 109.0 mmts, 7.0 mmts above last year.

Global exports for corn were down due to cuts to Argentina and the United States.

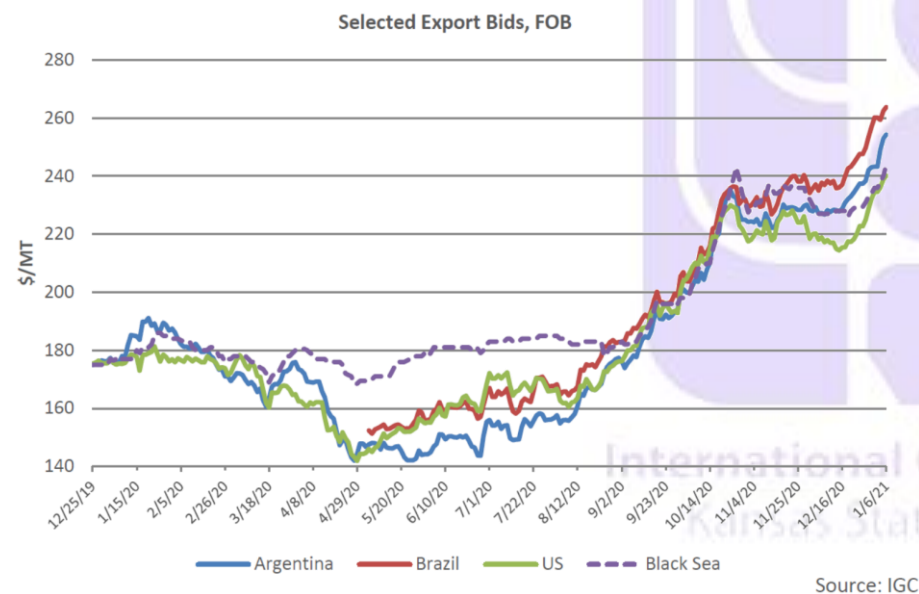
Corresponding cuts to imports in several countries result in global trade down from last month. Higher imports for China offset lower imports for the European Union.

➤ **Strong FOB Corn Prices to Curb Import Growth Outside of China**

USDA – Since the December WASDE, major corn export bids are higher across the board, likely driven by rising soybean prices and supply concerns in South America. Argentine bids are up \$27/mt to \$254/mt, while Brazilian bids were up \$29/mt to \$264/mt on continued tight nearby supplies. Black Sea bids are up \$17/mt to \$244/mt on strong demand from China. U.S. bids are up \$22/mt to \$240/mt on strong sales and shipments. U.S. bids remain the lowest of the major exporters.

Corn prices in exporting countries have gone up sharply from a year ago, initially impacted by smaller supplies in Ukraine and strong demand from China. Supply concerns in South America and rising soybean prices have further stimulated corn prices. Argentina's short-lived action to suspend export registrations for old crop corn sales during January and February has further fueled prices. As of early January, exporters' prices ranged between \$240 and \$260/ton per ton, the highest since the summer of 2013. U.S. corn No. 2 at Gulf FOB hovered around \$225/ton.

While available supplies are smaller in Ukraine, the export season is winding down for Argentina and Brazil. Corn planting is underway in Argentina and Brazil. Until the South American crop comes onto the market, typically in May/June, corn prices are expected to remain elevated reflecting tight availabilities and demand in China.



Strong prices are expected to curb import demand as most countries are sensitive to feed costs. Import forecasts for many countries are trimmed from prior expectations. China imports, however, are raised reflecting stronger feed demand and rising domestic prices. In fact, the spread between China's national average wholesale price

and U.S. corn has widened throughout 2020. In December, China corn prices reached \$394/ton, almost twice as high as U.S. corn. As China continues to rebuild its swine sector, demand for competitively priced feedstuffs is likely to remain strong. China corn imports for 2020/21 (October-September) are currently forecast at 17.5 million tons, the second largest after the European Union.

GHA: The U.S. is now the primary supplier of corn until the South American crop begins to be harvested and supplies fill the supply chain to points of export.

➤ **Argentina Reverses Course Again, Removing Corn Export Restrictions**

Gro Intelligence - Argentina reversed course a second time this week, removing all restrictions on corn exports a day after imposing a corn export limit of 30,000 mts per day. The move, announced January 12th, will provide additional corn shipments to global markets straining under the pressure of tight supplies.

Argentina, the world's third-largest corn exporter, initially announced on December 30th a suspension of all corn exports to ensure domestic food supplies and stable prices. However, the government has now backed off imposing any limits following a nationwide farmer's strike this week that halted sales. Instead, the Argentine government said a commission would be named to monitor domestic corn prices going forward.

➤ **CME Corn March 2021**



Please note that a 20 year chart can be found on the last page of this report.

Another bullish week for corn as we again set new contract highs following the USDA WASDE Report on Tuesday as the nearby **CME Corn March21** contract touched \$5.41½/bu. The contract settled on Friday at \$5.30¾/bu, closing down 3½ cents cent on the day, but up 34 cents on the week.

The new crop **CME Corn December21** contract closed on Friday at \$4.58¾/bu after touching \$4.65 ½ /bu during the week, up a penny on the day, and gaining 18 cents for the week.

There were a number of market moving headlines today. This morning the USDA announced a 110 kmt sale to Mexico. Safras Mercardo put out their first estimate for the Brazil Safrinha crop, raising planted acres by 2.1 million acres and estimating entire Brazil crop 113.46 mmts, over 4 mmts higher than the USDA number of 109 mmts. Brazil's domestic prices are at record levels.

As the board prices rallied this week, basis values broke in nearly every market as the markets job is to force grain into the delivery system. Generally speaking, there is still a decent amount of length in the commercials' hands. Instead of the farmer being the primary seller, commercials and resellers will be tripping over each other to trim length and avoid an inverse.

➤ CME Ethanol February 2021



Ethanol Futures have seen a sharp rally through the week reaching a new high as **CME February 21 Ethanol Futures** settled at \$1.63 on Friday, unchanged on Friday, but up 11 cents from last weeks close of \$1.52/gal.

➤ Higher Levels of U.S. Sorghum Production and Exports for 2020/21

USDA – This week's USDA WASDE Report forecast the 2020/21 U.S. sorghum crop to be 373 mbus (9.477 mmts), up 2 mbus (0.051 mmts) over prior projections, as reported by NASS's January *Crop Production 2020 Summary*. The updated data shows a 0.1 million acre increase in both planted area and harvested area, now projected to be 5.9 million acres and 5.1 million acres, respectively. NASS also forecasts a slightly lower yield of 73.2 bushels per acre, down 1.0 bus/acre from the November estimate.

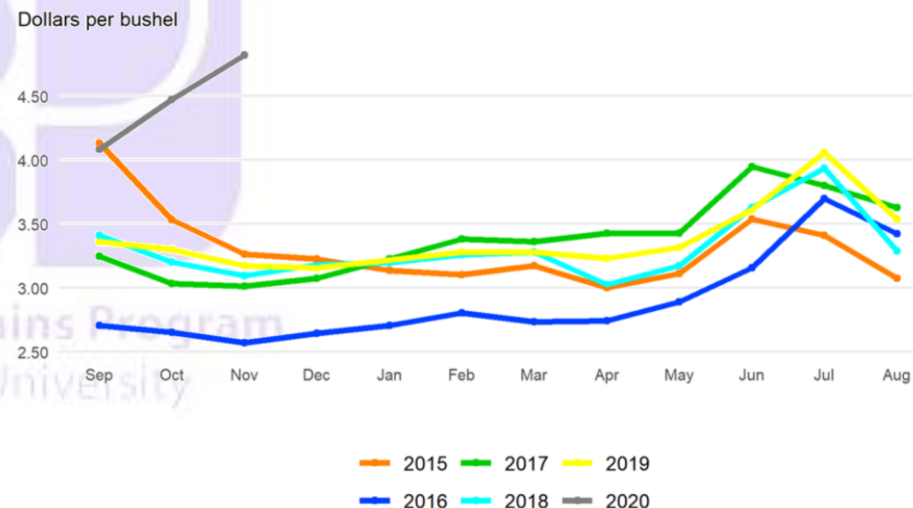
U.S. domestic use in 2020/21 is lowered from the previous month, down 10 mbus to 85 mbus. U.S. Food, Seed, and Industrial use is lowered 10 mbus bushels (0.254 mmts) to 15 mbus (0.381 mmts), based on a lower forecast of sorghum used to produce ethanol.

Higher market prices, combined with reduced demand for transportation fuels, have resulted in minimal sorghum ethanol production during the first 3 months of 2020/21.

Export demand for U.S. grain sorghum has been strong, as more sorghum is forecast to be exported in 2020/21 to markets where demand for livestock feed is robust; i.e. China. The reduction in U.S. domestic use was more than offset by a 15 mbus increase in the expected export figure, now at 290 mbus (7.369 mmts). If this increase is realized, it would be the largest export amount since 2015/16.

U.S. ending stocks for grain sorghum were projected to decrease by 2 million bushels, to 28 mbus (0.711 mmts) for the year.

Price received for sorghum, monthly



Source: USDA, National Agricultural Statistics Service.

The USDA season average grower price for grain sorghum was raised \$0.30/bu from the previous month to \$4.70/bu for 2020/21. The higher price outlook is reflective of tighter market and higher cash market prices. Monthly sorghum prices received by farmers have steadily increased over the first 3 months of 2020/21 and were significantly higher in recent months than at any point over the past 5 years.

OILSEEDS COMPLEX

➤ USDA WASDE Oilseed Projections for 2020/21

USDA WASDE - Global 2020/21 oilseed production is forecast at 594 mmts, 1 mmts below December on reduced soybean, cottonseed, and peanut production.

Soybean production declined 1 mmts with reduced production in the United States, down 947,000 mts to 113 mmts. A 2 mmts reduction in Argentina and lower output in Uruguay offset a similar gain in the China soybean crop.

Peanut production is cut 430,000 mts on reduced U.S. and India output while cottonseed declined 296,000 mts on reduced production in the United States and Pakistan. Partially offsetting these adjustments is a 500,000 mts rise in Russia sunflower seed production.

Global oilseed exports, at 193 mmts, is raised nearly 1 mmts on increased U.S. soybean and Russia sunflower seed exports.

Global oilseed ending stocks are down on lower soybean stocks in the United States and Argentina, partially offset by higher stocks in China.

Oilseed crush is fractionally higher with small increases in soybean, rapeseed, and sunflower seed crush.

Protein meal and oil production, consumption, and trade are unchanged from December as all adjustments are small and offsetting. Soybean meal exports are fractionally lower with smaller Argentina trade only partially offset by higher U.S. exports. In similar fashion, reduced rapeseed meal exports by Russia are offset by increased UAE trade.

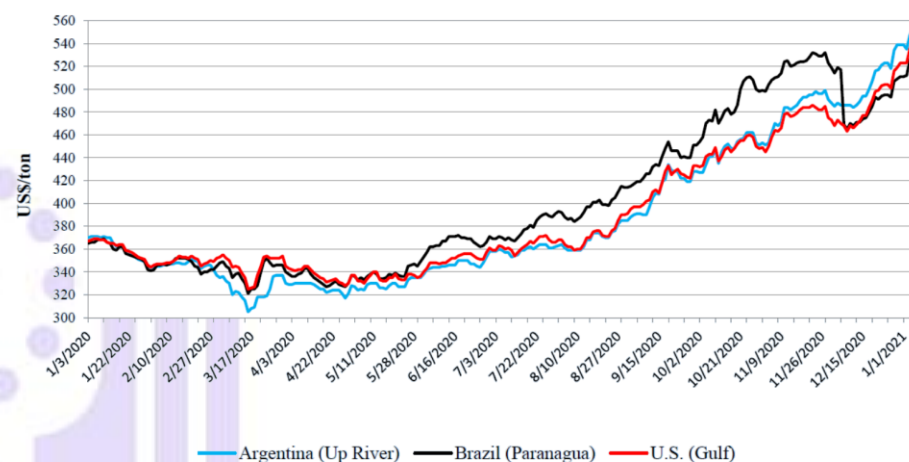
Global vegetable oil stocks are up 620,000 mts on a rise in palm oil carry-in from 2019/20.

➤ FOB Soybean Prices

USDA – FOB soybean export prices for the United States and Argentina strengthened for the seventh consecutive month, reaching the highest levels since July 2014. Prices rose throughout the month on strong export demand, lower carry-in from 2019/20, and dry weather in South America.

Brazil soybean prices plummeted in early December due to more favorable weather conditions, but trended upward with the other two major exporters during the rest of the month.

SOYBEAN EXPORT PRICES



➤ CBOT Soybeans March 2021



Please note that a 20 year chart can be found on the last page of this report.

Another robust trading week with the lead **CME March 2021 Soybean Futures** contract making new highs reaching \$14.36½/bu before settling on Friday at \$14.14¾/bu, down 15½ cents on the day, but 38 cents higher for the week.

Then new crop **CME November 2021 Soybean Futures** contract also made new highs Friday reaching \$12.03/bu before settling at \$11.96/bu, off ½ cent on the day, and gaining 33 cents through the week.

More buying of old crop grain by China saw them taking 6 to 7 more cargos as the balance sheet gets tighter. They also are thought to have bot 2 cargos for August, with values the same as Brazil on a delivered basis. Optional origin maybe?

South American weather this past week was good for both Argentina and Brazil, with some more scattered rains expected. However, the Rosario Grain Exchange did lower their Argentine soybean crop estimate to 47.0 mmts, with the Buenos Aires is at 46.5 and the USDA at 48.0 mmts. Brazil production estimates seems to be hover between 130.0 to 133.0 mmts.

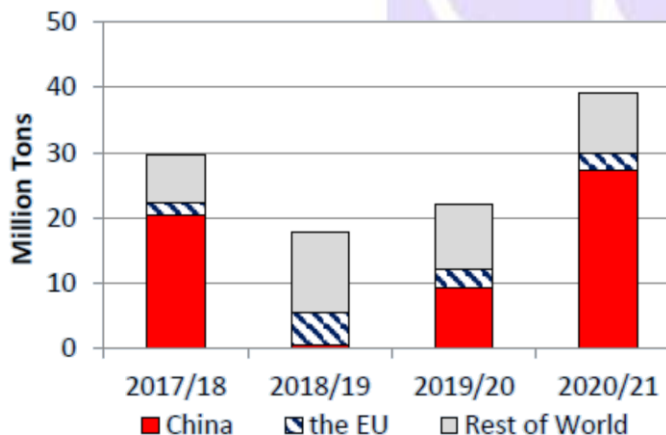
NOPA crush for December came in at 183.2 mbu vs. the Reuters range of 182.0 – 188.5. Cash “crush” had the Western grain belt down 8 cents at \$1.59; Central belt down 8 cents at 1.67; and Eastern belt down 3 cents at \$1.82. A weaker crush margin implies we are and should see a weaker posted basis along with the inverted structure in the spreads.

➤ U.S. Soybean Export

USDA - As of the 31st of December 2020, cumulative global U.S. soybean shipments set a record high of 39.0 mmts driven by the faster-than-normal pace of shipments to China, which also hit a record of 27.3 mmts. This is 6.0 mmts higher than the previous record pace of shipments in 2016/17.

In 2020/21, China has front-loaded its purchases taking advantage of cheaper U.S. soybeans and offsetting limited exportable supplies in South America.

**U.S. Soybean Accumulated Exports
As of December 31**

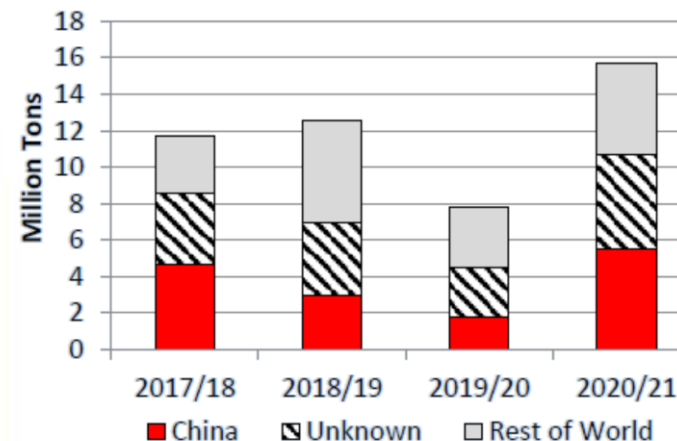


Outstanding sales to all destinations reached its second-highest level ever, slightly less than the record in 2013/14 at 15.7 mmts.

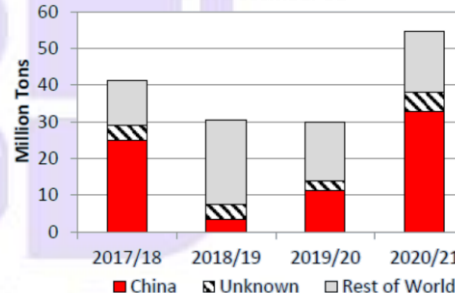
Due to the record pace of shipments and outstanding sales destined for China, total global commitments reached record highs at 54.8 mmts, up 6.8 mmts from the previous record in 2016/17.

New sales for delivery next 2021/22 marketing year are running higher this year at 892,000 mts compared to 184,000 mts during the same period last year.

**U.S. Soybean Outstanding Sales
As of December 31**



**U.S. Soybean Total Commitments
As of December 31**



	Jan 1, 2020	Dec 31, 2020	Net Change	% Change
Accumulated Exports				
China	9.4	27.3	17.8	189%
ROW	12.5	11.8	-0.7	-6%
Outstanding Sales				
China	1.7	5.5	3.8	217%
ROW	6.1	10.2	4.1	68%
Total Commitments				
China	11.2	32.8	21.6	194%
ROW	18.6	22.0	3.4	18%

Rising oil prices persisted in December due to sustained demand for oils despite lockdowns and lower soybean crush in South America. Argentine soy oil prices outpaced both the United States and Brazil, largely due to prolonged strikes, leading to the largest U.S. soy oil price discount against Argentina since June 2015.

Palm oil prices continued to rally to more than eight-year highs tracking strong rival oil prices and tightening supplies due to strong exports to India and Kenya in December.

➤ China's 2020 Soybean Imports Climb 13% to Record Levels

Reuters - China's soybean imports jumped 13% to an annual record in 2020, customs data showed on Thursday, after crushers ramped up purchases amid improved margins and healthy demand from the country's rapidly recovering pig sector.

China, the world's top soybean buyer, bought 100.33 million tonnes of the oilseed in 2020, up from 88.51 mmts in 2019, according to the General Administration of Customs.

For December alone imports came in at 7.524 mmts, down 27% from 9.54 mmts a year ago and down also from November's 9.59 mmts.

"December soy imports were lower than expected, probably due to shipping delays," said Xie Huilan, analyst with agriculture consultancy Cofeed. But the annual figures matched expectations, Xie said, as demand was good while China brought in more U.S. cargoes.

China has been rebuilding its pig herd, which was ravaged by the deadly African swine fever disease, with the pig population now approaching normal levels, according to state media.

Demand remains very strong, according to a manager with a soybean crusher in northern China. "Imports in the New Year are expected to hit a new record high," he added, declining to be named as he was not authorized to speak to the media.

Crushers bought Brazilian soybeans early in 2020 and turned to U.S. cargoes in the fourth quarter when American beans hit the market, and as Beijing stepped up purchases of U.S. farm produce to meet the terms of China's trade deal with the United States.

China's 2020 U.S. soybean imports were up 56.3% from a year earlier in yuan terms, the country's customs spokesman said a press briefing on Thursday.

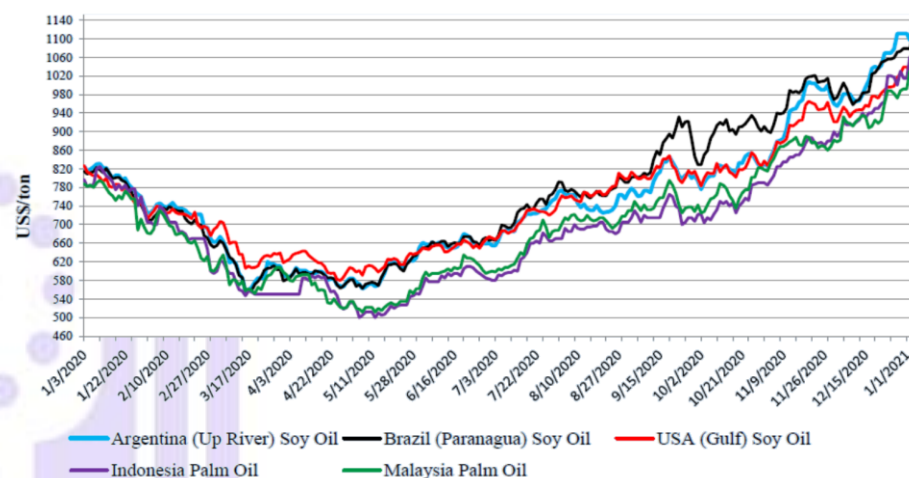
GHA: Trade talk is suggesting China's crush fell for the 3rd consecutive week, to 1.68 mmts, averaging about 13% less year to year. Lack of soybean and rising soybean meal inventories have been curtailing crushing activities, along with covid-related labor shortages reported at in some locations.

➤ FOB Soybean and Palm Oil Prices

Rising oil prices persisted in December due to sustained demand for oils despite lockdowns and lower soybean crush in South America. Argentine soy oil prices outpaced both the United States and Brazil, largely due to prolonged strikes, leading to the largest U.S. soy oil price discount against Argentina since June 2015.

Palm oil prices continued to rally to more than eight-year highs tracking strong rival oil prices and tightening supplies due to strong exports to India and Kenya in December.

SOYBEAN AND PALM OIL EXPORT PRICES



➤ CME Soybean Oil March 2021



Please note that a 20 year chart can be found on the last page of this report.

Soybean Oil values traded mostly lower through the week after touching new highs last week of \$44.69/cwt. The lead **CME March 2021 Soybean Oil Futures** settled Friday at \$41.89 43.67/cwt, down \$1.22 on the day, and losing \$1.78 cents for the week.

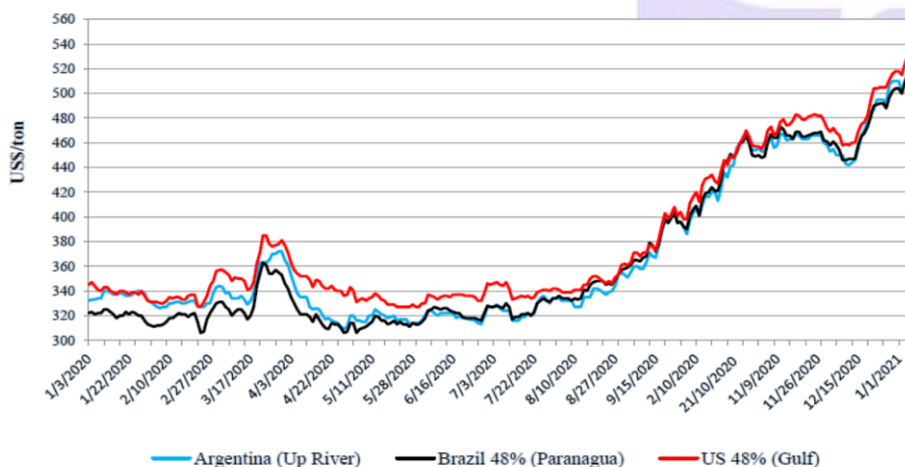
➤ CME Crude Palm Oil February 2021



Palm oil values were also weaker as **CME February 2021 Crude Palm Oil Futures** settled on Friday at \$811.75/mt, losing \$22.75 on the day, and dropping \$105.00/mt for the week. Last week's contract high was reported at \$916.75/mt.

➤ FOB Soybean Meal Prices

SOYBEAN MEAL EXPORT PRICES



Meal prices strengthened further throughout December reflecting fluctuations in soybean prices.

➤ CBOT Soybean Meal March 2021



Please note that a 20 year chart can be found on the last page of this report.

CME March 2021 Soybean Meal Futures also traded to new highs Wednesday reaching \$471.40/short ton, before settling lower Friday at \$462.40/short ton, off \$2.50 on the day, but up \$20.80 for the week.

➤ India's soymeal exports could more than double as prices rally

Reuters - India's soymeal exports could more than double in 2020/21 after a rally in global prices to their highest in 6-1/2 years made shipments from the south Asian country lucrative for European and Asian buyers, four industry officials told Reuters. Higher exports from India could trim shipments of South American soymeal into Asia and also support local soybean prices despite a bird flu outbreak hitting demand from the local feed industry. Demand for poultry products has fallen in India after bird flu has been reported in 10 states.

India's soymeal exports could jump to more than 2 mmts in the 2020/21 year that started on the 1st of October, from 825,000 mts shipped the previous year, said Atul Chaturvedi, president of Solvent Extractors Association of India. "Bird flu in India is affecting local consumption. It is a big opportunity for Indian meal to go out of the country," he added.

"Soymeal exports fell last year as our prices were way above global benchmarks. Indian prices are now competitive as global prices have rallied," said Davish Jain, chairman of the Soybean Processors Association of India (SOPA). India exported 599,630 mts of soymeal in the December quarter, nearly 154% more than a year ago, SOPA said.

India is mainly exporting soymeal to Indonesia, Vietnam, Bangladesh, Nepal and European countries, said Manoj Agrawal, managing director at exporter Maharashtra Oil Extractions. The country could export about 600,000 mts of soymeal in January and February despite limited availability of containers slowing shipments, he said.

U.S. soymeal futures hit a 6-1/2 years high this week on tightening supplies and robust demand from China.

Indian exporters were offering soymeal at \$540/mt FOB, compared with more than \$550/mt from South America, dealers said.

OTHER RELATED NEWS

➤ Trading In China's New Hog Futures Contract Points To Big Growth

Gro Intelligence - Prices of China's first ever hog futures contract have dropped sharply since they began trading on the Dalian Commodities Exchange (DCE) on the 8th of January reflecting expectations that China's hog population will continue its rapid growth.

Analyst expect China's hog herd to fully recover to pre- African Swine Fever (ASF) levels by the second or third quarter of 2021, following the devastation of ASF in 2018. Going forward expect to see sharply reduce "currently inflated" hog producer margins, which ranged between \$240/head and \$500/head through 2020.

China is the world's largest producer and consumer of hogs and pork, and developments there greatly impact export markets for pork and feed grains worldwide. China's domestic pork sales also will increase, as the hog herd recovery adds to supply and reduces prices. Gro's Chinese Pork Demand Model, available to Gro Enterprise users, shows a rapid acceleration in demand into 2021.

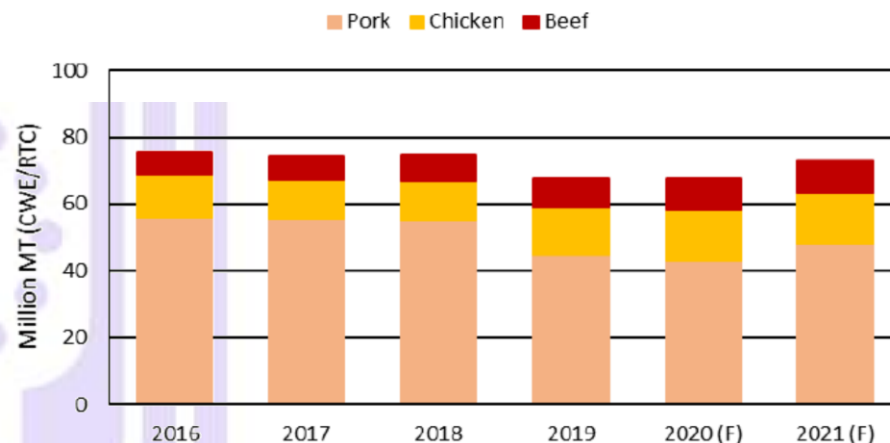
Implied producer margins can be deduced from DCE futures prices for both hogs and feed, allowing analysts to have a better understanding of total feed demand required by China.

The hog contract adds to the range of agricultural commodity instruments traded on the DCE and reflects Beijing's goal to achieve greater integration with global financial markets.

Last month, the current DCE palm oil contract became the first Chinese agricultural futures contract tradable outside of China that can be settled in US dollars, and more are expected to follow.

➤ China Meat Consumption Expected to Rebound in 2021

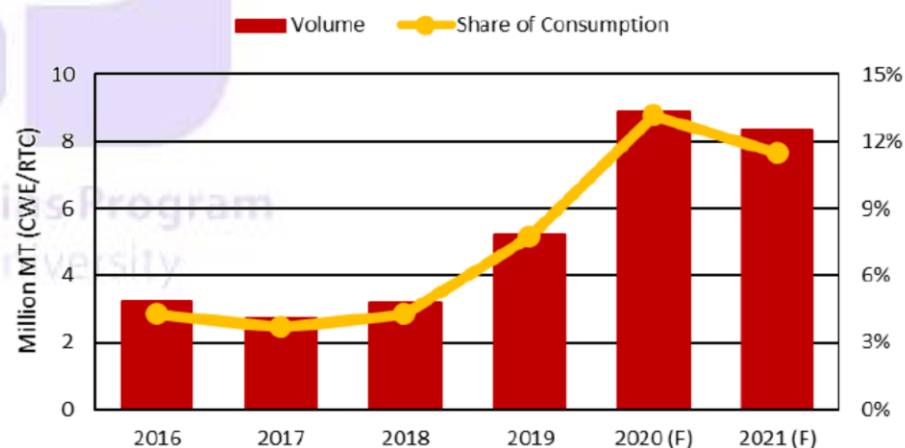
China Meat Consumption



USDA - Despite the elevated pace of trade, China meat consumption in 2020 fell to its lowest level in more than a decade.

In 2021, higher estimates for both China pork production and imports lead total meat consumption up 2% from the prior forecast. However, total meat consumption is still expected to be below pre-ASF levels.

China Meat Imports



Driven by higher estimates for pork, the China total meat import forecasts for both 2020 and 2021 are revised 4% and 1% higher, respectively.

While pork import growth slowed in the fourth quarter of 2020, it nevertheless exceeded expectations and results in a more bullish outlook for 2021.

The impact of African swine fever (ASF) is expected to have reached its zenith in 2020, pressuring consumption and increasing the country's reliance on meat imports.

TRANSPORTATION & LOGISTICS

➤ Brazil Truckers Invoke Memory of 2018 Amid Feb 1st Strike Action

The president of one of Brazil's truck unions has warned in local media that upcoming strike action, scheduled for the 1st of February 1, could be worse than in 2018 when national action over pay and conditions cut off essential supplies to major cities across the country.

The president of the National Association of Autonomous Transport (ANTB) Jose Roberto Stringasci was quoted in a number of Brazilian media outlets warning that the protest over rising diesel prices is gathering support and could be bigger than 2018.

With few major railways, Brazil is particularly reliant upon truck transportation to move goods around the country, with the previous truck strike quickly bringing the country to its knees, damaging the then government of Michel Temer.

The ANTB claims to represent between 60-70% of Brazil's transport, with the February 1 strike action supported by the national umbrella group the National Council for Road Freight Transport.

Any strike action could also prove to be another headache for Brazil president Jair Bolsonaro, a former military officer who capitalized on his predecessor's struggle to resolve the trucker issue.

Any widespread, prolonged strike action could spell catastrophe for Brazil's new crop soybean production, which is expected to come to market in February and is already facing some concerns over delays.

Traders in China, the world's biggest soybean importer, have already eyed delayed planting and poor weather during the crop's development and extended buying of US beans during a period where Brazil typically dominates.

With the Brazil forecasted to produce another huge soybean crop, along with a heavy export program to China, any disruption to logistics have stoked further supply fears and encourage additional buying from the U.S. That in turn could lend additional support to U.S. soybean values that have already set multi-year highs in recent days.

While truckers are citing high diesel prices, which the ANTB say account for up to 60% of the cost of the journey, strike leaders are targeting the national oil company, Petrobras, which sets the price at the pumps based on an import parity price policy.

Brazil is expected to export 85 mmts of soybeans and 39 mmts of corn in the 2020/21 marketing year, according to USDA data.

GOVERNMENT

➤ USDA, USTR Name New Agricultural Trade Advisors

U.S. Secretary of Agriculture Sonny Perdue and U.S. Trade Representative Robert Lighthizer announced this week the appointment of 67 members to serve on seven agricultural trade advisory committees.

The Agricultural Policy Advisory Committee is comprised of senior representatives from across the U.S. agricultural community who provide advice to the U.S.

Department of Agriculture and the Office of the U.S. Trade Representative on trade policy matters including the operation of existing trade agreements and the negotiation of new agreements. Members of the six Agricultural Technical Advisory Committees (ATACs) provide technical advice and guidance from the perspective of their specific product sectors.

This group of appointed advisors will serve until 2025. [View the full list of committee members here.](#)

➤ China Approves Import of GM Traits

DTN - China's Ministry of Agriculture and Rural Affairs published import approvals for five genetically modified corn and cotton traits on the 11th of January 2021.

Some were approvals for new traits, namely MZIR098, a glufosinate-tolerant corn trait with two rootworm proteins from Syngenta, and MON 87411, Bayer's SmartStax Pro corn trait that has waited for five years for this move from the Chinese regulatory authorities.

The rest were renewals of past biosafety certificates issued for GHB614 (BASF's GlyTol cotton trait), LL Cotton 25 (BASF's Fibermax Liberty Link trait) and COT102 (Syngenta's VIPCOT cotton trait).

All five traits are now approved for import for the next five years, until December 2025.

➤ Mexico Mulls Use of GMO Corn in Feed

Bloomberg - Mexico to determine whether GMO corn will be allowed in animal feed following a recent decree to prohibit the use of GMO corn.

According to a Ministry of Agriculture and Rural Development email, the ministry will discuss if the new ban will apply to animal feed with producers along with the supply chain.

The ban is part of Mexico's effort to become self-sufficient in food production. Mexico plans to phase out GMO corn imports over the next three years.

The meeting will determine if GMO yellow corn commonly imported from the United States for livestock feed will be impacted or if the ban only applies to corn for human consumption, Bloomberg reported.

➤ **EU Commission at odds with Parliament over GM Crop Authorizations**

EurActiv - The EU executive looks set to press ahead with a "new approach" to genetically modified (GM) crop authorizations in the wake of persistent lack of political support for the technology in the European Parliament.

In December, MEPs voted for a further five objections against authorizations of GM crops for use as food and feed in the EU, including one GM soybean and four GM maize varieties. This has brought the overall number of objections to GM crop authorizations to 51 in five years.

In response to criticisms from the Parliament over authorizations of GM crops, a Commission spokesperson told EURACTIV that the executive is "reflecting on a new approach regarding authorizations of GMOs that is aligned to the political ambition set by the European Green Deal and the Farm to Fork Strategy. This approach would, in particular, ensure that products placed on the EU market become increasingly sustainable". The comments are in line with those made by Commission Vice President Frans Timmermans while addressing MEPs back in September.

UK launches consultation on gene editing, signals divergence from EU. In one of its first post-Brexit moves, the UK has launched a consultation on gene editing in a bid to unlock "substantial benefits" for the sector and the environment, but the move could put the country at odds with the EU on the matter.

Although the latest objections, voted through recently on Thursday the 17th December, are not binding on the European Commission, they offer a "clear and unequivocal signal" that European citizens do not want genetically modified organisms (GMOs), according to the Italian Green MEP Eleonora Evi, who urged the Commission to "listen to the voice of European citizens' representatives. This is a script that has been going on for the last five years, with the European Commission continuing to make proposals for the approval of GMOs and the European Parliament rejecting them in its role as the voice of the citizens of Europe" she said and added: "The time has come for the Commission to listen to the voice of European citizens' representatives and to stop authorizing GMOs in the European Union, in defiance of the principles of democracy."

MEPs pointed to shrinking political support for GM crops, stressing that the number of EU governments supporting GM crop authorizations in the appeals committee has gone down, while the number of MEPs supporting the objections has increased over time.

Existing guidance appropriate for gene editing assessment, says EFSA

Genome editing does not pose any additional hazards compared to conventional breeding or other genetic modification methods, meaning that existing guidance is adequate for their assessment, the European Food Safety Agency (EFSA) has concluded.

Despite these objections, the Commission has continued to adopt GM crop authorizations, arguing that their approach "works within the legal framework adopted by the co-legislators, including the European Parliament". As such, it is "fulfilling its

legal obligations and is proceeding with all the pending applications, which the European Food Safety Authority (EFSA) has concluded to be safe".

"The Commission will continue processing the outstanding applications for GM food and feed under existing rules pending a different approach based on sustainability considerations," the spokesperson said, adding that all GMOs authorized in the EU have received a positive opinion from EFSA, which concluded that they are as safe as their conventional counterparts.

Tilly Metz, a lead objector for the Greens/EFA Group in the European Parliament, added that these authorizations also have a considerable effect further afield. In a letter to MEPs in September, the Commission announced it would develop a new approach to the authorization of GM crops for import "based on sustainability considerations". However, this is not being upheld, according to Metz.

"Von der Leyen's Green Deal Commission continues to authorize genetically modified crops whose cultivation causes environmental devastation in the producer countries, including the destruction of rainforests. It has promised to screen GM crops for their environmental impacts, but nothing is happening so far," she said, adding that this makes the EU "complicit in deforestation". "The EU cannot claim to lead the world on the protection of nature whilst continuing to drive nature destruction outside its borders."

➤ **FDA Refuses to Transfer Gene-Editing Oversight to USDA**

In an advanced notice of proposed rulemaking on the 21st of December 2020, the Trump administration announced its intention for USDA to have primary oversight over gene-edited livestock. But, in public comments earlier this week, the current Food and Drug Administration (FDA) Commissioner Dr. Stephen Hahn says he would refuse to sign the memorandum of understanding between the FDA and USDA addressing gene-edited livestock shifting oversight to USDA.

Dr. Hahn was allegedly concerned about the legality of the transfer and the potential health repercussions of relaxing oversight of certain genetically altered products. In a statement, the FDA Commissioner said the agency "has maintained its commitment to protecting the public health based upon good science," and that it remains "open to having dialogues with HHS about important public health policy issues."

An HHS spokesperson said deliberations over the regulation of gene-edited animals are still ongoing and involve the White House and USDA in addition to the two health agencies. The dispute highlights the ongoing turf war between all three agencies, which may foreshadow how the upcoming regulatory battle on foods produced using cell-cultured technology plays out.

International Crop & Weather Highlights

➤ Argentina 10-Day Weather Outlook

14 January 2021 - For most of the next 10 days, an extensive high-pressure system will successfully cut off any inflow of a humid air mass into the country. This refers to the next week, as for the weekend, the front passage will provide from 20 mm rainfall in the southern Pampas to 70 mm in the north.

The following dryness will be extensive, as the air mass will feature minimal or no cloud coverage. As a result, surpluses from the weekend will be leveled very quickly, and extensive rainfall deficits in the southern and central Pampas will be the main outlook through the next week. As for the temperature, coolness will be continued in the upcoming days, down to 7 °C below normal.

Through the next week, it will mellow towards normal and only northern regions will remain cool. Northern regions like Santa Fe or Entre Rios should experience a favorable 10 days, with near-normal rainfall and cool temperatures. On the other hand, lack of cloud coverage through the next week will make dryness intensive and speed up soil moisture evaporation in Córdoba and Buenos Aires.

➤ USDA/WAOB Joint Agricultural Weather Facility – 12th January 2021

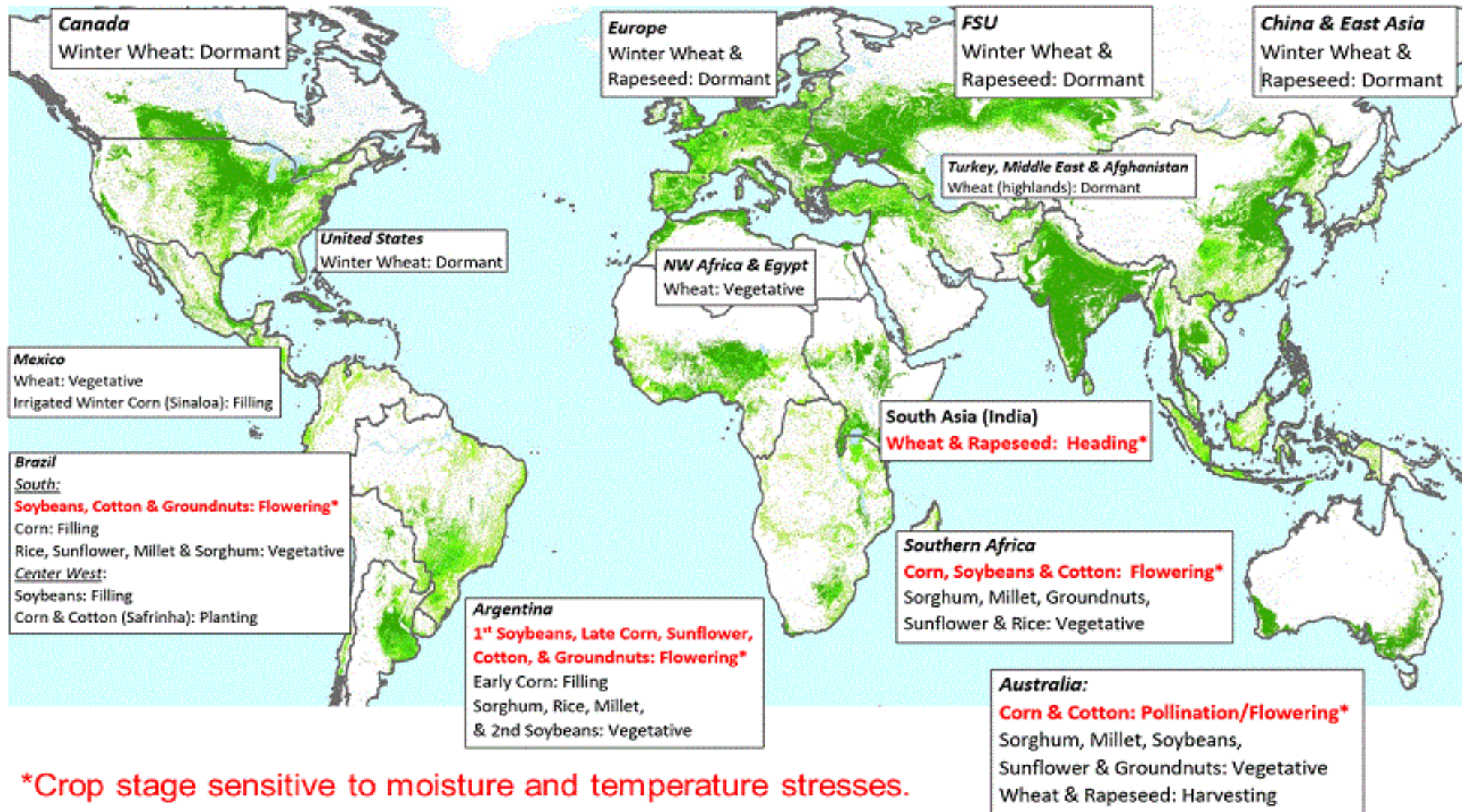
- EUROPE – Highlight: Widespread Rain And Snow; Cold In The West But Warm In The East
 - Widespread rain and snow maintained good moisture supplies for dormant (north) to vegetative (south) winter grains and oilseeds.
 - Above-normal temperatures minimized the risk of winterkill over eastern Europe, while cold weather lingered across western growing areas.
- MIDDLE EAST – Highlight: Drought Continued In Turkey
 - Sunny skies favored winter grain development in Iran following a wet autumn, while ongoing drought in central Turkey limited moisture reserves for wheat and barley spring growth.
- NORTHWESTERNAFRICA – Highlight: Renewed Dryness Concerns In Morocco, More Rain Elsewhere
 - Heavy rain in Morocco alleviated drought and boosted moisture supplies for wheat and barley.
 - Sunny skies in Algeria and Tunisia favored winter grain development after recent rainfall.
- SOUTH ASIA – Highlight: Warm, Showery Weather
 - Warm, showery weather in northern India and Pakistan promoted wheat and rapeseed development.
- EAST ASIA – Highlight: Bitter Cold
 - Periods of bitter cold overspread wheat areas in eastern China, raising concerns of winterkill in northern-most prefectures.

- SOUTHEAST ASIA – Highlight: Widespread Showers
 - Heavy, widespread showers maintained ample to locally excessive moisture supplies for oil palm and rice in Malaysia and Indonesia.
- AUSTRALIA – Highlight: More Beneficial Rain In The East
 - In the east, soaking rain and cooler-than-normal weather further benefited summer crops.
 - In the south and west, mostly dry weather favored final winter crop harvesting.
- SOUTH AMERICA – Highlight: Pockets Of Dryness Lingered In Key Farming Areas
 - Rain brought some relief from dryness to Argentina's western and southern farming areas, but dryness and summer warmth continued in the high-yielding corn and soybean region of central Argentina.
 - Scattered showers maintained generally favorable conditions for summer crops throughout much of Brazil, although moisture remained limited for some southern crops, including corn and soybeans.
- SOUTH AFRICA – Highlight: Widespread Showers Benefited Summer Row Crops
 - Locally heavy rain maintained favorable conditions for rain-fed crops including corn and sugarcane.

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

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

January Crop Calendar



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/jan_calendar.gif

Bonus – 20 Year Price Charts

➤ U.S. Dollar Index Cash - 20 Year History



➤ CBOT Wheat Near-By Contract - 20 Year History



➤ **CBOT Corn Near-By Contract - 20 Year History**



➤ **CBOT Soybeans Near-By Contract - 20 Year History**



➤ **CBOT Soybean Oil Near-By Contract - 20 Year History**



➤ **CBOT Soybean Meal Near-By Contract - 20 Year History**

