



# Notes and Observations in International Commodity Markets

12<sup>th</sup> May 2023

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Quote for the month: “Prediction is very difficult, especially if it’s about the future!” – Niels Bohr, Nobel laureate in Physics

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## CORN AND SOYBEANS WEAKER, WHEAT FIRMER FOLLOWING MAY USDA WASDE REPORT

*It was an active week in commodity markets and finished Friday with USDA's monthly WASDE and Crop Production reports.*

*In the May USDA WASDE Report, the USDA's first forecasts for the US new crop growing season, estimated corn production jumped 11% year over year to 387.7 mmts (15.27 bbus), in part due to a 4% expected increase in acreage.*

*US corn ending stocks for 2023/24 are seen at a seven-year high, up 57% from the previous season. The USDA sees corn exports rising from last year's depressed levels. The US share of global corn trade will increase slightly, but remain below the average of the past five years.*

*The USDA raised their forecast for Brazil's 2022/23 corn crop by 4%, compared to last month's estimate, and slightly increased its forecast for Brazil soybeans.*

*USDA projected US soybean production is estimated to increase 5.5% from last season to 122.7 mmts (4.5 bbus), helping to lift soybean ending stocks by 56% year over year to a four-year high. The agency projected record soybean crush levels, but weaker US exports as Brazil harvests a record crop.*

*The USDA's optimistic outlook for corn and soybean production assumes a strong rebound from last year in crop yields, increasing 4.7% for corn, and up 5.1% for soybeans. This is based on weather-adjusted historical trends and assuming normal planting progress and summer growing season weather.*

*In contrast, the USDA outlook for US wheat was "poor" as they forecasted a large decline in US HRW wheat production for 2023/24. Wheat yields are expected to plummet and abandonment will rise due to persistent drought conditions across Kansas and the southern Plains.*

*US Hard red winter wheat farmers will abandon a substantial portion of their crop this year, as drought continues to punish the southern Plains, and particularly in Kansas, for a second year. A higher-than-average abandonment rate would represent a further setback for HRW wheat production, which already is threatened by lower crop yields, estimated to be down double-digit from the five-year average. HRW represents about 40% of total US wheat production.*

*US spring wheat production for 2023/24 is projected to decline from last year as planted area falls to a 50-year low; but even that low estimate is in doubt. Only 24% of the crop was planted, well below the 38% five-year average, as of the latest weekly progress report.*

*Total US winter wheat production is forecast to increase by 2.4% year over year, on gains in soft red winter wheat output, the agency estimated. Winter wheat accounts for 70% of total US wheat production, with spring wheat making up the rest.*

*USDA reduced its estimate for 2023/24 US all wheat ending stocks by 7% from last year to 15.13 mmts (556 mbus), the lowest level in 16 years. The US wheat shortfall is not good news for already tight global wheat supplies. This in the wake of*

*geopolitical tensions surrounding the Black Sea Grain Initiative, which is due to expire on the 18<sup>th</sup> of May; and it is questionable if it is to be renewed.*

*With only a few days left before the Black Sea grain deal expires, uncertainty increases for traders and shipping companies. Over the last two weeks, the average number of departures from Ukrainian ports dropped 41%, to less than two vessels/day, compared with daily average departures prior to this point in 2023.*

*USDA projected world wheat ending stocks, excluding China, to be down 2% from last year to the lowest level in 15 years. It's important to note that more than half of global wheat stocks are held in China, but these inventories are not considered available to the wider market.*

*The USDA projected worldwide wheat production, excluding China, to decrease 0.1% from last year to 264.34 mmts, with production declines expected in the US, Russia, Ukraine, and Australia. Canada's wheat harvest is forecast to jump 9.4% year over year on higher planted acreage coming out of last year's drought. However, ongoing dry conditions are being closely monitored. Argentina's crop, this is currently being planted, is expected to increase 55%, although persistent dry weather may hamper sowing.*

*The Kansas crop tour also begins on Monday and concludes on Thursday at the IGP Center at Kansas State University in Manhattan, Ks. We've already seen more photos of the Kansas wheat crop circulating on social media as a preview of what is to come. The tour will help quantify how large that area actually is and likely add more bullish fuel to fire.*

*Have a nice weekend! ☺*

## FOCUS - GROWING CONCERNS OF AG TRADE WITH RUSSIA AND THE UKRAINE

### ➤ No Deal yet on extending Ukraine – Russia Grain Deal

*11 May 2023 by Jonathan Spicer and Michelle Nichols, Reuters - Ukraine, Russia, Turkey and the United Nations discussed on Thursday U.N. proposals to extend a deal allowing the safe Black Sea export of Ukraine grain, which Moscow has threatened to quit on May 18<sup>th</sup> over obstacles to its grain and fertilizer exports.*

*The U.N. and Turkey brokered the Black Sea agreement in July last year to help tackle a global food crisis that has been worsened by Moscow's war in Ukraine. At the same time, the U.N. agreed to help Moscow facilitate its own agricultural shipments.*

*The meeting of senior officials in Istanbul on Thursday appeared to end without Russian agreement to extend the Black Sea deal. The Kremlin said earlier on Thursday that Russian President Vladimir Putin could speak with Turkish President Tayyip Erdogan at short notice if needed regarding an extension of the deal, but there were no such plans at present.*



"The meeting discussed the recent proposals by the United Nations, namely the resumption of the Togliatti-Odesa ammonia pipeline, the longer extension of the deal, improvements at the Joint Coordination Centre for stable operations and exports, as well as other issues raised by the parties," the U.N. said.

"The parties presented their views and agreed to engage with those elements going forward," the U.N. said in a statement.

#### RUSSIAN DEMANDS

Turkey's Defense Ministry said progress was made in the talks on the Black Sea grain deal and that the parties agreed to continue four-way technical meetings on the deal. On Wednesday, Turkish Foreign Minister Mevlut Cavusoglu said he thought the deal could be extended for at least two more months.

Ukrainian Deputy Prime Minister Oleksandr Kubrakov said after the talks on Thursday that the grain deal should be extended for a longer period and expanded. He said the talks would continue online.

Russia has issued a list of demands regarding its own agricultural exports that it wants met before it agrees to an extension of the deal. Those include restarting a pipeline that delivers Russian ammonia to a Ukrainian Black Sea port, which the U.N. has been pushing for.

While those Russian exports are not subject to Western sanctions imposed following the February 2022 invasion of Ukraine, Moscow says restrictions on payments, logistics and insurance are a barrier to shipments.

"Let me be clear, Russia is exporting just fine. It is exporting grain and fertilizer at the same levels, if not higher, than before the full scale invasion (of Ukraine)," U.S. Ambassador to the U.N. Linda Thomas-Greenfield told reporters.

Another key Russian demand is returning access to the SWIFT payment system for the Russian Agricultural Bank, known as Rosselkhozbank, which was cut off by the European Union in June over Moscow's invasion of Ukraine.

As an alternative the United Nations proposed other banks could help process payments. Reuters has reported that JPMorgan has processed the first payments for the Russian Agricultural Bank and could process dozens more, however Moscow has said this is not a long term fix.

#### 'WEAPONIZING FOOD'

Deputy Foreign Minister Sergei Vershinin, speaking to Russian media in Istanbul, said on Thursday that if Russia's demands remained unresolved, then the Black Sea deal would "cease its existence". He specifically cited SWIFT access.

Some 30 mmts of grain and foodstuffs has been exported from Ukraine under the deal, including nearly 600,000 metric tons of grain in World Food Program vessels for aid operations in Afghanistan, Ethiopia, Kenya, Somalia, and Yemen, the United Nations has said.

Officials from Russia, Ukraine, Turkey and the U.N. make up a Joint Coordination Centre (JCC) in Istanbul, which implements the Black Sea export deal. They authorize and inspect ships. No new vessels have been authorized by the JCC since Thursday.

In an excerpt of a letter seen by Reuters last month, Russia told its JCC counterparts that it will not approve any new vessels to take part in the Black Sea deal unless the transits will be done by May 18<sup>th</sup> - "the expected date of ... closure."

"This is Russia once again weaponizing food," Thomas-Greenfield said on Thursday. "They're holding vulnerable and hungry people in Africa, the Middle East and around the world hostage."

*(Additional reporting by Pavel Polityuk in Kyiv, Ali Kucukgocmen and Huseyin Hayatsever in Ankara; Reuters staff; Writing by Michelle Nichols; Editing by Frances Kerry and Daniel Wallis)*

#### **Have western sanctions on Russia impacted wheat exports?**

11 May 2023 by Sybille de La Hamaide and Gus Trompiz, Reuters - Russia wants the West to remove obstacles to the export of its grain and fertilizers before it agrees to the extension of a deal allowing safe Black Sea exports of agricultural products from three Ukrainian ports.

The United Nations and Turkey brokered the agreement in July last year to help tackle a global food crisis worsened by the conflict in Ukraine.

The deal is set to expire on May 18<sup>th</sup> and talks about an extension are taking place in Istanbul.

#### HOW IMPORTANT IS RUSSIA AS A WHEAT EXPORTER?

Russia's wheat production has risen by more than 60% over the last decade to make it the world's largest exporter. It is expected to account for more than 20% of global wheat trade in the current 2022/23 season, thanks to competitive prices and ample supplies.

Many countries in Africa, the Middle East and Asia rely on Russia and other Black Sea origins including Ukraine for milling and feed-quality wheat supplies.

The war has made it more difficult to assess Black Sea production and export volumes. Russia stopped publishing customs data in March 2022.

The U.S. Department of Agriculture (USDA) in its April forecasts pegged Russian wheat exports at a record 45.0 mmts in the 2022/23 season, up 36% from the prior year and 3.5 mmts above the previous record 2017/18 season. Russian grain consultancy SovEcon estimates wheat exports of 43.0 mmts in the 2023/24 season.

For the European Union, the next largest exporter, the USDA forecasts 2022/23 wheat exports at 35.0 mmts, well below Russia's expected shipments.

#### WHAT MOSCOW WANTS

Moscow's demands for renewing the Black Sea grain corridor, which it says mostly benefits Ukraine, include the removal of obstacles to Russian grain and fertilizer exports such as the reconnection of the Russian Agricultural Bank (Rosselkhozbank) to the SWIFT global payment system.

Other demands include the resumption of supplies of agricultural machinery and parts, lifting restrictions on insurance and reinsurance and the unblocking of assets and accounts of Russian companies involved in food and fertilizer exports.

#### HAS THE WEST SANCTIONED RUSSIAN WHEAT EXPORTS?



No direct sanctions have been imposed on Russian grain trade. Sanctions were imposed on some Russian banks, companies and individuals, and these have made it more difficult for Russian exporters to ship grains and arrange payments.

#### HAVE SANCTIONS LIMITED EXPORTS?

Even with exports running at a record pace, after a record harvest last summer Russia's wheat stocks at the end of the 2022/23 season on June 30<sup>th</sup> will still be the highest in nearly 30 years, according to USDA data.

Wheat exports in the 2021/22 season, which included the first months of the conflict, dropped to five-year low of 33 mmts as banks and insurers became reluctant to work with Russian exporters, although a strong rouble a state grain export tax also contributed to the slowing of shipments.

However, in July and November, the United States and Britain issued licenses allowing transactions related to Russia's agricultural commodities, including the provision of insurance and other services.

The U.S. also clarified that agricultural commodities are not the target of its sanctions, increasing the willingness to handle Russian grain.

#### WHAT OTHER FACTORS HAVE LIMITED RUSSIA'S WHEAT EXPORTS?

Availability of railway wagons is one logistical constraint, exacerbated by military operations.

The Russian government has imposed export quotas and an export tax for wheat and other crops to secure domestic supply and curb domestic food inflation.

Traders have cited the tax as a drag on competitiveness and its fluctuating rate as a disincentive for foreign merchants to handle Russian grain.

Moscow has also reportedly asked exporters to adopt a minimum wheat export price in order to protect farmers' income, though the functioning of the semi-official scheme is unclear.

Several of the world's largest crop merchants have announced they will halt operations in Russia from the start of the new season in July, citing growing export challenges. However, the impact on shipments may be modest given that the operations are expected to continue under different management.

*(Reporting by Sybille de La Hamaide, Gus Trompiz and Forrest Crellin in Paris, Polina Devitt and Nigel Hunt in London, editing by Simon Webb, Kirsten Donovan)*

#### ➤ **Have Western sanctions on Russia impacted its fertiliser exports?**

11 May 2023 by Maytaal Angel, Reuters - Russia is demanding the West removes obstacles to its grain and fertilisers in talks underway in Turkey on Thursday on extending a deal allowing safe Black Sea exports of agricultural products from three Ukrainian ports.

#### WHAT DOES MOSCOW WANT?

Moscow's demands for renewing the deal it says has mostly benefited Ukraine include the reconnection of the Russian Agricultural Bank (Rosselkhozbank) to the

SWIFT global payment system, and the unblocking of Russian food and fertiliser exporters' overseas assets.

It also wants an ammonia pipeline that flows from its territory to Odesa, Ukraine, to start running again.

Ammonia is a key input for nitrogen-based fertilisers. For most crops, these fertilisers are far more important than phosphate and potash-based fertilisers.

#### HAS THE WEST SANCTIONED RUSSIAN FERTILISER EXPORTS?

Western countries have not imposed any sanctions on Russian food and fertiliser exports in response to Moscow's invasion of Ukraine last year, but Moscow says its exports are hampered because sanctions make it harder for traders to process Russian payments or to obtain vessels and insurance.

Also, some individuals linked to major fertiliser companies such as EuroChem founder Andrey Melnichenko, Uralchem's Dmitry Mazepin and Acron Group's Viatcheslav Kantor have been placed on European Union sanctions lists.

These sanctions have made it more complicated for the companies to operate and more than 400,000 mts of fertiliser were initially stranded in European Union ports, though some have now been released and exported to Africa.

#### WHAT DOES EXPORT DATA SHOW?

According to commodity price reporting agency Argus, Russia - which has some 20% global market share in urea - shipped 7.9 mmts of the nitrogen-based nutrient last year, up 12% versus 2021.

Russia is also a key exporter of potassium-based fertilisers diammonium and monammonium phosphate (DAP and MAP), with about 15% global market share. Its shipments rose 9% last year versus a year ago to just over 4 mmts.

Russia's exports of potassium-based fertiliser muriate of potash (MOP) however, fell 37% in 2022, according to Argus, and it has not exported any ammonia since the war began because its pipeline, which runs to Ukraine's Black Sea port of Pivdennyi (Yuzhny), remains shut.

Russia has some 30% global market share in ammonia and MOP exports, making it the world's largest and third largest exporter, respectively.

#### HOW IMPORTANT IS RUSSIA AS A FERTILISER PRODUCER?

Russia is one of the world's largest producers and exporters of potash, phosphate and nitrogen-containing fertilisers. It produces more than 50 mmts a year, 13% of the global total.

#### HOW HAS THE CONFLICT IMPACTED WORLD FERTILISER PRICES?

In the months that followed Russia's Feb. 24 invasion of Ukraine, benchmark prices for key fertilisers like diammonium phosphate and urea rose to decade and record highs, respectively.

They are now down some 50% off those peaks, however, as Russian exports are at normal levels, new capacity has come online, much of the previously curtailed EU production is back up, and demand remains weak.

Prices for potassium-based MOP are meanwhile down some 60% from their 2022 highs, thanks mostly to weak demand, according to Argus, which notes the price fall has occurred despite Russian MOP exports dropping 37% last year.

Reporting by Maytaal Angel; editing by Nigel Hunt and Emelia Sithole-Matarise

➤ **Turkey imposes 130% import tariff on some grains**

25 April 2023 by Susan Reidy, *World Grain* - Turkey has imposed a 130% import tariff on some grain imports, including wheat and corn, Reuters reported, citing a presidential decision published in the Official Gazette.

It comes as some EU countries announced bans on Ukraine grain imports, but traders said the move is mostly to protect the local agricultural sector ahead of May 14 elections. A tight race is expected between President Recep Erdogan's AKP party and the opposition candidate Kemal Kiliçdaroglu, who is supported by several other political parties.

There was no import tax on wheat, barley, rye, oat, corn and sorghum until April 30<sup>th</sup>.

Turkey had reduced import duties on grains and other agricultural goods after the pandemic in late 2020 and stopped them about a year ago, according to Reuters.

*GHA: Turkey set a 130% tariff on grain imports starting May 1 — up from zero — in a surprise move that comes as domestic food price inflation is running sky-high and prospects are poor for the country's soon-to-be-harvested wheat crop.*

*The Turkish government didn't provide a reason for the import duty. The move comes after some European Union countries last week announced protectionist bans on relatively cheap grain imports from Ukraine, actions that were later reversed. In the past year, Ukraine has accounted for between 80% and 100% of Turkey's monthly wheat imports.*

*Turkey's unexpected move to hike grain import tariffs at a time when the country's food prices have jumped more than fourfold.*

## U.S. DOLLAR & FOREIGN EXCHANGE

➤ **U.S. Dollar Index – Daily Nearby**



➤ **Dollar Gains As Higher Inflation Expectations Are Hawkish For Fed**

12 May 2023 by Rich Asplund – The US Dollar index on Friday rose by +0.63% and posted a 1½ week high. An increase in long-term U.S. inflation expectations boosted T-note yields Friday and strengthened the dollar's interest rate differentials. Also, comments from Fed Governor Bowman were hawkish for Fed policy and bullish for the dollar when she said she expects interest rates to remain restrictive for some time. A larger-than-expected decline in the University of Michigan U.S. May consumer sentiment was bearish for the dollar.

Friday's U.S. economic news was mixed for the dollar. On the bullish side, a deterioration of inflation expectations was hawkish for Fed policy and bullish for the dollar after the University of Michigan U.S. May 5-10 year inflation expectations unexpectedly rose +0.2 to a 12-year high of +3.2% versus expectations of a decline to +2.9%. Conversely, the University of Michigan U.S. May consumer sentiment index fell -5.8 to a 6-month low of 57.7, weaker than expectations of 63.0.

Hawkish comments Friday from Fed Governor Bowman were bullish for the dollar when she said inflation rates remain much too high, and she expects interest rates will need to stay restrictive for some time.

EUR/USD on Friday fell by -0.58% and dropped to a 1-month low. Strength in the dollar Friday weighed on the euro. The euro was also undercut by concern that the Eurozone economy will deteriorate as the ECB continues to raise interest rates after

ECB Governing Council member and Bundesbank President Nagel said inflation is much too strong and more ECB rate hikes currently look necessary.

USD/JPY on Friday rose by +0.85%. The yen on Friday slid to a 1-week low and was under pressure from higher T-note yields. Also, Friday's rally in the Nikkei Stock Index to a 17-month high reduced the safe-haven demand for the yen. In addition, the fall in the 10-year JGB bond yield to a 5-week low Friday at 0.365% weakened the yen's interest rate differentials.

Friday's Japanese economic news was bullish for the yen after the Japan Apr eco watchers survey outlook rose +1.6 to a 1½ year high of 55.7, stronger than expectations of 55.1.

June gold on Friday closed down -0.70 (-0.03%), and July silver closed down -0.270 (-1.11%). Precious metals on Friday moved lower, with gold falling to a 1½ week low and silver dropping to a 6-week low. A rally in the dollar index Friday to a 1½ week high was bearish for metals. Also, higher global bond yields Friday were negative for metals prices. Economic concerns that may lead to reduced demand for industrial metals also weighed on silver prices after the University of Michigan U.S. May consumer sentiment index fell to a 6-month low.

However, on the positive side, concern about the health of the U.S. banking system and the U.S. debt limit impasse has boosted safe-haven demand for precious metals. That has led to strong fund buying of gold as gold holdings in exchange-traded funds (ETFs) rose to a 6 month high on Thursday.

➤ **Major Foreign Exchange Rate Indicators: as of the 10<sup>th</sup> of May 2023**

	TW	LW	Year ago	% Chg, yoy
US Dollar Index	101.605	101.958	103.651	- 2
Arg. Peso	228.0500	224.7000	116.750	+ 95
Aus. Dollar	1.4815	1.4997	1.4310	+ 4
Brazil Real	4.9838	5.0415	5.1232	- 3
Canada Dollar	1.3399	1.3627	1.2962	+ 3
Euro	0.9132	0.9094	0.9474	- 4
Japan Yen	135.1400	136.4600	130.3800	+ 4
Russia Rouble	77.5430	80.0955	67.2500	+ 15

Source: International Grains Council

➤ **US interest rates raised to highest level in 16 years**

4 May 2023 by Natalie Sherman, Business reporter, New York - The US central bank has raised interest rates to the highest level in 16 years as it battles to stabilize prices. The Federal Reserve increased its key interest rate by 0.25 percentage points - its 10th hike in 14 months.

That pushed its benchmark rate to between 5% and 5.25%, up from near zero in March 2022, although the Fed hinted the rise may be its last one for now.

The European Central Bank has also raised rates again, although by a smaller amount than in previous months.

The ECB lifted its three key interest rates by 0.25 percentage points, whereas the three preceding meetings have all seen a larger rise.

**'Significant change'**

In the US, higher rates have sharply raised borrowing costs, spurring a slowdown in sectors such as housing and playing a role in the recent failures of three US banks.

"We're no longer saying that we anticipate" additional interest rate increases, Federal Reserve chair Jerome Powell said after the announcement, calling it a "significant change". However, he refused to rule out further action, saying: "We'll be driven by incoming data."

The bank started raising interest rates aggressively last year when prices in the US were soaring at the fastest pace in decades. Higher interest rates make it more expensive to buy a home, borrow to expand a business or take on other debt. By increasing those costs, officials expect demand to fall and prices to cool off.

Since the Fed started its campaign, price increases in the US have shown signs of moderating. In March, inflation, the rate at which prices rise, stood at 5% - the lowest level in nearly two years - though still uncomfortably high for the Fed, which is targeting a 2% rate.

➤ **Will The Dollar Index Fall Below 100 And Does It Matter?**

13 May 2023 by Andrew Hecht – On April 24<sup>th</sup>, I wrote that the dollar index was going "Nowhere Fast" in a Barchart article. The June dollar index futures contract settled at 101.073 on April 24, when I wrote:

"Economic and geopolitical events impact the worldwide currency markets, and the events since early 2022 may be changing the dollar's role in the global financial system. Therefore, the index is a mirage as it only reflects the dollar's value against foreign exchange instruments issued by U.S. allies.

In mid-May, the June dollar index was at the 102.500 level, and the reserve currency's index continues to go nowhere fast.

The downward trajectory of the dollar index has stopped, but the nearby June futures contract has been consolidating above the psychological 100 level.

The chart highlights the decline to 100.420, the most recent low. While the 100 level does not have significant technical significance, it is a milestone for the index that measures the U.S. currency against the other world reserve foreign exchange instruments. The current consolidation began in mid-April when the index stopped short of a challenge of the 100 level.

**The index and dollar face a U.S. debt ceiling crisis**

On Tuesday, May 9<sup>th</sup>, President Biden sat down with the Senate and House of Representatives leadership to discuss the debt ceiling. Congress has proposed to cutting spending, but the administration has said there can be no negotiations about



increasing the ceiling. As the June 1 deadline nears, both sides have begun discussions.

The first default would devastate the U.S. credit rating, pushing bonds and the dollar lower. The odds favor a resolution that kicks the debt can down the road with an increase in the allowable borrowing limit. However, the over \$31.7 trillion debt will rise if revenues and spending balance because short-term interest rates at 5.125% imply an over \$1.62 trillion annual increase.

### The odds favor a resolution for one reason

Any default would cause each U.S. political party to point the blame at the opposition; the current rhetoric validates that Republicans blame Democrats and vice versa. However, the debt has increased under recent administrations from both parties. A default that causes economic and market turmoil will land at the feet of all parties in Washington, DC, making it an untenable option.

While some politicians seem ready to allow the U.S. to default on its debt, a rational understanding of the consequences will likely prevail. However, that does not mean the dispute will not reach a fevered pitch before a last-minute compromise that will probably be a temporary fix for a chronic problem. When the sides finally agree, we could see a relief rally in stocks, bonds, and the dollar. Still, volatility until then is likely as Republicans and Democrats play a financial game of chicken.

### Technical support for the dollar index is well below the 100 level

A move below the 100 level will have little technical significance and seems likely as the debt ceiling issue approaches the June 1<sup>st</sup> line in the sand.



The long-term chart shows the dollar index's bullish pattern of higher lows and higher highs since it found a bottom at 71.05 in April 2008. The critical level for the decade-and-a-half bullish trend stands at the January 2021 89.165 low, and a move below that level would end the bullish trend. Therefore, the dollar index could have substantial downside price action over the coming weeks.

### The dollar could decline on the world stage even if the index rallies

The dollar index could fall precipitously over the debt ceiling issue, but it could also recover when the sides reach a compromise. However, the index remains a mirage as it only measures the U.S. currency against euros, pounds, yen, Canadian dollar, Swedish krona, and Swiss francs.

In a 24<sup>th</sup> April 2023, article on foreign policy.com, author Joseph W. Sullivan outlined that a BRICS currency would challenge the dollar's dominance and reserve currency status. The issue is a rising trend of de-dollarization for Brazil, Russia, India, China, and South Africa. Elon Musk believes the dollar's role in the worldwide financial system is in jeopardy because of sanctions. He recently tweeted, "If you weaponize currency enough times, other countries will stop using it."

In a May 2<sup>nd</sup>, 2023 article, author Vinod Dsouza reported, "A total of 24 countries are interested in accepting and trading with BRICS currency when it launches on the international stage. The group of developing countries is moving to bypass the U.S. dollar to settle global trade." Leading OPEC members, controlling the international petroleum market, are looking to join forces with the BRICS bloc of nations.

The most direct route for a risk position in the dollar index is via the ICE futures. UUP is a bullish dollar index ETF, and UDN is its bearish counterparty. Meanwhile, since the dollar index only measures the U.S. currency against allied countries, the BRICS currency may not impact the dollar index, and it could rise even though the dollar's worldwide role declines.

Since BRICS countries are significant commodity producers and represent the developing world, a dollar challenge could cause commodity prices to rise dramatically. Goldman Sachs has forecast a "commodities supercycle" based on "underinvestment" in raw material production. A decline in the U.S. dollar's dominance on the worldwide financial landscape would only fuel the bullish fire that could rage in the commodities asset class.

On the date of publication, Andrew Hecht did not have (either directly or indirectly) positions in any of the securities mentioned in this article. All information and data in this article is solely for informational purposes.

## WHEAT

### ➤ World Wheat Supply & Demand Outlook

Wheat World as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Area Harvested (1000 HA)	221,377	+1079(+.49%)	220,298	221,408	220,642	215,680
Beginning Stocks (1000 MT)	266,283	-6387(-2.34%)	272,670	285,500	298,774	283,875
Production (1000 MT)	789,764	+1501(+.19%)	788,263	780,290	774,899	761,317
MY Imports (1000 MT)	207,544	+381(+.18%)	207,163	199,346	194,094	188,388
TY Imports (1000 MT)	207,015	-150(-.07%)	207,165	201,059	194,199	189,466
TY Imp. from U.S. (1000 MT)	0	-	0	21,350	26,574	26,160
Total Supply (1000 MT)	1,263,591	-4505(-.36%)	1,268,096	1,265,136	1,267,767	1,233,580
MY Exports (1000 MT)	209,720	-5516(-2.56%)	215,236	202,980	203,451	194,558
TY Exports (1000 MT)	212,499	-445(-.21%)	212,944	205,415	199,613	195,101
Feed and Residual (1000 MT)	150,860	-5242(-3.36%)	156,102	160,978	163,407	139,466
FSI Consumption (1000 MT)	638,667	+8192(+1.3%)	630,475	628,508	615,409	600,782
Total Consumption (1000 MT)	789,527	+2950(+.38%)	786,577	789,486	778,816	740,248
Ending Stocks (1000 MT)	264,344	-1939(-.73%)	266,283	272,670	285,500	298,774
Total Distribution (1000 MT)	1,263,591	-4505(-.36%)	1,268,096	1,265,136	1,267,767	1,233,580
Yield (MT/HA)	3.57	(-.28%)	3.58	3.52	3.51	3.53

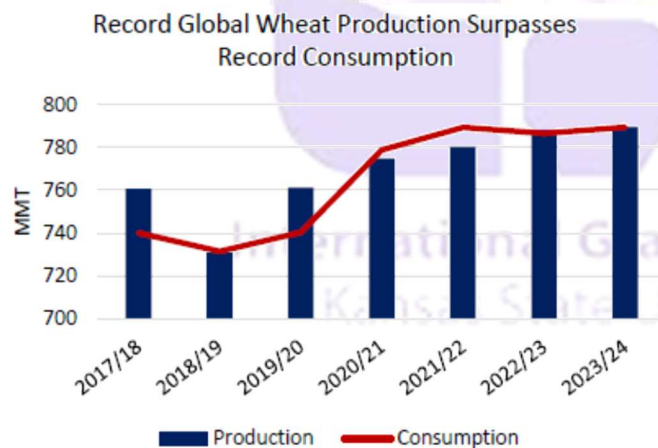
Source: USDA PS&D

**12 May 2023 USDA FAS** - The USDA global wheat outlook for 2023/24 was for lower supplies, trade, consumption, and ending stocks compared with 2022/23.

Global production is forecast at a record 789.8 mmts, up 1.5 million. Larger crops in several countries, including Argentina, Canada, China, the EU, and India are partly offset by sizeable declines in Australia, Russia, Ukraine, and Kazakhstan. The largest increase is for Argentina, where production is expected to recover from a significant drought. Near-record production is forecast in Canada on expanded area reported in the Statistics Canada planting intentions survey. EU production is forecast higher, benefiting from above-average precipitation for nearly all EU member countries except Spain and Portugal.

Production in Russia is forecast lower on reduced area and yields from last year's record. In Ukraine, production is forecast down 21% from the prior year, mostly due to the war with Russia. After three consecutive record crops, production in Australia is forecast to decrease substantially as yields revert to average.

Projected world consumption was estimated



at 791.7 mmts is down 3.0 million compared with last year on reduced feed and residual use.

Larger feed grain supplies in 2023/24 make wheat less competitive. The largest feed and residual reductions are in Ukraine, India, Russia, and China.

Global trade is projected at 209.7 mmts, a decline of 5.5 million from 2022/23. Russia is expected to once again be the largest exporter followed by the EU, Canada, Australia, the United States, and Argentina. Sharp decreases in exports for Australia, India, and Ukraine more than offset increases for Argentina, the EU, and Russia. Projected ending stocks for 2023/24 are down 1.9 mmts to 264.3 million.

World Ending Stocks are forecast to decline in Russia and the EU but increase in China and India. If realized, this would represent the lowest global stocks-to-use ratio since 2014/15 with more than half of global stocks held in China.

## PRODUCTION

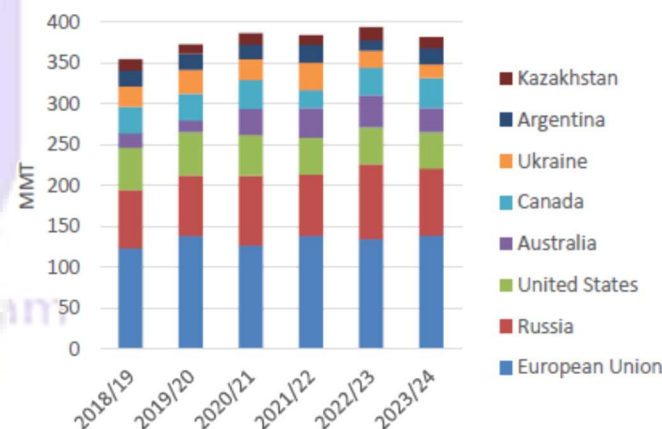
Global production is forecast at 789.8 mmts, up 1.5 million from the previous year. The largest increase is forecast for Argentina, which is anticipated to recover following its drought-affected crop the prior year. India is estimated up 6% to a record 110.0 mmts with rising domestic prices spurring additional area. EU production is forecast to rise with favorable weather across the region, except for Spain. Canada is also expected up to a near-record on expanded area. China is projected up with higher yields.

The United States is forecast to rise slightly on additional winter wheat harvested area, with all wheat production expected up just 1% to 45.2 mmts.

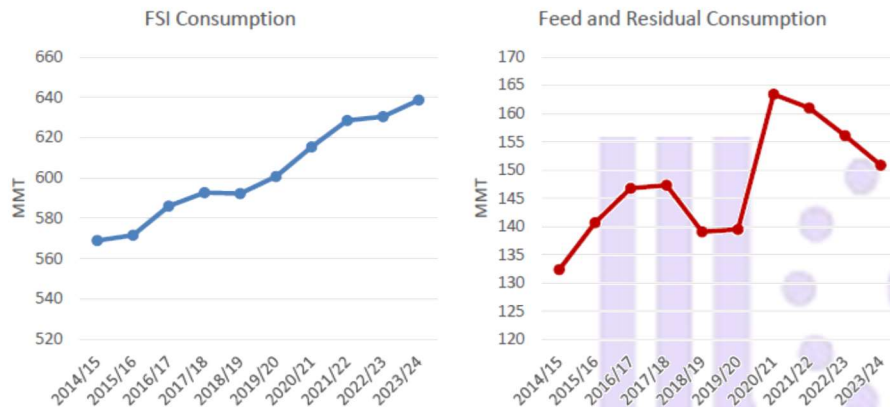
These gains are partially offset by lower crops elsewhere.

Russia is expected to have an 11% decline in production, with reduced area and yield. After 3 consecutive record crops, Australia is forecast down 26% on anticipated lower yields. Ukraine is forecast down more than 20% from the prior year and at half the level reached in 2021/22. Area harvested is lower amid ongoing conflict, while reduced access to inputs limits yield potential.

### Lower Production Among Major Wheat Exporters



## CONSUMPTION

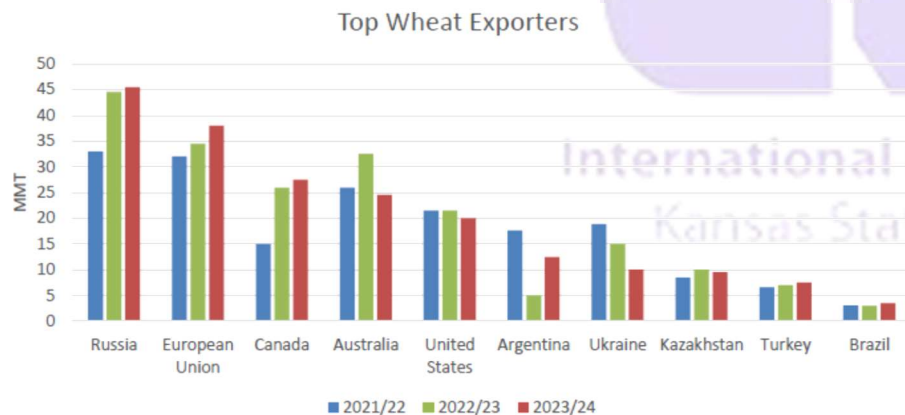


Global wheat consumption is projected at 789.5 mmts, up 2.9 million from last year. Global growth in FSI consumption is expected to rise on population growth with the largest increases in **China** and **Pakistan**. With prices easing, consumption is expected to rebound in some countries where consumers have recently eschewed wheat products in favor of other food grains such as rice, including Indonesia and Nigeria.

Wheat feed and residual use exhibits more annual variability compared to FSI depending on its price relative to feed grains and harvest quality. In 2023/24, feed and residual use is expected to weaken as corn will be more competitive for feed in most markets given larger U.S. and Brazilian corn production.

The “feed and residual” attribute also represents expectations of losses or unaccounted use (“residual” component) at various stages of the marketing chain.

## EXPORTS



Global trade is projected down slightly from last year's record to 212.5 % with some shifts among major suppliers.

**Russia** is forecast to be the largest exporter for the fourth year in a row. Production is forecast lower, only partially offset by larger beginning stocks. With reduced supplies, both FSI and feed and residual use categories are anticipated lower. Exports are forecast to increase by 1.0 % to 45.5 million, leading to a reduction in ending stocks. Its largest markets are expected to remain in Africa and the Middle East.

The **European Union** is projected to remain the second-largest exporter. Production is anticipated to rise, especially in France and Romania. Stocks, which expanded with imports from Ukraine in 2022/23, are expected to fall as exports rise to 38.0 %. The EU is anticipated to gain global market share with reduced exports from Ukraine.

**Canada** is projected to have greater exports based on a larger crop and reduced competition in Asia from Australia. Exports are expected to reach 27.5 %.

**Australia** is anticipated to have a sharp decline in exports with production forecast down by one quarter. Given the reduction in supplies and only slightly lower domestic use, Australia exports are projected down 8.0 % to 24.5 million. Australia ships mostly to East and Southeast Asia.

**U.S.** exports are forecast down to 20.0 %. Despite slightly larger production, smaller carry-in and continued uncompetitive prices will limit export opportunities. Stocks are forecast to further decline and would be the lowest stocks since 2007/08.

**Argentina** exports are forecast to rebound to 12.5 % on a larger crop after its drought-reduced crop the prior year. Argentina is expected to gain market share in some of Australia's traditional wheat markets including Indonesia, Thailand, and Vietnam.

**Ukraine** exports are forecast down 5.0 % to 10.0 % on a smaller crop and tighter beginning stocks. Throughout 2022/23, Ukraine has shipped wheat via truck, rail, and barge to neighboring countries, and by sea under the Black Sea Grain Initiative.

**Kazakhstan** is forecast down to 9.5 % with fewer supplies given reduced production. Nevertheless, the country is expected to remain a key supplier of wheat and wheat flour to the Central Asia region.

## IMPORTS

Global trade is forecast down slightly with imports declining across East Asia and Europe.

**Egypt** is forecast to be the largest global importer in 2023/24, with imports rebounding to 12.0 % as the country recovers from currency shortages and inflation. Food use is forecast up as migration from nearby countries, including Sudan, is expected to expand next year.

Drought conditions will necessitate larger imports throughout North Africa, including **Algeria, Morocco, and Tunisia**.

Southeast Asia wheat consumption and imports are set to expand with growing population and shifting diets. **Indonesia**, the largest importer in the region at 11.0 %, is expected to expand next year.



will expand imports as both wheat feed and food use rebound. Imports are also up for the **Philippines** on recovering food use.

Top Wheat Importers

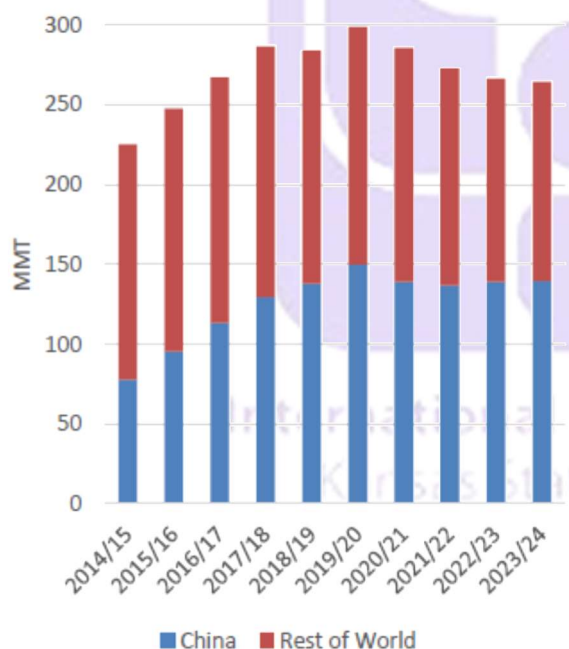


**China** imports are forecast to remain robust at 10.5 %, though down from the previous year on a larger domestic crop. Food use continues to expand but feed use is down as corn becomes more price competitive.

Imports for **Turkey** are forecast down slightly at 10.0 % with larger domestic production. Nevertheless, it will remain a large importer for both domestic consumption and for re-export as wheat flour and pasta products to foreign markets.

The **European Union** will have the largest year-to-year decline in imports – down 3.5 % to 7.0 million – on a larger crop and fewer available imports from Ukraine, which was the primary supplier throughout 2022/23. With more domestic supplies of both wheat and corn, the need for imports is expected to be lower, although imports of durum will continue to be strong.

Wheat Stocks: China and Rest of World



Western Hemisphere imports are forecast to rebound with ample exportable supplies from Canada and Argentina. **Brazil** is the largest importer in the region, requiring international supplies to supplement its smaller crop and growing exports.

**Mexico** will import record volumes of wheat, mostly from the United States.

Imports for **Bangladesh** are anticipated to rebound on ample global supplies and lower prices. Bangladesh primarily imports wheat from India and the Black Sea and will likely rely more heavily on the Black Sea as India's export ban remains in place.

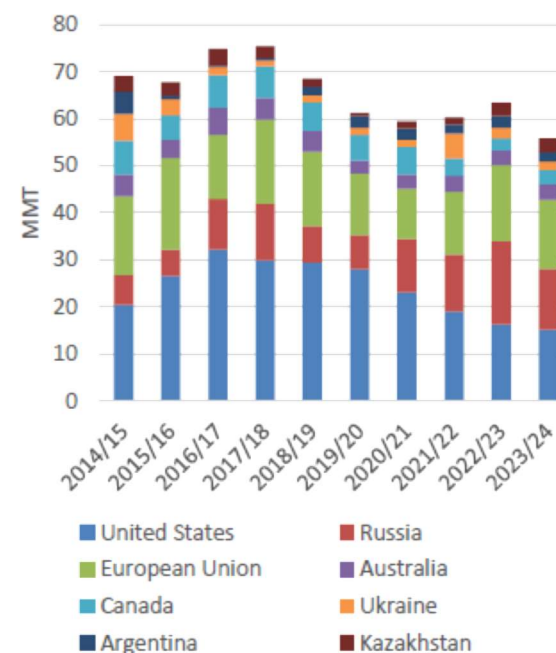
Meanwhile, **Pakistan** is forecast to import more on robust food consumption growth and only minor production growth.

Wheat imports are forecast higher for Sub-Saharan Africa. Notably, **Nigeria** imports are forecast up to 6.0 % as currency shortages lessen and economic conditions improve.

### ENDING STOCKS

Global wheat stocks are forecast to shrink year over year, mostly on large declines for several major exporters. The largest reduction is for Russia, where production is forecast down sharply from last year's record. Russia exports are forecast to remain robust, supported by a reduction in exportable supplies from Ukraine. EU stocks are forecast down 9% from the prior year. U.S. stocks are forecast down 7% to 15.1 %, the lowest stock level since 2007/08. Meanwhile, China stocks are forecast marginally higher and would account for more than half of global stocks. India stocks are anticipated to rise on rebounding production and continuation of its export ban.

Major Wheat Ending Stocks to Decline



### ➤ Australian wheat output projected to decline

1 May 2023 by Arvin Donley - After three consecutive years of record-setting wheat crops in Australia, production in marketing year 2023-24 is forecast to dip 25% from the previous year to what would still be the fourth largest total over the last 10 years,

according to a Global Agricultural Information Network report from the Foreign Agricultural Service (FAS) of the US Department of Agriculture.

“Favorable conditions around the time of winter grain planting across most production areas of Australia bodes well for the establishment and early growth of wheat and barley in 2023-24,” the FAS said. “However, with predicted dry conditions in the coming months, production is expected to be down from the last three years of bumper winter crops.”

The FAS sees wheat production declining to 29 mmts from the record 39.2 mmts estimated in 2022-23, mainly because of the prediction of drier weather and a retreat in prices.

Wheat harvested area is projected to decline by 2% in 2022-23 to 12.8 million hectares, which would still be the second largest planting over the last 10 years and 8% above the previous 10-year average, the report said.

“The last two years of exceptional rains and excellent commodity prices had resulted in farmers planting practically every available hectare to winter crops,” the FAS said. “This included using areas that were earmarked for fallow and many foregoing their crop rotation plans to optimize planted area of winter crops, mainly wheat, barley and canola.

“This, combined with wheat prices falling by 18% from the recent peak in June 2022 and back toward longer-term average levels, is resulting in farmers deciding to reduce their planted area of wheat, and even more so of barley and canola.”

With a smaller expected wheat crop, the FAS forecasts a 7-million-tonne decline in exports to 23 mmts. Despite the 23% anticipated decline, it would still be the fifth largest wheat export total on record.

The report noted that China is by far the largest export destination for Australian wheat, accounting for 26% of shipments (3.2 mmts) so far in 2022-23.

There was also good news recently regarding China and the Australian barley industry. Australia announced on April 11 that it has taken steps to attempt to reopen the Chinese market to Australian barley, which essentially has been banned by China during the past three years after its government imposed an 80% import tariff in 2020.

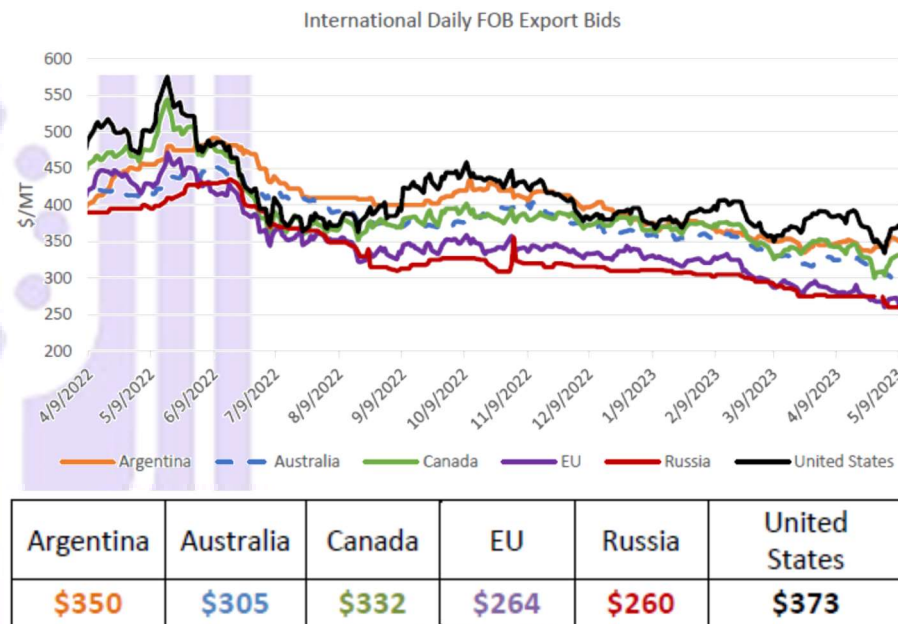
According to multiple media reports, the Australian government recently reached an agreement with China that Australian Foreign Minister Penny Wong said, “creates a pathway for resolution of the dispute over Australian barley.” She said China had agreed to review its duties on the grain over three or four months, and Australia temporarily will suspend its World Trade Organization dispute over the matter during that review period.

The FAS projects Australia’s barley output in 2023-24 to decline by 29% to 10 mmts following three straight years of record-setting production.

## WHEAT PRICES

12 May 2023 USDA FAS - Global exporter quotes declined over the past month despite mounting uncertainty surrounding the future of the Black Sea Grain Initiative.

Favorable production forecasts in the Northern Hemisphere, coupled with tame export demand, applied downward pressure on global prices.



Note: As of May 9, 2023

Source: IGC \*Note on FOB prices: Argentina- 12.0%, up river; Australia- average of APW for Kwinana, Newcastle, and Port Adelaide; Russia - Black Sea- milling; EU- France grade 1, Rouen; US- HRW 11.5% Gulf; Canada- CWRS (13.5%), Vancouver

- Argentine quotes, meanwhile, rose \$4/ton on exhausted exportable supplies.
- Australian quotes dropped \$24/ton with increased competition expected from Northern Hemisphere supplies.
- Canadian quotes slid \$12/ton on a higher-than-anticipated acreage forecast and EU quotes decreased \$21/ton with improved crop conditions.
- Russian quotes were down \$15/ton on favorable planting progress reports along with lower-than-expected offers for Egypt’s recent tender.
- U.S. quotes dipped \$13/ton with subdued export demand, displayed by weak export sales volumes.

## ➤ Wheat Export Prices (FOB, US\$/mt) as of the 10<sup>th</sup> of May 2023

			TW	LW	LY	%Y/Y
Argentina 12% (Up River)	May		350	343	456	- 23
Australia ASW (Adelaide) c)	May		276	276	391	- 29
Australia APW (Adelaide) c)	May		296	293	416	- 29

Canada CWRS 13.5% (St. Law.) May	334	306	485	- 31
EU (France) grade 1 a) May €	241	236	407	- 41
EU (France) grade 1 May	264	260	429	- 38
EU (Germany) B quality May	267	264	437	- 39
EU (Romania) Milling 12.5% Jun	257	254	409	- 37
Ukraine <11% Jun	240	240	-	-
Russia Milling 12.5% Jun	260	265	395	- 34
US DNS 14% (PNW) Jun	359	332	500	- 28
US No 2 HRW 11.5% (Gulf) Jun	373	334	501	- 25
US No 2 SRW (ord) (Gulf) Jun	264	250	442	- 40
US No 2 SW (PNW) Jun	284	274	450	- 37

Fob Rouen, euros/ton. b) Jan 2000 = 100. c) 22 Mar quotation.

Source: International Grains Council - visit: [http://www.igc.int/grainsupdate/igc\\_goi.xlsb](http://www.igc.int/grainsupdate/igc_goi.xlsb)

Worries about grain export flows from Ukraine, linked to escalating Black Sea tensions, disruptions to vessels inspections in Turkey and Russia's persistent negative stance on the extension of the grain corridor deal beyond the 18<sup>th</sup> of May, underpinned global wheat export prices.

The Russian milling wheat market remained opaque, with attention shifting to 23/24 spring wheat prospects, amid talk of dry conditions in central regions.

Highlighting slow vessel movement through the Bosphorus, local sources in Ukraine reported that ag. product shipments in the w/e the 7<sup>th</sup> of May were the lowest since August 2022 and included 165,000 mts of wheat.

Although uncertainty about the viability of the Black Sea shipping corridor persisted, traders noted news about this week's planned four-way talks in Istanbul, as well as reports of yesterday's resumption of outbound vessel inspections in Turkey after a two-day stoppage.

However, there were divergent trends across other main origins, as softer values in Australia and Russia contrasted with strength elsewhere, notably in North America.

In spite of generally slow export progress (22/23 (Jun/May) commitments of 18.9 mmts lagging last year by 3%), HRW and HRS prices in the US rose sharply on ongoing production related concerns, with recent rains deemed insufficient to materially aid HRW crops.

EU prices also rose w/w, but with upside capped by talk of competitive Russian offers and broader macroeconomic worries. Mostly benign cropping weather also weighed, although dryness in Spain remained a concern, with concerns also raised about late-season frosts in the Baltic.

Additional pressure yesterday came from market chatter that Turkey was considering the introduction of a temporary wheat import ban during the harvest period.

Following the recent tender by Egypt, markets were awaiting the results of today's tender by Algeria (Jul shipment), amid ideas that Russian fob offers could again be placed below the earlier reported unofficial price floor of \$275/mt. EU all-wheat shipments reportedly reached a cumulative 27.7 mmts by 7 May (+9% y/y).

Statistics Canada estimated all-wheat stocks as the end of March at 13.3m t, below expectations but 18% higher y/y, with durum inventories pegged at 1.8m (-5% y/y).

In trade-related news, a state grains agency from Tunisia reportedly bought 100,000t optional-origin durum, at US\$379-US\$387 c&f, Jun/Jul shipment.

## ➤ USDA – U.S. Wheat Supply & Demand Outlook

Wheat United States as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Area Harvested (1000 HA)	15,011	+653(+4.55%)	14,358	15,032	14,888	15,133
Beginning Stocks (1000 MT)	16,283	-2725(-14.34%)	19,008	23,001	27,985	29,386
Production (1000 MT)	45,158	+256(+.57%)	44,902	44,804	49,751	52,581
MY Imports (1000 MT)	3,674	+272(+8%)	3,402	2,592	2,725	2,828
TY Imports (1000 MT)	3,600	+200(+5.88%)	3,400	2,706	2,687	2,836
TY Imp. from U.S. (1000 MT)	0	-	0	0	0	0
Total Supply (1000 MT)	65,115	-2197(-3.26%)	67,312	70,397	80,461	84,795
MY Exports (1000 MT)	19,731	-1361(-6.45%)	21,092	21,782	27,048	26,373
TY Exports (1000 MT)	20,000	-1500(-6.98%)	21,500	21,501	26,636	26,392
Feed and Residual (1000 MT)	1,905	+408(+27.25%)	1,497	1,595	2,535	2,592
FSI Consumption (1000 MT)	28,359	-81(-.28%)	28,440	28,012	27,877	27,845
Total Consumption (1000 MT)	30,264	+327(+1.09%)	29,937	29,607	30,412	30,437
Ending Stocks (1000 MT)	15,120	-1163(-7.14%)	16,283	19,008	23,001	27,985
Total Distribution (1000 MT)	65,115	-2197(-3.26%)	67,312	70,397	80,461	84,795
Yield (MT/HA)	3.01	(-3.83%)	3.13	2.98	3.34	3.47

Source: USDA PS&D

**12 May 2023 USDA FAS** - The 2023/24 outlook for U.S. wheat is for reduced supplies and exports, increased domestic use, and smaller stocks compared with 2022/23. U.S. wheat supplies are forecast lower than last year with smaller beginning stocks and only slightly larger production.

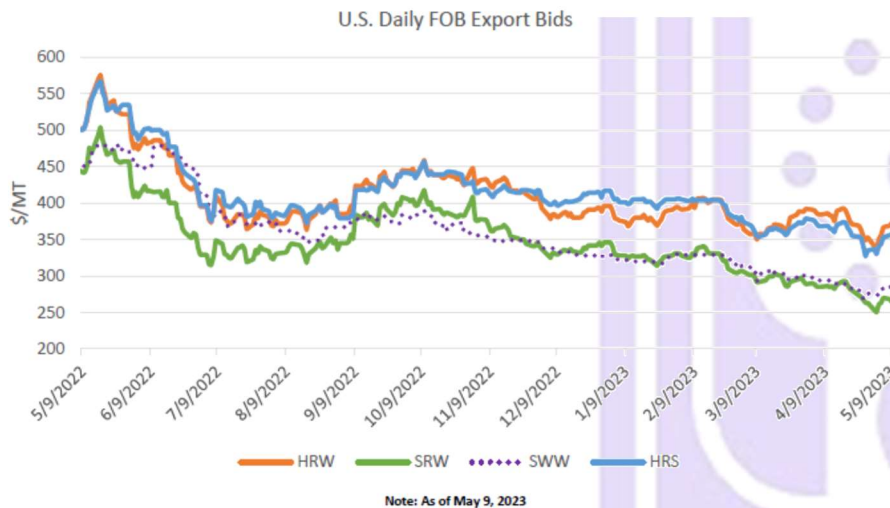
All wheat production is projected at 1,659 mbus, up modestly from last year on increased harvested area. However, the harvest-to-plant ratio is down from last year with above-average abandonment in Texas, Oklahoma, and Kansas. The all wheat yield, projected at 44.7 bushels per acre, is 1.8 bushels lower than last year. The first survey-based production forecast for 2023/24 winter wheat is up 2% from last year as higher Soft Red Winter production more than offsets a decline in Hard Red Winter and White wheat.

Total 2023/24 domestic use is projected at 1,112 mbus, up 1% from last year, primarily on increased feed and residual use. Exports are projected at 725 mbus, 50 million lower than last year. Ending stocks are projected 11% lower than last year and the lowest in 16 years. The projected 2023/24 season-average farm price is \$8.00 per bushel, down \$0.85 from last year's record.



## WHEAT PRICES

Domestic prices for U.S. winter wheat classes have decreased since the April WASDE as drought conditions have eased slightly and lower international prices pressure U.S. quotes. U.S. winter wheat planted areas are rated at 29% good/excellent according to the latest NASS Crop Progress report on May 8<sup>th</sup>.



Soft Red Winter (SRW) is down \$21/ton to \$264 on continued favorable growing conditions.

Hard Red Winter (HRW) is down \$13/ton to \$373 on weak export demand given ample supplies from several major exporters.

Hard Red Spring (HRS) is down \$14/ton to \$357 as spring wheat plantings progress in line with last year albeit still behind average, according to NASS.

Soft White Winter (SWW) is down \$14/ton to \$284 on favorable weather.

### ➤ CME CBOT Wheat Futures – Daily Nearby

**CME SRW futures July 2023** CBOT wheat closed at \$6.35/bu, up 7¼ cents on the day, but losing 25 cents on the week. Sep23 CBOT Wheat closed at \$6.47½, up 8½ cents. May SRW expired at \$6.24 1/2, a 10 cent discount to the new front month.

CFTC's weekly CoT report showed CBT wheat spec traders reduced their net short by 9.5k contracts, though they were still 116,906 contracts net short on the 9<sup>th</sup> of May. Managed money firms were back to net long after short covering through the week.

A wild close to the week for the wheat players following a few surprises in the May WASDE report. KC futures led the charge higher with July contract closing 35½ cents higher. Chicago wheat closed with 8 cent gains after seeing a 20 cent gain out of the report.

US "All-wheat" production at 1.13 Bbus was 2% more than last year, but the shock was from the USDA number vs the trade guesses which were over 100 mbus more optimistic. A quick glance thru the history books back to the mid '80's highlights this year being the biggest production difference between trade guesses and the May estimate.



Source: <https://www.barchart.com/futures/quotes/ZWU22/interactive-chart>

By class, NASS had just 514 mbus for HRW compared to the expected range of 492 to 680, SRW was set at 405 mbus with 210 mbus for white winter. The demand side of the equation has wheat feed and residual growing 15 mbus yr/yr while exports shrink by 50 to 725. New crop stocks are figured at 42 mbus tighter at 556 mbus.

Global numbers were mixed with big crops in Argentina, Canada and China offsetting declines in Australia and Black Sea. Russia forecast though off from last year is still projected to have its 2nd highest crop on record at 81.5 mmts, while Ukraine is down 21% from LY.

Ukrainian output is projected to drop from 21 mmts to 16.5 mmts in 23/24.

Russia remains the worlds leading export even with a smaller crop as carryover stocks make up the production decline.

Chinese production set for a record 140 mmts on corresponding record yields. Roughly 95% of Chinese wheat is winter wheat and 5% spring.

Rosario-headquartered Bioceres making headway into the GMO wheat arena after neighboring Brazil became the second country to approve the company's drought-tolerant HB4 strain for planting.

The global wheat carryout was 1.23 mmts looser for old crop, and about 1 mmts above the trade average guess. New crop's initial outlook was 789.8 mmts of output,

up about 1 mmts yr/yr. Global ending stocks were figured at 264.3 mmts, a 2 mmts tighter yr/yr comparison but looser than the average trade guess of 260 mmts.

#### ➤ **U.S. Export SRW Wheat Values – Friday 12<sup>th</sup> of May 2023**

**SRW Wheat Gulf barge quotes, in cents/bus basis CBOT futures:**

Changes are from the AM Barge basis report. Source: USDA

Gulf barge/rail quotes, in cents/bus.

CIF SRW WHEAT	5/11/2023	5/12/2023		
MAY	75 / 85	75 / 85	K	UNC
JUN	42 / 52	42 / 50	N	
JUL	42 / 52	42 / 50	N	

#### ➤ **CME KC HRW Wheat Futures – Daily Nearby**

Hard Red Wheat Jul '23 (KEN23) - Barchart.com



Source: <https://www.barchart.com/futures/quotes/KEU22/interactive-chart>

**Kansas July 2023 HRW Wheat Futures** settled on Friday at \$8.82¼/bu, up 5¼ cents on the day, and gaining 29¼ cents for the week.

The KC HRW May contract expired at \$8.91¾, a 14 cent premium to the July.

KC spreads firmed on bullish report amidst strong volume. KC July/Sept traded 9.4K contracts vs Chicago July/Sept at just 8.3K contracts. Interesting to note KC Sept/Dec trade was firmer than KC July/Sept even with Sept seemingly more a new crop month as early stocks could be limited. One explanation could be the domestic

millers realizing that the best origination for rest of the marketing year will be deliverable stocks.

The KC wheat futures market has been leading the rally, spiking to 50+ cent gains initially after the report. The condition of the HRW crop has been the primary driver of higher prices as the increased abandonment was finally accounted for with the 1<sup>st</sup> harvested acreage projection.

As an example, Kansas planted acreage was 11% higher year on year while harvested acreage was unchanged; while Winter wheat abandonment pegged at 33% which would be the highest % since 1917. The HRW crop now pushing dangerously close to 500 mbus which likely starts to make the domestic HRW S&D, and its inelastic demand look very tight.

This week's USDA's winter wheat condition ratings notched 1 percentage point higher w/w, to 29% good-excellent, matching last season, but remained below the average of 46%.

The Kansas crop tour also begins on Monday and concludes on Thursday at the IGP Center at Kansas State University in Manhattan, Ks. We've already seen more photos of the Kansas wheat crop circulating on social media as a preview of what is to come. The tour will help quantify how large that area actually is and likely add more bullish fuel to fire.

#### ➤ **U.S. Export HRW Wheat Values – Friday 12<sup>th</sup> of May 2023**

**HRW Wheat Texas Gulf Rail quotes, in cents/bus basis KCBT futures:**

Changes are from the AM Barge basis report. Gulf barge/rail quotes, in cents/bus.

**TX GULF HRW**

12% Protein	5/11/2023	5/12/2023	
MAY	151 / -	148 / -	K
JUN	148 / -	145 / -	N
JUL	148 / -	145 / -	N
AUG	160 / -	155 / -	U

➤ **MGE HRS Wheat Futures – Daily Nearby**



Source: <https://www.barchart.com/futures/quotes/MWU22/interactive-chart>

**MGE July 2023 HRS Wheat Futures** settled on Friday at \$8.45/bu, up a penny on the day, and gaining 9 cents for the week. That left July at a 14 cent premium to the now expired May contract.

Spring wheat futures were 7 to 9 cents in the black at the close. The old crop cash price was a nickel weaker to \$8.85, while the new crop price was listed at \$8.00.

CFTC's weekly CoT report showed in MGE wheat, the group was 8,318 contracts net short.

Amid unfavourable cool and wet conditions, US 23/24 spring wheat sowing was estimated at 24% done, behind last year's 26% and the average of 38%.

Similarly, adverse conditions were noted in Canada, with significant spring planting delays reported in Alberta province, especially for durum.

**Portland Price Trends**

**11 May 2023**

	05-01-22	08-01-22	04-01-23	05-04-23	05-11-23
#1 SWW (bu)	11.10	9.00	7.65	7.25	7.20
White Club	11.60	9.00	7.65	7.25	7.20
DNS 14%	12.08	10.08	9.77	8.97	9.22
HRW 11.5%	12.48	10.00	10.05	9.18	9.56
#2 Corn (ton)	347.00	279.00	289.00	275.00	273.00
#2 Barley	275.00	235.00	240.00	220.00	220.00

USDA weekly Sales showed a marked shift toward new crop buying last week, with 12 mbus registered for new crop commitments and 1 mbus booked for old crop positions.

Current year commitments stand at 695 mbus, which is 3% behind a year ago and 19% below the five-year average.

New crop sales of 60 mbus are setting 32% behind a year ago. The Philippines was the top buyer last week, committing to 5.1 mbus, followed by Mexico booking 3.7 mbus and 2.4 mbus going to unknown..



## COARSE GRAINS

World Coarse Grain Supply and Use 1/ (Cont'd.)  
(Million Metric Tons)

2023/24 Proj.		Beginning Stocks	Production	Imports	Domestic Feed	Domestic Total 2/	Exports	Ending Stocks
World 3/	Apr	NA	NA	NA	NA	NA	NA	NA
	May	324.73	1,509.53	223.05	921.26	1,495.48	234.91	338.78
World Less China	Apr	NA	NA	NA	NA	NA	NA	NA
	May	118.88	1,221.23	184.65	684.66	1,167.68	234.89	134.06
United States	Apr	NA	NA	NA	NA	NA	NA	NA
	May	38.56	402.01	2.57	147.31	324.23	59.41	59.50
Total Foreign	Apr	NA	NA	NA	NA	NA	NA	NA
	May	286.18	1,107.51	220.48	773.94	1,171.24	175.50	279.28
Major Exporters 4/	Apr	NA	NA	NA	NA	NA	NA	NA
	May	25.56	327.19	3.69	139.75	189.15	145.15	22.14
Argentina	Apr	NA	NA	NA	NA	NA	NA	NA
	May	2.29	62.58	0.01	11.51	17.57	44.90	2.40
Australia	Apr	NA	NA	NA	NA	NA	NA	NA
	May	3.60	13.74	0.00	5.76	7.64	7.61	2.09
Brazil	Apr	NA	NA	NA	NA	NA	NA	NA
	May	8.49	134.33	1.70	67.30	82.34	55.02	7.17
Canada	Apr	NA	NA	NA	NA	NA	NA	NA
	May	4.58	28.35	1.85	16.41	24.45	6.48	3.84
Russia	Apr	NA	NA	NA	NA	NA	NA	NA
	May	2.42	42.15	0.10	24.00	33.40	8.91	2.37
Ukraine	Apr	NA	NA	NA	NA	NA	NA	NA
	May	2.24	28.67	0.00	7.35	9.83	18.83	2.25
Major Importers 5/	Apr	NA	NA	NA	NA	NA	NA	NA
	May	31.89	245.06	140.63	289.46	372.72	13.88	30.99
European Union 6/	Apr	NA	NA	NA	NA	NA	NA	NA
	May	13.89	146.40	21.48	116.11	155.83	12.20	13.74
Japan	Apr	NA	NA	NA	NA	NA	NA	NA
	May	1.55	0.25	17.01	13.34	17.24	0.00	1.57
Mexico	Apr	NA	NA	NA	NA	NA	NA	NA
	May	3.58	33.24	18.78	32.55	52.37	0.30	2.93
N. Afr & Mideast 7/	Apr	NA	NA	NA	NA	NA	NA	NA
	May	6.15	33.57	38.37	63.22	71.42	0.77	5.91
Saudi Arabia	Apr	NA	NA	NA	NA	NA	NA	NA
	May	1.21	0.15	9.11	8.92	9.26	0.00	1.21
Southeast Asia 8/	Apr	NA	NA	NA	NA	NA	NA	NA
	May	3.05	31.21	19.31	41.25	49.80	0.61	3.14
South Korea	Apr	NA	NA	NA	NA	NA	NA	NA
	May	1.91	0.16	11.91	9.54	12.03	0.00	1.95
Selected Other								
China	Apr	NA	NA	NA	NA	NA	NA	NA
	May	205.85	288.30	38.40	236.60	327.80	0.03	204.72

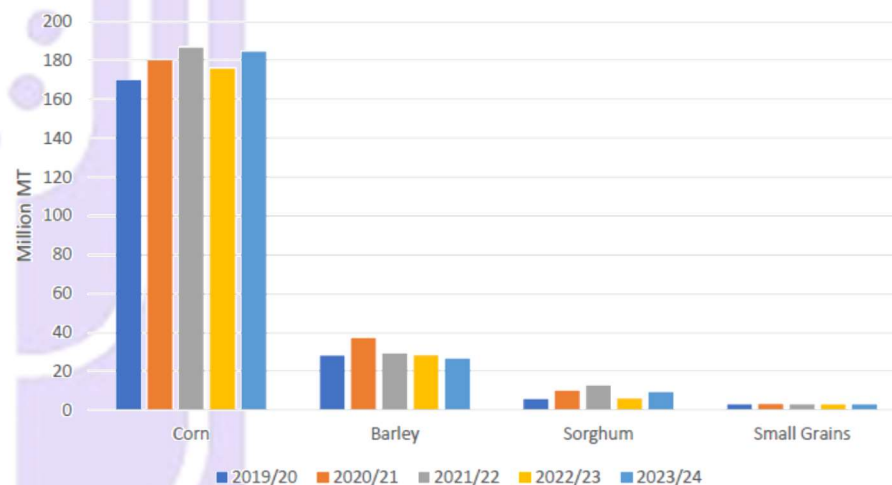
1/ Aggregate of local marketing years. Coarse grains include corn, sorghum, barley, oats, rye, millet, and mixed grains (for U.S. excludes millet and mixed grains). 2/ Total foreign and world use adjusted to reflect the differences in world imports and exports. 3/ World imports and exports may not balance due to differences in marketing years, grain in transit, and reporting discrepancies in some countries. 4/ Argentina, Australia, Brazil, Canada, Russia, South Africa, and Ukraine. 5/ European Union, Japan, Mexico, selected North Africa and Middle East, Saudi Arabia, Southeast Asia, and South Korea. 6/ Trade excludes intra-trade. 7/ Algeria, Egypt, Iran, Israel, Jordan, Libya, Morocco, Syria, Tunisia, and Turkey. 8/ Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Global coarse grain production is projected to increase as strong growth in corn and sorghum more than offsets declines in barley, oats, and rye.

Coarse grain production in the United States, China, the European Union, Brazil, and Argentina is forecast higher, more than offsetting smaller crops in Ukraine, Australia, and Canada.

Global coarse grain consumption is expected to grow modestly from 2022/23 as expectations of lower prices for corn and sorghum support worldwide demand growth, more than offsetting weaker demand for barley, oats, and rye.

Global Coarse Grains Imports (Oct-Sep)

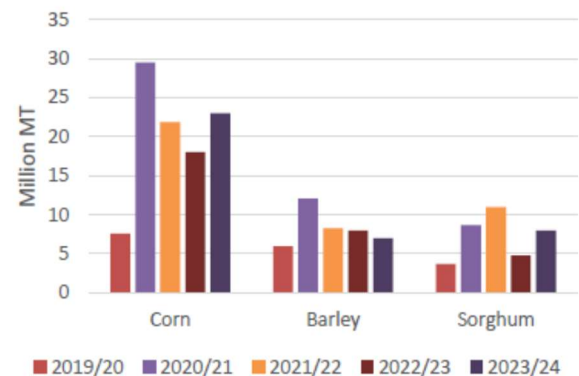


For China, total coarse grain imports for 2023/24 are forecast at 38.4 mmmts, up 7.2 million from a year ago but below the record 50.5 million reached during 2020/21.

Expectations are for China's internal market prices for energy feedstuffs to remain higher than the world market. Corn imports are expected to rise 5.0 mmmts to 23.0 million supported by imports from 3 major exporting countries: the United States, Brazil, and Ukraine.

China's barley imports are projected at 7.0 mmmts and sorghum at 8.0 million.

China Imports (Oct-Sep)



12 May 2023 USDA FAS – The May USDA WASDE global coarse grain outlook for 2023/24 was for record production and use, and larger ending stocks.

## CORN

### ➤ World Corn Supply & Demand Outlook

Corn World as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Area Harvested (1000 HA)	203,025	+1787(+.89%)	201,238	207,249	198,941	194,339
Beginning Stocks (1000 MT)	297,409	-10739(-3.49%)	308,148	292,905	307,345	322,638
Production (1000 MT)	1,219,625	+69421(+6.04%)	1,150,204	1,217,310	1,128,836	1,123,023
MY Imports (1000 MT)	184,503	+9096(+5.19%)	175,407	184,489	184,858	167,689
TY Imports (1000 MT)	184,588	+8770(+4.99%)	175,818	186,638	179,866	169,751
TY Imp. from U.S. (1000 MT)	0	-	0	62,919	68,536	47,067
Total Supply (1000 MT)	1,701,537	+67778(+4.15%)	1,633,759	1,694,704	1,621,039	1,613,350
MY Exports (1000 MT)	195,259	+19815(+11.29%)	175,444	206,178	182,704	172,386
TY Exports (1000 MT)	190,867	+12011(+6.72%)	178,856	193,494	184,072	175,871
Feed and Residual (1000 MT)	758,632	+28177(+3.86%)	730,455	746,564	723,938	716,813
FSI Consumption (1000 MT)	434,748	+4297(+1%)	430,451	433,814	421,492	416,806
Total Consumption (1000 MT)	1,193,380	+32474(+2.8%)	1,160,906	1,180,378	1,145,430	1,133,619
Ending Stocks (1000 MT)	312,898	+15489(+5.21%)	297,409	308,148	292,905	307,345
Total Distribution (1000 MT)	1,701,537	+67778(+4.15%)	1,633,759	1,694,704	1,621,039	1,613,350
Yield (MT/HA)	6.01	+(+5.07%)	5.72	5.87	5.67	5.78

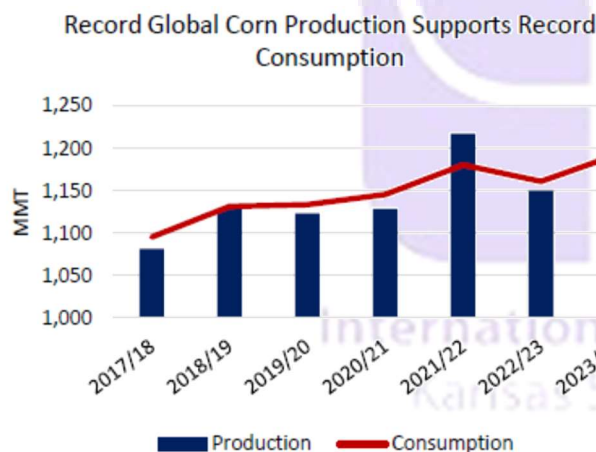
Source: USDA PS&D

**12 May 2023 USDA FAS** – World corn production is forecast record high, with the largest increases for the United States, Argentina, the EU, China, and Serbia. Partly offsetting are smaller crops projected for Ukraine and Brazil.

Global corn production is forecast to sharply increase, driven primarily by a forecast of continued high production in Brazil and rebounds in the United States and Argentina. Supplies in Ukraine are forecast to fall as the ongoing war limits production.

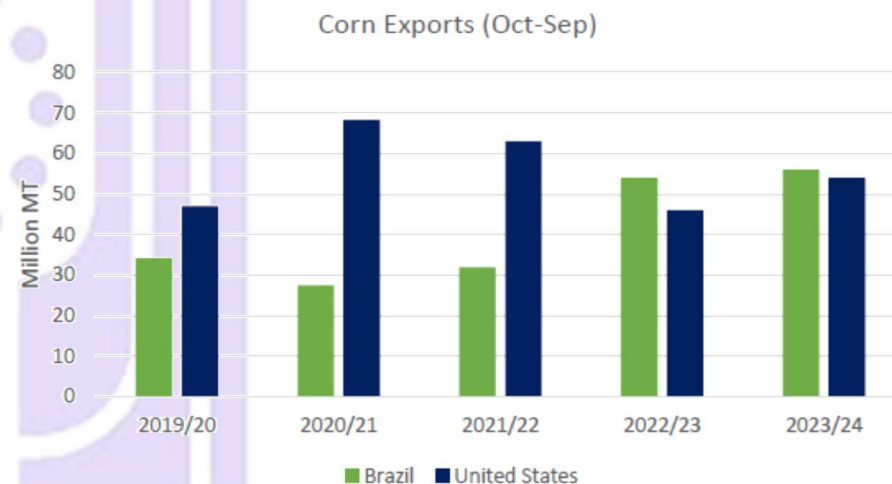
World corn use is expected to rise about 4%, with foreign consumption increasing by a similar amount. Global consumption of corn for both feed and non-feed uses is forecast up.

Trade is forecast to increase as ample supplies from major exporters Brazil, Argentina, and the United States lower prices and supports a rebound in global demand.



With lower prices, world corn imports are forecast to grow just over 5%, driven by increases for several countries, including China, Egypt, Vietnam, Algeria, Mexico, and Colombia. Partly offsetting are reductions for the EU and Turkey.

Ending stocks are also forecast to rise, primarily due to a strong surge in stocks in the United States. Global corn ending stocks are up 15.5 mmts to 312.9 million, mostly reflecting larger stocks for the United States that are partly offset by declines for Brazil and China.



**U.S. corn** is up 8.0 mmts to 54.0 million on higher production, though competition from South America is expected to be strong. U.S. corn now competes with Brazilian corn in addition to Ukrainian supplies in China, forecast to be the world's largest importer.

**Sorghum** is up 3.75 mmts to 6.0 million as production is expected to recover from the prior year's heavily drought-affected crop.

**Brazil corn** is forecast 2.0 mmts higher from the revised 2022/23 estimate to 56.0 million on continued production expansion and competitive prices. Supplies from the 2023 and 2024 safrinha (if realized) are expected to contribute to strong exports at the beginning and end, respectively, of 2023/24. Brazil begins with an export forecast higher than that of the United States.

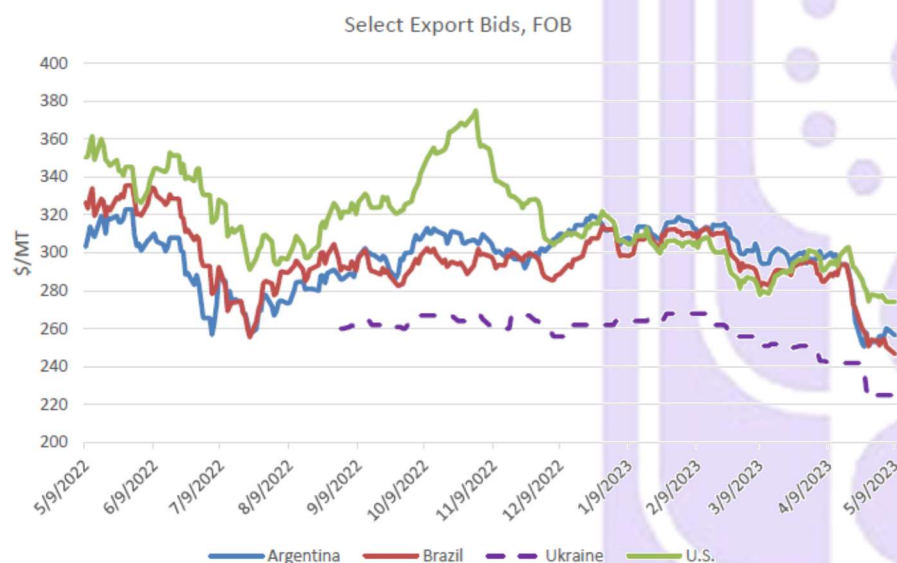
**Argentina corn** is forecast up 8.0 mmts to 34.5 million on the expectation of normal weather and higher production for the 2023/24 marketing year (Mar 2024 – Feb 2025) improving export prospects after harvest. **Barley** and **sorghum** exports are forecast to remain little changed.

**Ukraine corn** is down 9.0 mmts to 16.5 million. Production is forecast down on reduced area and yields. Signing of the Black Sea Grain Initiative (BSGI) in July 2022 greatly improved Ukraine's ability to export grain. As of this publication, the BSGI was extended two times, through at least May 19<sup>th</sup>, 2023.

**India corn** is down 400,000 tons to 3.6 million under expectations of a smaller crop. Lower global corn prices will weaken incentives to plant corn. Forecast growth in demand for domestic feed use will also tighten exportable supplies.

**European Union corn** is forecast up 2.4 mmts to 5.0 million reflecting higher production in major producing member states. **Barley** is also forecast up 900,000 tons to 6.9 million on higher production.

## GLOBAL CORN PRICES



**12 May 2023 USDA FAS** – Since the April WASDE, all major exporters' bids have moved substantially lower. Expectations of a substantial safrinha in Brazil is pressuring prices globally.

U.S. bids dropped \$16/ton to \$274; weak commitments to major trade partners and large cancellations of corn shipments to China show softening demand for U.S. corn.

Brazilian bids were down \$38/ton to \$246 on pressure from a potential record harvest. Favorable conditions and a large expansion in area in Brazil's Center-West and South are raising expectations for the upcoming safrinha. Argentine bids decreased sharply by \$40/ton to \$256.

Weak demand from major partners and downward pressure from the large Brazilian crop are sharply lowering prices, despite tight supplies. Ukrainian bids are down \$18/ton to \$255.

## ➤ USDA – U.S. Corn Supply & Demand Outlook

Corn United States as of May 2023					
Attribute	23/24 May '23	Change	22/23 May '23	21/22	20/21
Area Harvested (1000 HA)	34,034	+1980(+6.18%)	32,054	34,527	33,311
Beginning Stocks (1000 MT)	35,984	+1009(+2.88%)	34,975	31,358	48,757
Production (1000 MT)	387,749	+38998(+11.18%)	348,751	382,893	358,447
MY Imports (1000 MT)	635	-381(-37.5%)	1,016	615	616
TY Imports (1000 MT)	600	-400(-40%)	1,000	607	629
TY Imp. from U.S. (1000 MT)	0	-	0	0	0
Total Supply (1000 MT)	424,368	+39626(+10.3%)	384,742	414,866	407,820
MY Exports (1000 MT)	53,342	+8255(+18.31%)	45,087	62,776	69,776
TY Exports (1000 MT)	54,000	+8000(+17.39%)	46,000	62,978	68,293
Feed and Residual (1000 MT)	143,517	+9526(+7.11%)	133,991	145,310	142,426
FSI Consumption (1000 MT)	171,078	+1398(+.82%)	169,680	171,805	164,260
Total Consumption (1000 MT)	314,595	+10924(+3.6%)	303,671	317,115	306,686
Ending Stocks (1000 MT)	56,431	+20447(+56.82%)	35,984	34,975	31,358
Total Distribution (1000 MT)	424,368	+39626(+10.3%)	384,742	414,866	407,820
Yield (MT/HA)	11.39	+1(+4.69%)	10.88	11.09	10.76

Source: USDA PS&D

**12 May 2023 USDA FAS** – The 2023/24 U.S. corn outlook is for larger production, greater domestic use and exports, and higher ending stocks. The corn crop is projected at a record 15.3 billion bushels, up more than 10% from last year on increases to both area and yield. The yield projection of 181.5 bushels per acre is based on a weather-adjusted trend assuming normal planting progress and summer growing season weather, estimated using the 1988-2022 time period. With beginning stocks up slightly, total corn supplies are forecast at 16.7 billion bushels, the highest since 2017/18.

Total U.S. corn use for 2023/24 is forecast to rise about 5% relative to a year ago on higher domestic use and exports. Food, seed, and industrial use is projected to rise 55 mbus to 6.7 billion. Corn used for ethanol is projected to increase 1%, based on expectations of modest growth in motor gasoline consumption and ethanol's inclusion rate into gasoline. Feed and residual use is projected higher on a larger crop and lower expected prices.

U.S. corn exports for 2023/24 are forecast to rise 325 mbus to 2.1 billion, as lower prices support a sharp increase in global trade following the decline seen during 2022/23. U.S. market share is expected to increase slightly albeit remain below the average of the past 5 years. Exports are higher for Argentina and Brazil, with the former reflecting a return to normal weather conditions after a drought during 2022/23. Despite a rebound in U.S. exports, Brazil is forecast to be the world's largest exporter of corn for the second consecutive year. Exports for Ukraine are projected to decline based on lower production prospects.

With total U.S. corn supply rising more than use, 2023/24 ending stocks are up 805 mbus from last year and if realized would be the highest in absolute terms since 2016/17. Stocks would represent 15.3% of use, the highest since 2018/19. The season-average farm price is projected at \$4.80 per bushel, down \$1.80 from 2022/23.



➤ **Corn Export Prices (FOB, US\$/mt) as of 12<sup>th</sup> of May 2023**

		TW	LW	LY	%Y/Y
US 3YC (Gulf)	Jun	270	277	350	- 23
Argentina (Up River)	May	253	256	303	- 17
Brazil (Paranagua)	Jun	240	251	327	- 26
Ukraine	Jun	225	225	-	-

Source: International Grains Council

➤ **CME CBOT Corn Futures – Nearby Daily**



Source: <https://www.barchart.com/futures/quotes/ZCZ22/interactive-chart>

**CBOT July 2023 Corn Futures** settled on Friday at \$588/bu, up 1¼ cents on the day, and losing 8½ cents on the week. Sep23 Corn closed at \$5.10¾, down 4¼ cents, while new crop Dec23 Corn closed at \$5.08¾, down 5 cents, May corn expired at \$6.33¼, a full \$1.61 below May '22, and left a 47 cent expiration gap on the weekly charts.

July ended the session with strength, closing 4 cents higher. New crop futures initially “bought the fact” out of the USDA reports, but finished the day with 4 to 5 cent losses. That left Dec corn at a \$1.24 discount to July, and at a 26 cent loss for the week.

The USDA WASDA update was the highlight for trade direction Friday with a whopping 2.222 bbushels carryout estimate for 23/24. Production estimates of 15.265 bbushels were 125 mbbushels larger than trade estimate as they kept the record 181.5 bushels/acre (3 bushels/acre over trend) yield from the February outlook report.

Old US crop exports at 75 mbbushels to 1.775, which was the only 22/23 balance sheet change and increased c/o by same to 1.417 bbushels.

At the global level, USDA raised Brazil's output but left Argentina unchanged. Brazil is now forecasted at a 130 mmbushels crop, 5 mmbushels above the April figure. CONAB yesterday estimated Brazil's output at 125.4 mmbushels. Argentina was left at 37 mmbushels. Initial new crop output baselines are 129 and 54 mmbushels respectively.

China corn imports were unchanged this year at 18 mmbushels, but increased to 23 mmbushels for next year. 23/24 China wheat fed was at 32 mmbushels, off 1 mmbushel, and world wheat feeding at 151 mmbushels down 5.

Non-China global corn use is +23 mmbushels (900 mbbushels) with 75% of that in the US.

The USDA global corn stocks were shown at 297.4 mmbushels for old crop corn and 312.9 mmbushels for new crop. Trade ideas ranged 293 – 299 and 295 – 327 mmbushels respectively going into the report.

Calendar spreads firmed sharply as the 2.2 c/o pushed most of the fund selling to the CZ. CN/U +8.25c, CN/U +9c.

Weekly CFTC data showed corn spec traders were adding longs through the week that ended the 9<sup>th</sup> of May. The group was still 109,643 contracts net short. Commercial hedgers added 35k new hedges through the week, which extended their net short by 14k to 113,222 contracts.

Interesting that the USDA projected average farm price expected is \$4.80, which implies Dec3 futures are pretty close to what they expect for the avg of year.

Stocks/use ratio is at 15.3%, with the most recent comparable year at 15.5% in 18/19, when the avg farm price was \$3.61.

Cash markets were mostly steady to end the week, but were firmer throughout the week. CK went off the board today and did see a whole 10 lot delivered from ADM to Cargill. IWDS zone 3 basis fell 2-3c in July to 1c over delivery value.

➤ **U.S. Export Corn Values – Friday 12<sup>th</sup> of May 2023**

**Corn CIF NOLA Gulf barge/rail quotes, in cents/bus basis CBOT futures:**

USDA (U.S. No. 2, 14.5% moisture, CIF NOLA Gulf barge/rail quotes, in cents/bus.

CIF CORN	5/11/2023	5/12/2023	Del. Mo.	
MAY	52 /	92 / 100	K	
JUN	/ 80	70 / 80	N	
JUL	/ 60	52 / 62	N	
SEP	/ 80	/ 80	Z	UNC
OCT	/ 82	/	Z	
DEC	/ 78	/ 77	Z	

## BRAZIL FOB CORN @ PORT PARANAGUA

	5/11/2023	5/12/2023		
JUN	25 / 35	40 / 50	N	
JUL	15 / 20	1 / 5	N	
AUG	20 / 35	25 / 45	U	
SEP	20 / 35	20 / 35	U	UNC
NOV	50 / 60	60 / 70	Z	

## BARLEY

### ➤ World Barley Supply & Demand Outlook

Barley World as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Area Harvested (1000 HA)	46,471	-736(-1.56%)	47,207	49,140	51,965	52,473
Beginning Stocks (1000 MT)	19,114	+812(+4.44%)	18,302	20,815	21,718	20,157
Production (1000 MT)	147,370	-4579(-3.01%)	151,949	145,750	161,077	158,198
MY Imports (1000 MT)	26,392	-2180(-7.63%)	28,572	30,079	36,066	28,638
TY Imports (1000 MT)	26,366	-1884(-6.67%)	28,250	29,077	36,913	28,000
TY Imp. from U.S. (1000 MT)	0	-	0	69	347	154
Total Supply (1000 MT)	192,876	-5947(-2.99%)	198,823	196,644	218,861	206,993
MY Exports (1000 MT)	27,163	-2502(-8.43%)	29,665	32,413	36,281	28,952
TY Exports (1000 MT)	27,171	-2630(-8.83%)	29,801	28,504	37,372	29,478
Feed and Residual (1000 MT)	101,836	-2791(-2.67%)	104,627	100,120	116,173	110,820
FSI Consumption (1000 MT)	45,778	+361(+.79%)	45,417	45,809	45,592	45,503
Total Consumption (1000 MT)	147,614	-2430(-1.62%)	150,044	145,929	161,765	156,323
Ending Stocks (1000 MT)	18,099	-1015(-5.31%)	19,114	18,302	20,815	21,718
Total Distribution (1000 MT)	192,876	-5947(-2.99%)	198,823	196,644	218,861	206,993
Yield (MT/HA)	3.17	(-1.55%)	3.22	2.97	3.10	3.01

Source: USDA PS&D

12 May 2023 USDA FAS –. The USDA global barley outlook is for lower production, trade, and ending stocks.

Production is projected to decline as smaller crops primarily in Australia, Russia, and Algeria more than offset increases in the European Union, India, and Turkey.

Consumption for feed barley decreases while FSI (food, seed, and industrial) use is marginally up from 2022/23 levels.

Global barley trade is down, primarily due to a decline in exportable supplies from Australia.

With global production shrinking by a larger amount than consumption, global barley ending stocks are projected to tighten to the lowest level since 1983/84.

### ➤ Barley Export Prices (FOB, US\$/mt) as of the 12<sup>TH</sup> of May 2023

		TW	LW	LY	%Y/Y
Argentina Feed	Jun	260	280	370	- 30

Australia Feed (Adelaide) b)	May	261	267	358	- 27
Australia Malting (Adelaide) c)	May	329	334	375	- 12
Black Sea Feed	Jun	227	225	385	- 41
EU (France) Feed (Rouen)	May	247	239	422	- 42
EU (France) Spring Malting	May	-	-	-	-

a) Jan 2000 = 100. b) 22 Mar. c) Commander malt barley, 22 Mar quotation.

Source: International Grains Council - [http://www.igc.int/grainsupdate/igc\\_goi.xlsb](http://www.igc.int/grainsupdate/igc_goi.xlsb)

World barley markets have been fairly quiet, partly due to holidays in a number of countries, and with nearby buying interest reportedly thin. Prices are mixed overall.

Early planting is now underway in parts of Western Canada, albeit with operations hindered by earlier cold weather and the late melting of snow packs, with sowings in Alberta 3% finished (13% 5-yr. ave). More generally, concerns are beginning to build about dry conditions in parts of the Prairies. According to StatsCan, barley inventories totaled 2.7 mmts as of the 31<sup>st</sup> of March, up by 44% y/y.

In reported tender purchases, Tunisia's state grains agency secured 75,000 mts of optional-origin barley, at US\$254-US\$257 C&F, for Jun/Jul shipment, while Jordan's state buyer booked 60,000 mts, also from optional origins, at around US\$260 C&F for October.

### ➤ Canadian Barley purity issues likely not contamination

11 May 2023 by Karen Briere - An undesigned DNA in CDC Copeland has been traced back to the original breeder seed.

Earlier this year, the Canadian Malt Barley Technical Centre said grain companies had reported a higher number of malt barley samples than usual were not meeting the 95% purity minimum their contracts required. Most of these samples were Copeland.

CMBTC managing director Peter Watts said results from genetic tests on the original seed came in last week. "It is Copeland," he said.

Many malt barley customers are sensitive to purity standards and Watts said it is critical they know the variety has not been contaminated.

The Canadian Food Inspection Agency announced last week it would study the varietal purity of Copeland this growing season after high levels, more than 5%, of the undesigned DNA began appearing last fall.

Watts said this DNA is actually the third to appear in Copeland; the other two were detected and incorporated into genetic testing early in the variety's existence.

This third DNA has been known since 2012, but was always at low levels.

"The real story is what environmental factor led it to propagate," Watts said. The high percentages of the DNA triggered the CFIA's involvement, he said.

The CFIA said it would investigate whether there had been contamination but acknowledged that wasn't likely because it has been present at low levels for a long time.

"Our findings so far suggest that the varietal purity issue that was identified by a DNA analysis may actually be part of the variety, as it was found in the earliest release of breeder seed," the agency said May 5<sup>th</sup>.

Doug Miller, executive director of the Canadian Seed Growers Association, said he first heard of this issue late last year. He said seed growers appreciate that CFIA is conducting robust analysis. That gives farmers confidence in their seed, he said.

"Based on the information that we've seen to date, it does not appear that we are looking at a varietal contamination event but rather a variety that may have multiple genetic profiles all while maintaining a similar phenomic expression of how a plant looks in the field and the end-use traits and quality parameters," he said.

Varietal purity is critical in programs such as malt barley and he said certified seed is the best choice for producers.

Canada's certification system is based on phenotype and Miller said if the end use characteristics are the same and the plant looks the same, it meets the description of that variety.

CFIA did not return a request for more information before Western Producer deadlines but Miller said the agency may be using a framework similar to its variety verification program to follow up. He described the program as one of the best kept secrets in Canada's seed certification system.

"Every year they plant up to 2,000 plots of samples based on higher generation certified seed and they grow it out alongside the reference control sample, so what the breeder has submitted, and they basically walk the fields and it's a health check on the system to make sure that seed certification is working correctly," he explained.

Plot walkers identify any off-types that could signal other issues.

Miller said the exercise provides a vital health check on the seed certification system and is also part of some international obligations. New varieties are assessed against the reference control samples.

He and Watts both said malting analysis shows that Copeland with the high levels of the DNA performs nearly identically to Copeland with the lower levels.

"This is CFIA showing leadership and getting out there and doing an investigation whenever they hear concerns," Miller added. "Everything that I've seen so far is indicating that the system is working."

## GRAIN SORGHUM

### ➤ World Grain Sorghum Supply & Demand Outlook

Sorghum World as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Area Harvested (1000 HA)	41,454	+1152(+2.86%)	40,302	40,746	43,016	39,588
Beginning Stocks (1000 MT)	3,614	-802(-18.16%)	4,416	3,988	3,855	5,491
Production (1000 MT)	62,180	+4839(+8.44%)	57,341	62,281	63,091	57,730
MY Imports (1000 MT)	9,188	+3207(+33.62%)	5,981	12,555	9,920	5,605
TY Imports (1000 MT)	9,178	+3165(+32.64%)	6,013	12,530	9,958	5,629
TY Imp. from U.S. (1000 MT)	0	-	0	7,291	7,000	5,325
Total Supply (1000 MT)	74,982	+7244(+10.69%)	67,738	78,824	76,866	68,826
MY Exports (1000 MT)	9,527	+2826(+29.17%)	6,701	11,726	11,423	6,514
TY Exports (1000 MT)	9,753	+3276(+30.58%)	6,477	11,776	10,552	6,386
Feed and Residual (1000 MT)	24,625	+3712(+17.75%)	20,913	27,386	24,276	21,210
FSI Consumption (1000 MT)	36,870	+360(+0.99%)	36,510	35,296	37,179	37,247
Total Consumption (1000 MT)	61,495	+4072(+7.09%)	57,423	62,682	61,455	58,457
Ending Stocks (1000 MT)	3,960	+346(+9.57%)	3,614	4,416	3,988	3,855
Total Distribution (1000 MT)	74,982	+7244(+10.69%)	67,738	78,824	76,866	68,826
Yield (MT/HA)	1.50	+(-5.63%)	1.42	1.53	1.47	1.46

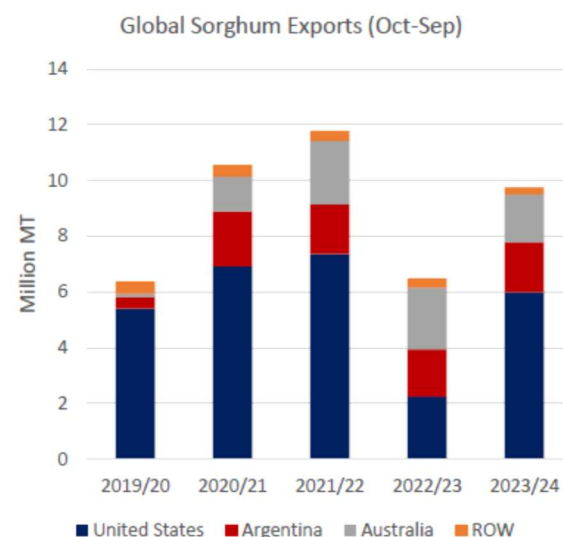
Source: USDA PS&D

12 May 2023 USDA FAS – The USDA global sorghum outlook was for higher production, consumption, trade, and ending stocks.

Production was projected up as higher production in Brazil, India, Niger, and the United States more than offset cuts to Australia and Sudan. U.S. production is forecast to recover on higher area as indicated in the March Prospective Plantings report.

Global sorghum trade is expected to grow on the recovery of exportable supplies in the United States, more than offsetting lower exports from Australia. China's sorghum imports are forecast to grow as a result.

Sorghum ending stocks are projected higher as the recovery in production outpaces that of consumption.





➤ **USDA – U.S. Grain Sorghum**

Sorghum United States as of May 2023				
Attribute	23/24 May'23	Change	22/23 May'23	21/22
Area Harvested (1000 HA)	2,104	+255(+13.79%)	1,849	2,626
Beginning Stocks (1000 MT)	638	-563(-46.88%)	1,201	516
Production (1000 MT)	9,144	+4374(+91.7%)	4,770	11,375
MY Imports (1000 MT)	1	-	1	0
TY Imports (1000 MT)	1	-	1	1
TY Imp. from U.S. (1000 MT)	0	-	0	0
Total Supply (1000 MT)	9,783	+3811(+63.81%)	5,972	11,891
MY Exports (1000 MT)	5,969	+3683(+161.11%)	2,286	7,476
TY Exports (1000 MT)	6,000	+3750(+166.67%)	2,250	7,351
Feed and Residual (1000 MT)	1,778	-	1,778	2,066
FSI Consumption (1000 MT)	1,270	-	1,270	1,148
Total Consumption (1000 MT)	3,048	-	3,048	3,214
Ending Stocks (1000 MT)	766	+128(+20.06%)	638	1,201
Total Distribution (1000 MT)	9,783	+3811(+63.81%)	5,972	11,891
Yield (MT/HA)	4.35	+2(+68.6%)	2.58	4.33

Source: USDA PS&D

➤ **Grain Sorghum Export Prices (FOB, US\$/mt) as of 12<sup>TH</sup> of May 2023**

		TW	LW	LY	%Y/Y
US (Gulf)	Jun	313	324	388	- 19
Argentina (Up River)	May	290	310	319	- 9
Australia (Brisbane) a)	May	316	321	311	+ 2

Source: International Grains Council

➤ **U.S. Export Grain Sorghum Corn Values – Friday 12<sup>th</sup> of May 2023**

**Grain Sorghum CIF NOLA Gulf barge/rail quotes, in cents/bus basis CBOT futures:** USDA (U.S. No. 2, CIF NOLA Gulf barge/rail quotes, in cents/bus.

TX FOB VESSEL				
MILO (USc/MT)	5/11/2023	5/12/2023		
May	210	210	N	UNC
June	182	180	N	
July		225	U	

US Gulf Sorghum FOB quotations were 3% softer this week.

Australian export values declined marginally w/w, amid slow activity.

US 23/24 crop plantings were estimated to be 24% complete by the 7<sup>th</sup> of May, compared to 22% year ago, 24% five-year average.

Elsewhere, the 22/23 harvest in Argentina was officially estimated to be 16% done by the 4<sup>th</sup> of May, compared to 28% last year.

In India, 23/24 sorghum sowings were done on 230,000ha by the 5<sup>th</sup> of May (160,000 ha year earlier).

➤ **Sorghum bran enhances gluten-free bread, study finds**

25 April 2023 by John Reidy - Researchers at the US Department of Agriculture Agricultural Research Service (ARS) have found sorghum bran, often a low-cost byproduct of sorghum milling, can give gluten-free bread a nutritional boost while preserving flavor as consumer demand continues to grow for gluten-free foods that meet medical needs and dietary preferences.

According to the National Institutes of Health (NIH), about 2 million people in the United States have celiac disease, an autoimmune condition, and must avoid dietary gluten, a protein found in wheat, rye, and barley. Additionally, over 20% of US consumers purchase gluten-free products without a medical reason.

However, gluten-free foods sometimes are deficient in nutrients and lack the taste and texture that consumers desire. In gluten-free bread, wheat flour is typically replaced with refined flour and starches from other sources. Adding dietary fiber, a carbohydrate found in whole grains that has important health benefits, to gluten-free bread can lead to a hard texture and more rapid staling.

ARS researchers turned to sumac sorghum bran, classified as a brown tannin-containing variety with antioxidant properties and dietary fiber, as a potential substitute for wheat flour in gluten-free bread.

"In our study, we used optimization models to create a gluten-free bread with enhanced dietary fiber while preserving other desirable bread attributes such as color, texture, and flavor," said Ryan Ardoin, research food technologist at ARS's Food Processing and Sensory Quality Research Unit in New Orleans, Louisiana, US. "This meant finding the optimal amount of sumac sorghum bran to use in the bread to get the nutritional benefits without comprising taste and texture."

Ardoin and Brennan Smith along with researchers Fadi Aramouni and Scott Bean from ARS's Grain Quality and Structure Research Unit in Manhattan, Kansas, US, conducted taste tests and asked consumers to rate different breads with and without the sorghum bran.

"We found that people liked the gluten-free bread that contains 14.2% sumac sorghum bran and would be just as willing to buy this bread," Ardoin said. "There was no difference in perceived bitterness found between the bread with and without the sorghum bran."

The study, "Optimization of tannin-containing sorghum bran addition to gluten-free bread," has been published in the Journal of Food Science.

## OATS

### ➤ World Oats Supply & Demand Outlook

Oats World as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Area Harvested (1000 HA)	9,158	-306(-3.23%)	9,464	9,623	10,062	9,545
Beginning Stocks (1000 MT)	2,930	+522(+21.68%)	2,408	3,112	2,322	2,279
Production (1000 MT)	23,299	-2321(-9.06%)	25,620	22,725	25,705	23,200
MY Imports (1000 MT)	2,510	-211(-7.75%)	2,721	2,403	2,528	2,512
TY Imports (1000 MT)	2,431	-165(-6.36%)	2,596	2,335	2,616	2,518
TY Imp. from U.S. (1000 MT)	0	-	0	22	42	23
Total Supply (1000 MT)	28,739	-2010(-6.54%)	30,749	28,240	30,555	27,991
MY Exports (1000 MT)	2,505	-252(-9.14%)	2,757	2,503	2,766	2,529
TY Exports (1000 MT)	2,506	-229(-8.37%)	2,735	2,349	2,698	2,632
Feed and Residual (1000 MT)	16,061	-909(-5.36%)	16,970	15,535	16,990	15,612
FSI Consumption (1000 MT)	7,905	-187(-2.31%)	8,092	7,794	7,687	7,528
Total Consumption (1000 MT)	23,966	-1096(-4.37%)	25,062	23,329	24,677	23,140
Ending Stocks (1000 MT)	2,268	-662(-22.59%)	2,930	2,408	3,112	2,322
Total Distribution (1000 MT)	28,739	-2010(-6.54%)	30,749	28,240	30,555	27,991
Yield (MT/HA)	2.54	(-6.27%)	2.71	2.36	2.55	2.43

Source: USDA PS&D

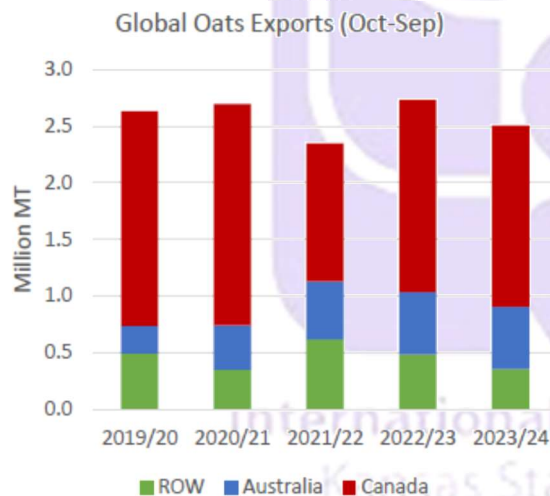
**12 May 2023 USDA FAS –.** For small grains, oats production is projected lower primarily on a cut to Canada and rye production is essentially unchanged as a gain in the European Union nearly offsets cuts to Canada and Russia.

Global consumption is expected to shrink for both oats and rye.

Global oats trade is projected to fall on smaller Canada exports. Global rye trade is projected up very modestly on higher exports from the European Union.

Global ending stocks of oats are projected to fall as consumption shrinks less than production.

Global rye ending stocks are forecast essentially unchanged, remaining at a historically low level.



### CME CBOT Oat Futures – Daily Nearby



Source: <https://www.barchart.com/futures/quotes/ZOU22/interactive-chart>

**CME July 2023 Oats Futures settled on Friday at \$3.35¼/bu, up 2¼ cents on the day, and gaining 6½ cents for the week.**

### ➤ Oats Export Prices (FOB, US\$/mt) as of the 12<sup>th</sup> of May 2023

		TW	LW	LY	%Y/Y
Canada (Vancouver)	May	-	-	504	-

Source: International Grains Council

US oats (Jul) futures advanced by 11% w/w. While movements in other grains prices were influential at times, upside was largely underpinned by speculative fund buying, with bull spreading ensuring steeper gains across front months.

Nevertheless, data from Statistics Canada underscored comfortable supplies, Canadian inventories as at the 31<sup>st</sup> of March totalling 2.6 mmts, representing an 114% increase y/y. Seeding of 23/24 fields in Alberta were underway by 2 May.

Source: International Grains Council

## OILSEEDS COMPLEX

World and U.S. Supply and Use for Oilseeds 1/  
(Million Metric Tons)

World		Output	Total Supply	Trade	Total Use 2/	Ending Stocks
Oilseeds	2021/22	610.63	726.43	178.97	510.74	117.52
	2022/23 (Est.)	627.44	744.96	200.18	521.84	117.93
	2023/24 (Proj.)	NA	NA	NA	NA	NA
	Apr	671.23	789.16	200.75	542.53	139.03
	May					
Oilmeals	2021/22	349.64	368.44	96.17	346.74	19.30
	2022/23 (Est.)	355.51	374.81	95.00	355.28	16.33
	2023/24 (Proj.)	NA	NA	NA	NA	NA
	Apr	371.25	387.58	99.37	365.58	18.41
	May					
Vegetable Oils	2021/22	207.86	236.55	79.40	202.55	29.10
	2022/23 (Est.)	217.05	246.15	87.27	211.34	30.05
	2023/24 (Proj.)	NA	NA	NA	NA	NA
	Apr	223.29	253.34	88.68	217.99	30.59
	May					
United States						
Oilseeds	2021/22	131.35	141.16	59.71	63.87	9.14
	2022/23 (Est.)	125.93	136.52	55.70	64.73	7.58
	2023/24 (Proj.)	NA	NA	NA	NA	NA
	Apr	132.85	141.67	54.82	67.21	10.89
	May					
Oilmeals	2021/22	49.27	53.22	12.44	40.43	0.35
	2022/23 (Est.)	50.07	54.60	12.75	41.45	0.40
	2023/24 (Proj.)	NA	NA	NA	NA	NA
	Apr	51.81	56.39	13.67	42.26	0.45
	May					
Vegetable Oils	2021/22	13.06	19.61	1.05	17.29	1.27
	2022/23 (Est.)	13.28	20.58	0.38	18.91	1.29
	2023/24 (Proj.)	NA	NA	NA	NA	NA
	Apr	13.71	21.28	0.45	19.58	1.26
	May					

12 May 2023 USDA WASDE – The 2023/24 global oilseed outlook shows higher production, crush, and ending stocks compared with last marketing year. Global production is rising 43.8 mmmts to 671.2 million mainly on higher soybean production for South America and the United States, higher sunflowerseed for the EU, and higher rapeseed for the EU and Canada. Partly offsetting is lower rapeseed production for Australia on a lower yield after 3 years of exceptional weather conditions. Combined production for major South American producers (Brazil, Argentina, Paraguay, and Uruguay) is growing 31.9 mmmts after last year's drought in southern South America and a higher expected area.

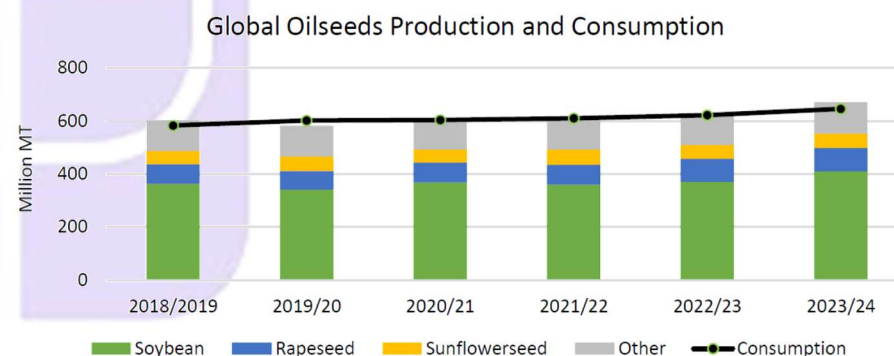
Global 2023/24 oilseed crush is growing 20.7 mmmts to 542.5 million, with most of the growth in soybean crush for Argentina, China, Brazil, and the United States. Soybean products account for the majority of the growth in oilseed meal and vegetable oil trade, counter to last marketing year when lower Argentine supplies depressed soybean product exports and were replaced by palm oil and sunflowerseed and rapeseed products.

The growth in global oilseed trade is slower than the prior decade, increasing less than 1% in 2023/24 as higher soybean exports are mostly offset by lower rapeseed and sunflowerseed shipments. Trade is limited by higher oilseed production in major importing countries and lower production in major exporters of rapeseed. For the EU, higher oilseed production drives lower import demand of sunflowerseed, rapeseed, soybeans, and products. Larger soybean crush for China also reduces demand for rapeseed and products. Rapeseed production in major exporters, particularly Australia and Ukraine, is also down.

Global 2023/24 soybean trade is growing 4.0 mmmts to 172.4 million, reflecting increased demand by China and higher imports for Pakistan, Egypt, and Bangladesh after last marketing year's declines. China's imports are rising 2.0 mmmts to 100.0 million, a slower rate than the prior decade. With projected weaker growth for China and EU soybean imports, coupled with record South American supplies, the U.S. share of global exports is expected to decline.

Global 2023/24 soybean ending stocks are projected up 21.5 mmmts to 122.5 million, with most of the increase for Brazil, Argentina, the United States, and China. The ending stocks figure includes mid-season stocks (September 30, 2024) for Brazil and Argentina and reflects growing supplies leading into the 2024 U.S. export season.

## Oilseeds Production Projected to Grow Faster Than Consumption, Stocks at Record High



**Global oilseed production** in 2023/24 is forecast to grow 7%, primarily on growth in soybean output in South America as well as sunflowerseed in the European Union, Ukraine, and Russia. World rapeseed production is almost unchanged as gains in the EU, Canada, and China are offset by declines in Australia. Oilseed production is projected at a new record of 672.0 mmmts with soybean output forecast to rise 11% (40.0 mmmts) to nearly 411.0 million.

**Global oilseed consumption** is forecast to rise 4% in 2023/24, driven by soybean crush recovery in Argentina and rising import demand from China. Soybean crush and consumption are projected to account for most of the growth in global oilseed



use. Rapeseed consumption is forecast up 1%, while sunflowerseed processing is expected almost unchanged.

**Global oilseed trade** is forecast up 1% as higher soybean import demand offsets lower rapeseed and sunflowerseed imports. Slowing economic growth in China and the EU coupled with growing domestic oilseed production as well as continuing expansion of soybean planted area in South America will likely pressure global soybean prices in the coming year. Projected weaker soybean import growth in China and the EU coupled with recovery in Argentina soybean output and yet another record crop forecast for Brazil will limit opportunity for the United States to expand soybean exports and gain global market share, leading to stock building. Brazil soybean exports are projected at a record 96.5 mmts and will account for 56% of global trade, while U.S. exports are forecast to decline to 53.7 million and leave the United States at 31% market share. China is projected to import 100.0 mmts of soybeans while the rest of the world will total approximately 70.0 million, with EU imports relatively flat at 14.0 mmts. Weaker soybean import growth in China and the EU can be attributed to rising domestic production of soybean, rapeseed, and sunflowerseed in both countries, as well as continuing strong demand for imported rapeseed and sunflowerseed and products.

**Global oilseed ending stocks** are projected to rise significantly, mainly on higher soybean production and stocks in South America, the United States, and China.

#### ➤ **Xi's Food Security Drive Could End Up Backfiring for Chinese Farmers**

- China has less than one-tenth of the world's arable land
- Government seeks to boost soy output, displacing other crops

*1 May 2023 by Hallie Gu, with assistance by James Poole and Sanjit Das, Bloomberg* - After more than 30 years growing crops on the plains of northern China, a farmer who asked to be identified as Zhang is struggling over what to plant in the coming months.

President Xi Jinping's government has just one answer: "sow more soy..."

In the latest drive to bolster food security in a nation that accounts for about one-fifth of humanity but only one-tenth of its arable land, China is pressing farmers to increase soybean production, using a combination of subsidies, government stockpiling and public pressure. Like generations of Chinese leaders before him, Xi sees the country's reliance on food imports as a national security issue and soy is one of the weakest links.

"Food security's gotten more important," said Darin Friedrichs, co-founder and market research director of Sitonia Consulting, a China-based agricultural information service provider. "It was always important when it came to basic grains like corn, wheat and rice. But now the concerns are extending more into soybeans."

Yet the risks of those policies, even when they serve Beijing's goals, fall heavily on millions of farmers like Zhang: last year, following the advice of her local agricultural bureau, she grew soy alongside her regular corn crop, but the herbicide she used on the soybeans killed off the corn.

"Basically the soybeans were planted for nothing," Zhang said.

Those kinds of tradeoffs won't stop the government's drive. A trade war with the US, as well as disruptions to food supply chains from the Covid-19 pandemic and Russia's war in Ukraine, mean China is doubling down on efforts to bolster domestic food production.

China's government for decades has struggled to balance competing demands when it comes to food production, with sometimes devastating consequences. The Great Famine of the late 1950s and early 1960s killed tens of millions after Communist Party Chairman Mao Zedong sought to mandate collective farming and food distribution.

It's a period many in China's older generation — including Xi — still have memories of. The "people's rice bowl" must be firmly held at all times, Xi said in 2013. At the same event, he discussed how he could only drink soup for dinner during three years of "natural disasters," because there was not enough food.

"We can't forget about the pain after the scar heals," Xi said.

Today China relies on imports for over 80% of its soybean consumption, with those purchases concentrated in a few key countries led by Brazil and the US. The nation's low self-sufficiency for a crop used in everything from animal feed to cooking oil is seen as a critical vulnerability, according to the government. In staples like wheat and rice, China is generally able to feed itself, though imports of wheat have been surging.

#### **Cheaper Imports**

The economics of Beijing's approach aren't favorable. For the plan to work, the government needs soybeans to be expensive enough to induce planting, but cheap enough to lure soybean crushers into buying from local farmers. Yet as of April, imported beans were more than 20% cheaper than domestic beans. And soybean crushers have been struggling to make a profit processing even the imported beans, due to weak domestic demand from pork producers.

That means the extra beans China managed to churn out last year struggled to find a market. With output in 2022 surging more than 20%, domestic soybean prices fell 15% since harvest time and have remained low. The government blamed the drop on a larger domestic crop than expected and weak demand.

With government stockpiling efforts expected to have ended in April, future demand could fall even further.

Every hectare of soybeans could mean less planting of more productive corn crops, requiring more imports.

China's soybean yield averages 130 kilograms per mu (0.07 hectare), a unit of measurement common in China. That's far below the productivity found in the US or Brazil, and compares with 430 kilograms for a similar-sized plot of corn. The government is working with different regions on soybean varieties it hopes will boost productivity, but the goals are still a long ways away from being competitive.

#### **'Grain Security Risk'**

For now, “with lower yields, it means that these soybean seeds are reducing productivity” compared to other food crops, said Ma Wenfeng, a senior analyst at Beijing Orient Agribusiness Consultants. “If you expand planting of these seeds, you are creating bigger food security issues.”

The data show that shift may already be under way. China’s corn imports more than doubled to a record in 2020, then nearly quadrupled in 2021, according to US Department of Agriculture data. That move came as more farmers switched to growing soybeans from corn in the top growing regions.

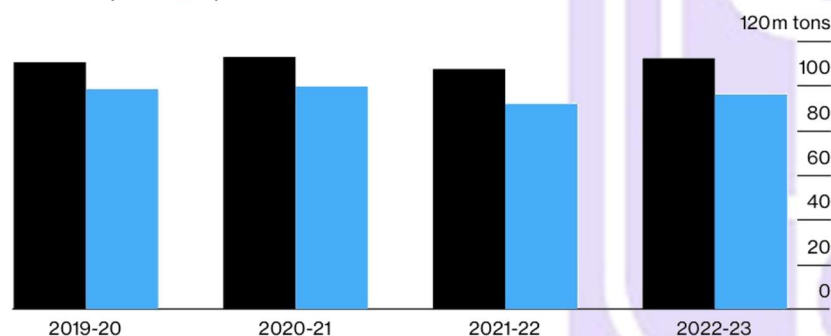
“Planting more soybeans, and less higher-yielding corn, doesn’t that imply a higher grain security risk,” asked Ma.

### China Depends Heavily on Foreign Soybeans

#### China Depends Heavily on Foreign Soybeans

More than 85% of its domestic consumption relies on imports

■ Consumption ■ Imports



Source: USDA

With the new planting season about to kick off, soybeans still don’t look commercially attractive, farmers, analysts and traders said.

In the northeastern province of Heilongjiang, farmer Wang Lei has decided to double his corn planting this year to about 400 mu, which converts to about 27 hectares.

“I am not considering soybeans as output is low and profits not as good as corn,” Wang said.

He’s not alone. “Planting intention is not looking great for soybeans, as the profits are still thin,” said Bian Tingting, an analyst with Mysteel Group, a commodities-focused data service. “Demand is very flat and there is no sign of that improving immediately — if the stockpiling stops, prices are expected to drop further.”

### Ambitious Targets

Officially, however, China aims to expand soybean planting acreage by another 10 million mu in the new year, up 6% from 2022, with the goal of about 30% self sufficiency by 2032.

“We will be anchored with our target, overcome challenges and conquer difficulties,” the agriculture ministry said.

For Zhang, the experience of seeing her corn crop die from the misapplied herbicide last year was scarring. But her local agriculture bureau is pressing her to try again.

“I might still grow soybeans,” she said.

### ➤ China approves safety of first gene-edited crop

*4 May 2023 Reuters* - China has approved the safety of a gene-edited soybean, its first approval of the technology in a crop, as the country increasingly looks to science to boost food production.

The soybean, developed by privately owned Shandong Shunfeng Biotechnology Co., Ltd, has two modified genes, significantly raising the level of healthy fat oleic acid in the plant.

The safety certificate has been approved for five years from April 21, according to a document published last week by the Ministry of Agriculture and Rural Affairs.

Unlike genetic modification, which introduces foreign genes into a plant, gene editing alters existing genes.

The technology is considered to be less risky than GMOs and is more lightly regulated in some countries, including China, which published rules on gene-editing last year.

“The approval of the safety certificate is a shot in the arm for the Shunfeng team,” said the firm in a statement to Reuters on Thursday. Shunfeng claims to be the first company in China seeking to commercialize gene-edited crops.

It is currently researching around 20 other gene-edited crops, including higher yield rice, wheat and corn, herbicide-resistant rice and soybeans and vitamin C-rich lettuce, said a company representative.

United States-based company Calyxt also developed a high oleic soybean, producing a healthy oil that was the first gene-edited food to be approved in the U.S. in 2019.

Several additional steps are needed before China’s farmers can plant the novel soybean, including approvals of seed varieties with the tweaked genes.

The approval comes as trade tensions, erratic weather and war in major grain exporter Ukraine have increased concerns in Beijing over feeding the country’s 1.4 billion people.

A growing middle class is also facing a surge in diet-related disease.

China is promoting GMO crops too, starting large-scale trials of GM corn this year. Getting gene-edited crops onto the market is expected to be faster however, given fewer steps in the regulatory process.

Aside from the United States, Japan has also approved gene-edited foods, including healthier tomatoes and faster-growing fish.

## ➤ **EU oilseeds production outlook climbs**

8 May 2023 *WORLD GRAIN* - Oilseeds production in the European Union for marketing year 2023-24 is projected to grow 4% over last year's drought-affected crop, reaching 33.13 mmts on improved yields from a slightly larger planted area, according to a Global Agricultural Information Network report from the Foreign Agricultural Service (FAS) of the US Department of Agriculture.

The report projects production of rapeseed, the dominant oilseed in the EU, at 19.3 mmts (down less than 1%), sunflower seed at 10.5 mmts (up 13%) and 2.8 mmts of soybeans (up 12%) in 2023-24.

Area planted for all oilseeds is seen up just 2% to 12.67 million hectares. The increase in planted area is mainly the result of higher rapeseed and soybean area, and a slight increase in sunflower area.

"High demand for oilseeds and oilseeds products and attractive commodity prices have fueled the increase in oilseeds area," FAS Post Vienna said. "Significantly higher yields for sunflower and soybeans are forecast, whereas rapeseed yields should be slightly lower than in the previous marketing year. In most EU regions, growing conditions have been favorable so far."

Production of oilseeds meals is forecast to remain flat, while feed use of oilseed meals is expected to be down about 1mmts, in line with declining livestock and dairy sectors in the new marketing year. Biofuels and food use of vegetable oils are predicted to remain stable.

Higher domestic production and good supply on the world market together with attractive crush margins should favor crush of soybeans and sunflower over rapeseed. Based on the assumption of declining livestock and dairy sectors, overall feed use of oilseeds meals is also forecast to be on a downward trend.

EU demand to meet the needs of oilseeds crushers to make meal and oil generally outstrips production from the 27 member nations. EU grains and oilseeds trade flows continue to face challenges from Russia's invasion of Ukraine, a key supplier to the EU.

The EU traditionally sources 50% to 70% of sunflower meal imports and 80% to 90% of its imports of sunflower oil from Ukraine.

"Sunflower oil continues to be the preferred healthy choice of food edible oil in many countries in Central and Eastern Europe," the FAS said. "Industrial and biodiesel use of sunflower oil is likely to increase due to its softened price, improved availability and the need to use more oils for biofuels."

Ukraine's market share for rapeseed in the EU approaches 40%, with crush demand for meal, mainly used in feed, and oil, primarily driven by use in biodiesel.

## ➤ **EU 2022/23 soybean imports at 10.66 mmts, rapeseed 6.73 mmts**

10 May 2023 *Reuters* - European Union soybean imports in the 2022/23 season that started in July had reached 10.66 mmts by May 7<sup>th</sup>, down 12% from 12.07 million by the same time a year earlier, data published by the European Commission showed on Wednesday.

EU rapeseed imports so far in 2022/23 had reached 6.73 mmts, up 46% on the previous year's 4.62 mmts, while sunflower seed imports were four times more than at the time last year at 2.12 mmts, compared to 436,736 mts.

Soymeal imports over the same period totaled 13.36 mmts, against 13.93 mmts the prior season, while palm oil imports stood at 3.39 mmts, down 20% versus 4.26 mmts a year ago.

## **SOYBEANS**

### ➤ **USDA – World Soybean**

Oilseed, Soybean World as of May 2023						
Attribute	23/24 May '23	Change	22/23 May '23	21/22	20/21	19/20
Area Harvested (1000 HA)	139,775	+5230(+3.89%)	134,545	130,986	129,270	123,102
Beginning Stocks (1000 MT)	101,042	+2376(+2.41%)	98,666	100,063	94,969	114,086
Production (1000 MT)	410,585	+40164(+10.84%)	370,421	359,846	368,596	340,896
MY Imports (1000 MT)	169,774	+4575(+2.77%)	165,199	156,594	165,489	165,244
Total Supply (1000 MT)	681,401	+47115(+7.43%)	634,286	616,503	629,054	620,226
MY Exports (1000 MT)	172,412	+4039(+2.4%)	168,373	154,016	164,864	165,555
Crush (1000 MT)	332,313	+19007(+6.07%)	313,306	314,233	315,821	312,391
Food Use Dom. Cons. (1000 MT)	24,383	+1264(+5.47%)	23,119	21,988	21,493	20,950
Feed Waste Dom. Cons. (1000 MT)	29,795	+1349(+4.74%)	28,446	27,600	26,813	26,361
Total Dom. Cons. (1000 MT)	386,491	+21620(+5.93%)	364,871	363,821	364,127	359,702
Ending Stocks (1000 MT)	122,498	+21456(+21.23%)	101,042	98,666	100,063	94,969
Total Distribution (1000 MT)	681,401	+47115(+7.43%)	634,286	616,503	629,054	620,226
Yield (MT HA)	2.94	+(-6.91%)	2.75	2.75	2.85	2.77

Source: USDA PS&D

12 May 2023 *USDA FAS* – Global soybean production in 2023/24 is forecast at a record 410.6 mmts, up 11% from 2022/23. If realized, year-over-year soybean production will expand by the largest amount in over a decade, predominantly on higher yields in Argentina following this year's historic drought. Argentina accounts for more than half of production gains, while Brazil, Uruguay, and Paraguay account for more than a quarter of production gains on both expanded planted area and higher yields in all 3 countries. Planted area in Brazil is at a record high on strong returns and a favorable exchange rate despite anticipated lower prices in 2023/24. Plantings in the United States are forecast unchanged from the previous year with gains expected due to higher yields.

### ➤ **China to stabilize soybean imports, diversify sources**

11 May 2023 *Reuters* - China will stabilize and diversify its soybean imports, an official with the state's grain reserve bureau said on Thursday, as the country continues to promote higher domestic production of the crop.

The world's top soybean buyer significantly raised output of soybeans to 20 mmts last year, leaving a surplus of about 5 mmts after consumption, Lu Jingbo, deputy director at the National Food and Strategic Reserves Administration, told a press conference.



Imported soybeans are crushed to produce cooking oil and soymeal for animal feed, while more expensive, homegrown soybeans are mainly used to make food for human consumption.

China has increased purchasing of domestic soybeans to support growers as part of its policy to raise output of oilseeds.

It had bought 4.18 mmts of new soybeans by the end of March, up 1.71 mmts from a year earlier, Lu added.

For imports, China will "develop new soybean source markets while stabilizing traditional soybean markets", added Lu.

He did not say whether 'stabilizing' meant limiting or curbing growth in imports from traditional soybean markets.

Brazil and the United States are China's top soybean suppliers and dominate supplies.

To help reduce its heavy reliance on soybean imports, the country issued a three-year action plan in April to reduce soymeal use in animal feed.

China is also expecting a good wheat crop this year, Cong Liang, head of the bureau, said at the same briefing.

Despite the recent sharp decline in the price of domestic wheat to around 2,800 yuan (\$405.09) per tonne, it is still far above the price floor set by the state reserves that would trigger government support, he said.

➤ **China steps up sampling of soy cargoes, adding to costly delays**

*12 May 2023 by Dominique Patton and Naveen Thukral* - China is significantly increasing the rate of inspections on imported soybean cargoes, three soybean traders told Reuters on Friday, lengthening already slow and costly clearing times in the world's top buyer of beans.

China last month introduced new procedures at customs for discharging soybeans, which had already delayed clearing times and pushed up costs for buyers of the world's most-traded protein source.

In recent days, ports have also stepped-up sampling of cargoes to check for pests and residues, the traders said, which will further add to costs and hurt demand.

"It is a double whammy. Earlier there were delays in getting import licenses and over the last few days there are more stringent checks on cargoes," said a Singapore-based trader at an international trading firm.

China, which buys more than 60% of soybeans shipped worldwide, mainly takes cargoes of the oilseed from Brazil and the United States.

The stricter customs checks come at a time of ample global supplies of the oilseed, which is crushed to make protein-rich soymeal for animal feed and cooking oil.

Slow clearing times at Chinese ports are pushing up spot soymeal prices, exacerbating recent losses for farmers in China who raise half of the world's pigs.

Soymeal prices in China have jumped close to 14% since the beginning of April.

At China's top soybean port in Rizhao, which handled more than 10 mmts of soybeans last year, all vessels arriving in the last two days have been inspected, said two China-based traders with knowledge of the situation.

Previously only one in five vessels would typically be sampled, said one of the traders, adding that it takes up to 10 working days before the cargoes can be discharged after inspection.

The traders declined to be named given the sensitivity of the matter.

A Cargill media representative in China did not immediately respond to a request for comment and a U.S.-based spokesperson at Bunge did not reply to a request for comment outside business hours.

A person working in COFCO Group's media department said she was not aware of the situation.

The three companies are among several with crushing plants at Rizhao.

An official at Rizhao port referred Reuters to China's customs authorities. China's customs did not immediately respond to a fax seeking comment on the issue.

Other ports in the country have also stepped-up soybean cargo inspections in recent weeks, said one of the Beijing traders and the Singapore trader.

"They're taking far more samples than usual and that's the real thing that is causing delays," said a manager at an international trading firm in China.

It is not clear why customs authorities have increased soy inspections. The samples are checked for pesticide residues, plant pests and other phytosanitary problems.

About 30 vessels carrying about 1.8 mmts of soybeans are currently waiting at anchorage off ports, said the Singapore trader, incurring mounting demurrage costs.

Demurrage, or fees paid to ship owners for failing to offload cargo on agreed time, can be as much as \$20,000 a day for a panamax vessel carrying 60,000 mts of soybeans.

➤ **China's soy imports hit by stricter customs checks**

*9 May 2023 Reuters* - China's April imports of soybeans fell 10% from a year earlier, customs data showed on Tuesday, after stricter customs checks delayed cargoes.

The world's top soybean buyer brought in 7.26 mmts of the oilseed last month, significantly less than the 9 mmts expected by traders.

Analysts and traders attributed the drop to new customs procedures that delayed the discharging of soybean cargoes for up to two weeks.

"The strengthened inspection at customs continued during the whole month of April and that resulted in lower imports than expected," said Shanghai JC Intelligence analyst Rosa Wang.

Soybeans are crushed to make protein-rich soybean meal, a major ingredient in animal feed, as well as oil for cooking.

Crushers had stepped up purchases since late last year to meet an expected recovery in demand from China's livestock sector.

However, Chinese customs in April began a requirement for traders to wait for results of quarantine checks before taking delivery of their soybeans up to two weeks later, said Dayue Futures analyst Wang Mingwei.

Traders or crushers were able previously to take delivery into their own warehouses while awaiting the inspection permit before starting processing, said an industry official briefed on the issue.

Now cargoes are held at customs warehouses until the permit is granted.

The official requested anonymity because of the sensitivity of the topic for the trade.

The change has not been announced publicly and China's General Administration of Customs did not respond to a fax seeking comment. The delays have become "a big issue" for importers, said one Singapore-based trader at a company with soybean processing plants in China. "Waiting time for ships has gone up to 15 days versus no waiting at all in normal times. Importers are having to pay demurrage costs," he said.

While costs have risen, soybean demand is falling short of market expectations. Hog farmers have been losing money since the start of the year, hurting demand for soymeal.

The delays have also pushed up soymeal cash prices in China, said one Beijing-based trader, with the price in crushing hub Rizhao rising 13% in April to 4,320 yuan a tonne.

Higher prices will further reduce demand from farmers, he added.

With April soybeans delayed until May unloading, May imports should return to high levels, probably between 9 million and 10 mmts, Wang said.

Soybean arrivals for the first four months of the year reached 30.29 mmts, up 6.8% year on year, the data showed.

## ➤ USDA – Argentina Soybeans

Oilseed, Soybean Argentina as of May 2023				
Attribute	23/24 May'23	Change	22/23 May'23	21/22
Area Harvested (1000 HA)	16,400	+1400(+9.33%)	15,000	15,900
Beginning Stocks (1000 MT)	18,153	-5750(-24.06%)	23,903	25,060
Production (1000 MT)	48,000	+21000(+77.78%)	27,000	43,900
MY Imports (1000 MT)	5,700	-2600(-31.33%)	8,300	3,839
Total Supply (1000 MT)	71,853	+12650(+21.37%)	59,203	72,799
MY Exports (1000 MT)	4,600	+1300(+39.39%)	3,300	2,861
Crush (1000 MT)	36,500	+5000(+15.87%)	31,500	38,825
Food Use Dom. Cons. (1000 MT)	0	-	0	0
Feed Waste Dom. Cons. (1000 MT)	6,700	+450(+7.2%)	6,250	7,210
Total Dom. Cons. (1000 MT)	43,200	+5450(+14.44%)	37,750	46,035
Ending Stocks (1000 MT)	24,053	+5900(+32.5%)	18,153	23,903
Total Distribution (1000 MT)	71,853	+12650(+21.37%)	59,203	72,799
Yield (MT/HA)	2.93	+1(+62.78%)	1.80	2.76

Source: USDA PS&D

## ➤ Argentina soy forecast cut on bad weather outlook

10 May 2023 by Maximilian Heath – Argentina's Rosario Grains exchange cut its forecast for the current soybean harvest again as a historic drought hit the country's top crop, and scarce rains last month may also curtail wheat plantings, the exchange said on Wednesday.

In its monthly report, the exchange cut its estimate for the 2022/2023 soybean harvest by 6.5% to 21.5 mmts, compared to its previous soy crop forecast of 23 mmts.

"The unprecedented frosts in February, the lack of water, as well as the heat, are showing up in the soy harvest," the exchange wrote, referring in particular to the untimely frosts in the middle of the southern hemisphere's summer.

## ➤ USDA – U.S. Soybeans

Oilseed, Soybean United States as of May 2023				
Attribute	23/24 May'23	Change	22/23 May'23	21/22
Area Harvested (1000 HA)	35,086	+147(+.42%)	34,939	34,929
Beginning Stocks (1000 MT)	5,858	-1610(-21.56%)	7,468	6,994
Production (1000 MT)	122,742	+6365(+5.47%)	116,377	121,528
MY Imports (1000 MT)	544	-	544	433
Total Supply (1000 MT)	129,144	+4755(+3.82%)	124,389	128,955
MY Exports (1000 MT)	53,751	-1088(-1.98%)	54,839	58,721
Crush (1000 MT)	62,868	+2449(+4.05%)	60,419	59,980
Food Use Dom. Cons. (1000 MT)	0	-	0	0
Feed Waste Dom. Cons. (1000 MT)	3,417	+144(+4.4%)	3,273	2,786
Total Dom. Cons. (1000 MT)	66,285	+2593(+4.07%)	63,692	62,766
Ending Stocks (1000 MT)	9,108	+3250(+55.48%)	5,858	7,468
Total Distribution (1000 MT)	129,144	+4755(+3.82%)	124,389	128,955
Yield (MT/HA)	3.50	+(+5.11%)	3.33	3.48

Source: USDA PS&D

12 May 2023 USDA WASDE – The 2023/24 outlook for U.S. soybeans is for higher supplies, crush, and ending stocks, and lower exports compared with 2022/23. The soybean crop is projected at 4.51 billion bushels, up 5% from last year's crop mainly on higher yields. With lower beginning stocks partly offsetting increased production, soybean supplies are forecast at 4.75 billion bushels, up 4% from 2022/23. Total U.S. oilseed production for 2023/24 is projected at 132.8 mmts, up 6.9 million from 2022/23 mainly on higher soybean production. Production forecasts are also higher for canola, peanuts, and cottonseed.

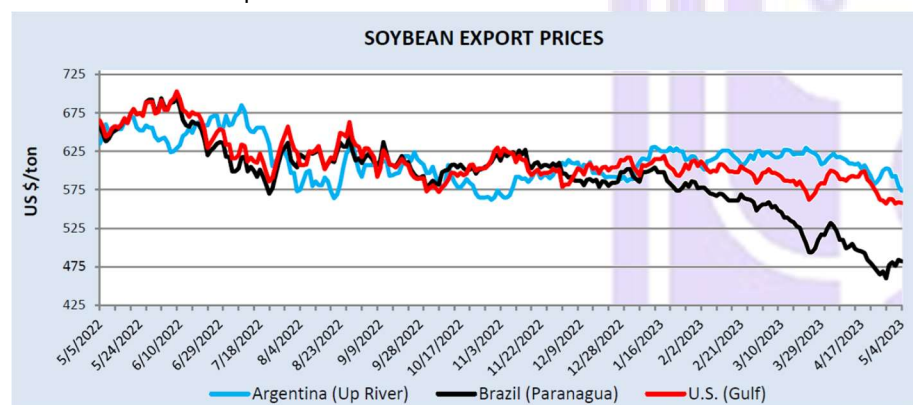
The U.S. soybean crush for 2023/24 is projected at 2.31 billion bushels, up 90 million from the 2022/23 forecast on favorable crush margins and strong demand for soybean oil as a biofuel feedstock, which is projected to increase 900 million pounds to 12.5 billion. Domestic soybean meal disappearance is forecast to increase 2% from 2022/23 on lower soybean meal prices and modest growth primarily in poultry production. U.S. soybean meal exports are forecast at 14.8 million short tons, leaving

the U.S share of global trade slightly above the prior 5-year average. U.S. soybean exports are forecast at 1.98 billion bushels, down 40 million from 2022/23 with strong competition from increasing South American production and limited gains in global import demand. U.S. ending stocks for 2023/24 are projected at 335 mbus, up 120 million from the revised 2022/23 forecast.

Soybean and product prices are all forecast lower for 2023/24. The 2023/24 U.S. season-average soybean price is forecast at \$12.10 per bushel compared with \$14.20 per bushel in 2022/23. Soybean meal prices are forecast at \$365 per short ton, down \$90. Soybean oil prices are forecast at 58 cents per pound, down 6 cents from 2022/23.

## EXPORT PRICES

Soybean prices continued to fall since the last WASDE report as Brazil and Argentina harvest their 2023 crop.



April 2023 Soybean Export Prices

	U.S. Gulf FOB	Argentina Up River FOB	Brazil Paranagua FOB
April Avg Price	\$584/ton	\$566/ton	\$493/ton
Change vs March	-\$1/ton	-\$39/ton	-\$37/ton

Source: International Grains Council. All prices are FOB: U.S. Gulf, Argentina Up River, and Brazil Paranagua.

The average Argentina price fell the most, likely reflecting an influx of Brazil soybeans in the global market and a muted response to the most recent iteration of the “soy dollar” program. The anticipation of high soybean supplies has driven prices global prices of soybean meal and soybean oil lower.

Palm oil has reversed course in relation to soybean oil. Trading at a mild premium compared to South America soybean oil, palm oil prices were buoyed by lower Malaysia production and slow Indonesia selling.

## CME CBOT Soybeans Futures – Nearby Daily



Source: <https://www.barchart.com/futures/quotes/ZSF23/interactive-chart>

**CME July 2023 Soybean Futures** settled on Friday at \$13.87¼/bu, off 12¼ cent on Friday, while losing 48 ¾ cents for the week. May prices expired at \$14.35, a 45 cent premium to July. Aug23 Soybeans closed at \$13.18¼, down 19 cents; while new crop Nov23 Soybeans closed at \$12.23¼, down 24¼ cents.

A quiet day in the soybean market as wheat stole the show. The USDA May WASDE left the old crop US balance sheet nearly unchanged except for imports increasing 5 mbus which put the carryout at 215 mbus.

CFTC reported managed money firms at 48,459 contracts net long in soybeans. That was down 7.9k contracts for the week via new shorts. Commercial soybean hedgers added 32k new hedges, though the their net short weakened by 10.3k to 130k contracts.

Looking out to new crop, the USDA adopted the outlook yield estimate of 52 bus/acre which left production unchanged at 4.510 bbus. Carryout was pegged at 335 mbus as exports came in 35 mbus less than this year at 1.975 bbus. This was 42 mbus higher than the trade expected. The crush was increased by 90 mbus to 2.31 bbus.

Looking at the world balance sheets, they left Argentina's production unchanged at 27 mmts and raised Brazil's 1 mmts to 155 mmts. China's demand was increased by 2 mmts to 98 mmts.

The USDA estimated global carryout at 101 mmts for old crop and at 122.5 mts for new crop, with trade had been looking for 108 on average.



Looking out to new crop, USDA estimated Brazil's crop at 163 mmts and Argentina at 48 mmts. This would help push ending stocks back up to a record 122 mmts (stx to use 22%), the prior high was 18/19's 114 mmts (stocks to use 23%).

The SN/Q spread closed at a new high of 71^6 as cash markets remain over delivery. Looking out to new crop, basis is 20 cents below delivery. The X/F has softened to -10 which isn't covering interest costs.

USDA had the old crop projected average cash price 10 cents lower to \$14.20/bu, while new crop was set at \$12.90/bu. For meal USDA set cash average prices at \$455/ton and \$365/ton, respectively. Soybean Oil was set at 64 cents/lb for old crop and 58 for new crop.

### U.S. Export Soy Values – Friday 12<sup>th</sup> of May 2023

**Soybeans Gulf barge/rail quotes, in cents/bus basis CBOT futures:**

USDA (U.S. No. 2, CIF New Orleans) Gulf barge/rail quotes, in cents/bus.

CIF BEANS	5/11/2023	5/12/2023	
MAY	82 / 84	72 / 90	N
JUN	75 / 85	/	N
JUL	65 / 72	60 /	N
AUG	74 / 85	/	Q
SEP	72 / 92	72 /	X
OCT	70 / 83	70 /	X
NOV	80 / 83	71 /	X
DEC	/	62 / 80	X

### **BRAZIL FOB BEANS @ PORT PARANAGUA**

	5/11/2023	5/12/2023		
MAY	-115 / -90	-120 / -75	K	
JUN	-75 / -65	-80 / -60	N	
JUL	-55 / -40	-50 / -30	N	
AUG	10 / 35	15 / 50	Q	
SEP	78 / 100	80 / 100	U	
FEB	-5 / 15	-5 / 15	H	UNC
MAR	-15 / -5	-15 / 5	H	

*Brazil exported 2.7 mmts of soybeans during the first week of May. If such a strong pace is maintained, the country may even set a new monthly high, similar to that*

*seen in April 2021, of nearly 15 mmts. The unusual, above-average demand from Argentina may help Brazil keep up this export pace.*

*Soybean farmer selling in Brazil continues to advance at a very slow pace and reached 51.6% for the week ending May 5<sup>th</sup>, versus 64% a year ago, according to the consultancy Datagro. If we consider the 154.8 mmts average 2022/23 production estimate for Friday's WASDE report, Brazilian producers still need to sell nearly 75 mmts of their record crop.*

### **Spot Soybean Prices (As of 12<sup>th</sup> May 2023)**

U.S., FOB Gulf -	\$548.50/mt,	-\$2.25
U.S., FOB PNW -	\$575.00/mt,	-\$2.25
Argentina, FOB Upriver,	\$523.50/mt,	-\$2.00
Brazil, FOB -	\$493.50/mt,	+\$2.50

Source: Agricensus

### **CIF/FOB Gulf Grain-Soy, corn barge bids ease on sluggish exports**

9 May 2023 Reuters - Basis bids for soybeans and corn shipped by barge to U.S. Gulf Coast export terminals were steady to lower on Tuesday, as modest exports and weak river barge freight rates weighed over the market, traders said.

The U.S. Agriculture Department announced Tuesday that private exporters reported cancellation of sales totaling 272,000 mts of corn headed to China for the 2022-2023 marketing year.

Costs for barge freight again were steady to slightly weaker on interior rivers. Traders said they expected a modest correction soon, given how low rates had fallen - but noted any price bump could be short-lived due to sluggish spot demand.

Locks on the Upper Mississippi River that were closed due to high water levels will begin reopening later this week, according to Mike Steenhoek, executive director of the Soy Transportation Coalition.

CIF Gulf basis bids for soybean barges loaded in May were traded at 58 cents over Chicago Board of Trade (CBOT) May soybean futures. They were then bid at 80 cents over July futures, without an offer, traders said.

Traders have been alternating their spot basis quotes between the May and July futures contracts as the May contracts approach expiration on May 12.

FOB basis offers for soybean export loadings in late May were steady at 100 cents over July futures, while first-half of June eased 1 cent to about 98 cents over futures.

For corn, CIF barges loaded in May were traded at 53 cents over CBOT May futures. They were bid at 52 cents over the May contract, while June corn barges were bid at 73 cents over July futures, down 5 cents.

Export premiums for late May corn shipments slipped 1 cent to around 59 cents over CBOT May futures, while offers for first-half June loadings were steady at around 109 cents over July futures.

## ➤ **Competitive prices boost Brazil's exports to Argentina and the US**

8 May 2023 – Brazil exported larger-than-usual soybean volumes to Argentina and the US in April as the bumper soybean harvest made Brazilian beans extremely competitive while Argentina faces a soybean shortage due to the severe drought.

### **Argentina**

Brazil's soybean exports to Argentina totaled 538,646 mts in April, 11 times higher year-on-year, with total volumes shipped since January to the neighboring country near 1 mmts, according to Brazilian customs data.

Since the beginning of the year, Brazil sent 943,021 mts to Argentina, which compares to 48,839 mt exported to Argentina during the same period in 2022.

In mid-April, data indicated Argentina's imports of Brazilian soybeans could surpass 800,000 mts by early May.

However, volumes traded since the beginning of the calendar year are even higher and 43.5% above full-year volumes of 656,650 mts reported in 2018, the highest figure since the start of Brazil's export time series in 1997.

In 2018, Brazil exported 136,597 mt of soybeans to Argentina from January to April.

This year, Argentina's imports are larger than usual as the country faces its most severe drought in the past 60 years.

The Buenos Aires Grain Exchange (Bage) expects Argentina to harvest 22.54 mmts of soybeans while Rosario Grain Exchange (BCR) pegged the country's output at 23 mmts, versus last year's 42.2 mmts production.

Argentina is the biggest soymeal exporter in the world but might lose its leading position to Brazil this year due to the lower availability of soybeans.

Looking ahead, analysts expect Argentina will continue to purchase Brazilian beans to keep its crushing industry operating.

"I believe Brazilian soybean exports to Argentina will remain firm while premiums in Brazil remain at large discounts to those in Argentina – currently we have the spot basis at minus 100 in Brazil and at plus 20 in Argentina," the grains and oilseeds analysts at Agrural Daniele Siqueira said..

Siqueira questioned, however, Argentina's capacity to keep up paying for its soybean imports as the country struggles with a severe balance of payment crisis leading to a shortage of hard currencies.

### **The US**

The US, the world's second-largest soybean producer, imported 46,152 mts of soybeans from Brazil in April in a relatively atypical move as east coast crushers took advantage of price arbitrage opportunities.

Although the US buys Brazilian beans occasionally, this typically happens during the northern hemisphere's summer months when US domestic soybean stocks are limited.

This was the largest purchase of Brazilian beans by US processors during the first four months of the calendar year since 2014 when the South American country exported 246,461 mts to the US in April.

Full-year exports of soybeans to the US in 2014 totaled just over one mmts and were the largest on record.

### **Total exports**

Brazil exported 14.3 mmts of soybeans in April, up from 13.2 mmts in March and 11.5 mmts a year ago. Although monthly exports rose both on the month and on the year, figures missed earlier market expectations with the country's grains exporters association Anec having pegged April exports as high as 15.1 mmts by mid-April.

According to analysts, the delay in the pace of soybean exports may affect the country's full-year export estimates.

China was the main destination of Brazilian soybean exports in April, having secured 10 mmts during the month.

Argentina was the second-largest monthly destination and was followed by Mexico (456,444 mts), Thailand (345,850 mts), and Taiwan (340,852 mts).

## **CANOLA / RAPESEED**

### ➤ **World Rapeseed Supply & Demand Outlook**

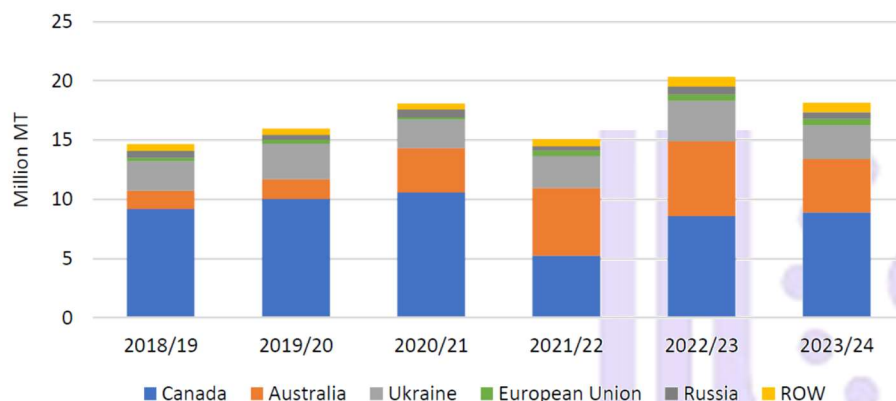
Oilseed, Rapeseed World as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Area Harvested (1000 HA)	41,810	+172(+.41%)	41,638	38,292	35,256	35,072
Beginning Stocks (1000 MT)	6,313	+2067(+48.68%)	4,246	6,402	7,673	9,768
Production (1000 MT)	87,061	-234(-.27%)	87,295	74,890	74,549	70,228
MY Imports (1000 MT)	16,891	-2214(-11.59%)	19,105	13,888	16,657	15,818
Total Supply (1000 MT)	110,265	-381(-.34%)	110,646	95,180	98,879	95,814
MY Exports (1000 MT)	18,163	-2178(-10.71%)	20,341	15,090	18,106	15,982
Crush (1000 MT)	81,058	+1113(+1.39%)	79,945	71,907	71,798	68,959
Food Use Dom. Cons. (1000 MT)	745	+25(+3.47%)	720	665	665	265
Feed Waste Dom. Cons. (1000 MT)	3,370	+43(+1.29%)	3,327	3,272	1,908	2,935
Total Dom. Cons. (1000 MT)	85,173	+1181(+1.41%)	83,992	75,844	74,371	72,159
Ending Stocks (1000 MT)	6,929	+616(+9.76%)	6,313	4,246	6,402	7,673
Total Distribution (1000 MT)	110,265	-381(-.34%)	110,646	95,180	98,879	95,814
Yield (MT/HA)	2.08	(-.95%)	2.10	1.96	2.11	2

Source: USDA PS&D

12 May 2023 USDA FAS - Global rapeseed production in 2023/24 is projected almost unchanged at 87.0 mmts. The European Union is expected to remain the largest producer in the world, exceeding Canada for the third year in a row. Additional gains in countries including China and India are expected to offset losses in Australia, where area harvested is forecast to decline 10% compared to the previous marketing year.

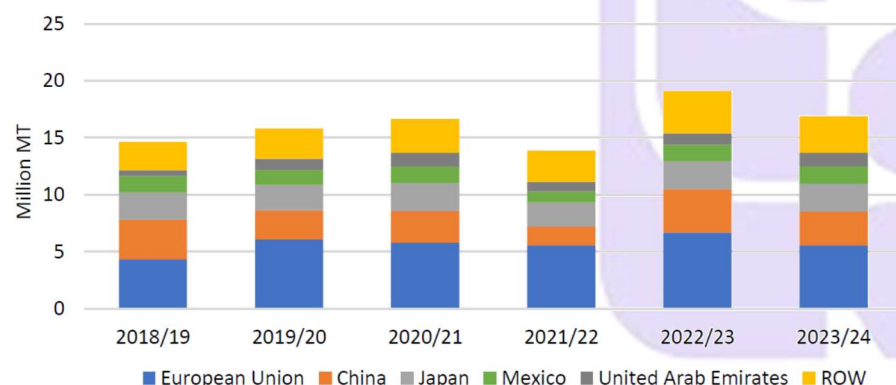
Global rapeseed crush is forecast to reach a record 81.0 mmts with growth in the European Union, Canada, and China.

Global Rapeseed Exports



Global exports are projected to decline significantly with lower production in Australia. Exports from Canada are projected to increase modestly as China import demand declines on larger domestic rapeseed production as well as growing demand for other oilseeds and products.

Global Rapeseed Imports



Global carryover is expected to recover slightly year over year, especially in Canada and the EU, and reach 5-year-average levels.

### Highlights

**United States** rapeseed production in 2023/24 is forecast at a new record high, leading to a lower import projection. Crush is expected to rise slightly, while meal imports are up modestly. Record oil production and imports will support record consumption in the coming year.

**Australia** rapeseed production is forecast to decline significantly to 5.3 mmts on reduced area planted. Exports will respond by falling 29% to 4.5 mmts. Stocks are projected to decline year over year and return to average levels.

**Canada** rapeseed production is projected 7% higher at 20.3 mmts. Both crush and exports are forecast to rise from the previous year's levels. Stocks are projected to recover from the last 2 years of historical lows but will remain below the 5-year average. Exports of meal and oil will remain strong with growing U.S. demand and robust China purchases. However, oil exports are projected slightly lower than in the previous marketing year, allowing stocks to recover moderately.

**China** rapeseed imports are projected to decline significantly to 3.0 mmts in conjunction with the record domestic production forecast of 15.4 mmts. Crush is expected to grow leading to lower imports of meal and oil. However, continuing demand for protein meals and vegetable oils for food consumption will keep China as the second largest importer of both commodities after the United States. With continuing strong imports, China is projected to replenish its rapeseed oil stocks which will return to slightly above 5-year average level.

**European Union** rapeseed production is projected to rise to 20.5 mmts on larger plantings in 2023/24. Imports are forecast to decline due to several factors including Australia's declining exportable supplies, growing EU domestic supplies (production and carryin stocks), and large supplies of competing sunflowerseed (production and imports). Projected larger supplies will permit both an increase in crush and replenishment of stocks.

**Ukraine** rapeseed production is forecast to decline 10% to 3.2 mmts. Although rapeseed area is concentrated in western Ukraine, away from the hostilities, farmers are expected to favor other crops such as sunflowerseed in 2023/24. Historically, close to 90% of production is exported as seed, with 90% of exports to Europe. Consequently, Ukraine is less reliant on Black Sea port access for rapeseed shipments. 2023/24 exports are projected down to 2.8 mmts due to lower supplies.

### ➤ Canola, Rapeseed, Sunseed Prices (FOB, US\$/mt) 10<sup>th</sup> of May 2023

		TW	LW	LY	%Y/Y
SOYABEANS					
US 2Y (Gulf)	Jun	555	557	644	- 14
Argentina (Up River)	May	547	546	624	- 12
Brazil (Paranagua)	Jun	487	476	638	- 24
CANOLA / RAPESEED					
Canada (Vancouver)	May	600	569	951	- 37
Australia (Kwinana) b)	May	581	577	892	- 35
SUNFLOWERSEED					
EU (France) (Bordeaux)	May	496	509	1075	- 54

Source: International Grains Council visit: [http://www.igc.int/grainsupdate/igc\\_goi.xlsb](http://www.igc.int/grainsupdate/igc_goi.xlsb)



## ➤ ICE Canadian Canola Futures – Daily Nearby



Source: <https://www.barchart.com/futures/quotes/RSX22/interactive-chart>

Prices in Canadian dollars per metric tonne

**ICE July 2023 Canola Futures** settled on Friday at C\$710.80, off C\$2.10 on the day, and losing C\$25.30 for the week.

## SUNFLOWERS

### ➤ World Sunflower Seed Supply & Demand Outlook

Attribute	Oilseed, Sunflowerseed World as of May 2023					
	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Area Harvested (1000 HA)	28,321	+526(+1.89%)	27,795	28,718	26,857	25,995
Beginning Stocks (1000 MT)	4,467	-3538(-44.2%)	8,005	2,621	3,076	2,692
Production (1000 MT)	54,320	+2678(+5.19%)	51,642	57,199	49,127	54,271
MY Imports (1000 MT)	3,327	-1706(-33.9%)	5,033	3,790	2,735	3,343
Total Supply (1000 MT)	62,114	-2566(-3.97%)	64,680	63,610	54,938	60,306
MY Exports (1000 MT)	3,643	-1699(-31.8%)	5,342	3,910	2,900	3,687
Crush (1000 MT)	49,795	-220(-.44%)	50,015	47,116	45,077	49,358
Food Use Dom. Cons. (1000 MT)	2,263	+133(+6.24%)	2,130	2,079	2,084	2,087
Feed Waste Dom. Cons. (1000 MT)	2,698	-28(-1.03%)	2,726	2,500	2,256	2,098
Total Dom. Cons. (1000 MT)	54,756	-115(-.21%)	54,871	51,695	49,417	53,543
Ending Stocks (1000 MT)	3,715	-752(-16.83%)	4,467	8,005	2,621	3,076
Total Distribution (1000 MT)	62,114	-2566(-3.97%)	64,680	63,610	54,938	60,306
Yield (MT/HA)	1.92	+(-3.23%)	1.86	1.99	1.83	2.09

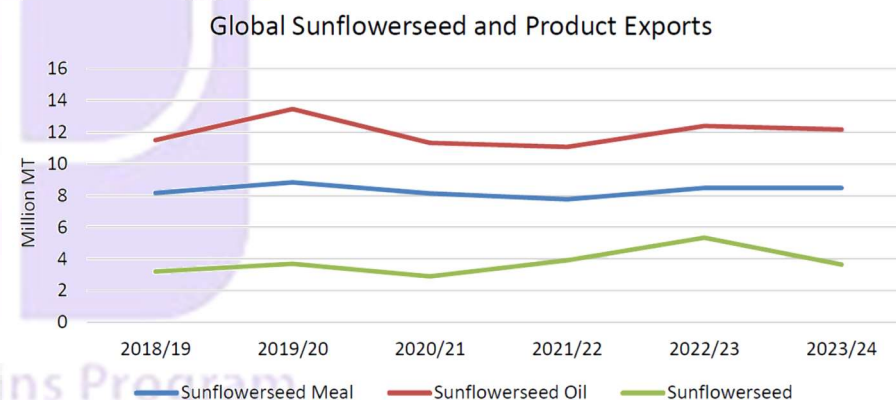
Source: USDA PS&D

12 May 2023 USDA FAS - Global sunflowerseed production in 2023/24 is forecast to increase 6% from the previous year to 54.3 mmts. The market continues to be driven by the invasion of Ukraine, with the EU and Russia both projected to have record crops in response. Other areas of production growth include Kazakhstan and Argentina. Ukraine sunflowerseed production is forecast to recover slightly from 2022/23 as farmers shift planted area from grain in favor of oilseeds; however, the crop will remain significantly lower than pre-conflict levels. Russia remains the world's top producer of sunflowerseed this year, having overtaken Ukraine in 2022/23.

Sunflowerseed consumption is forecast relatively flat. Global sunflowerseed exports are forecast to decline by one third this year as Ukraine resumes crushing a larger portion of its crop domestically.

Global consumption of **sunflowerseed oil** is forecast 4% higher this year to 19.7 mmts. Trade is forecast slightly lower due to high levels of carryin in addition to large domestic supplies in the EU. Shipments are expected to decrease from the EU, Turkey, and Argentina. Global stocks of sunflowerseed oil are forecast to decline 7% and approach pre-conflict levels.

Global **sunflowerseed meal** consumption is forecast slightly higher to 22.3 mmts, while exports are forecast unchanged. Ending stocks are forecast to fall by 11% compared to the current year.



### Highlights

**Ukraine** sunflowerseed exports are forecast to fall by three quarters to 700,000 tons on lower supplies (decreased carryin) and anticipated ability to crush a higher percentage of its domestic crop. Exports of sunflowerseed oil are expected to increase 100,000 tons and meal exports up 225,000 tons. Ending stocks of sunflowerseed are projected to decrease 70% from the previous year to 380,000

tons, notably (4.3 million) less than the extreme level of carryout seen at the beginning of the conflict in 2021/22.

**Russia** exports of sunflowerseed oil are projected to rise to 4.1 mmmts while sunflowerseed meal exports are expected to increase by 150,000 tons to 2.4 mmmts.

**EU** sunflowerseed imports are forecast to fall by more than half to 700 mmmts on increased domestic production and smaller shipments from Ukraine.

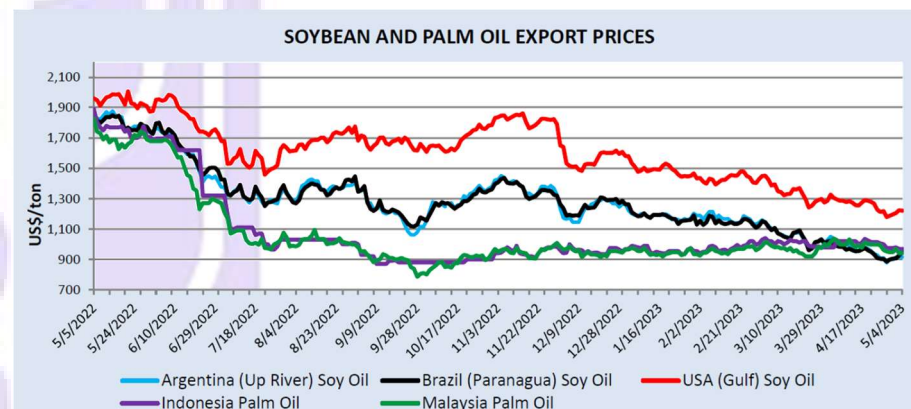
**China** sunflowerseed oil imports are forecast at 1.3 mmmts, a 200,000-ton increase from the current year. Growth in sunflowerseed oil consumption in recent years has been driven by changing consumer preferences related to recovering GDP and urbanization.

## VEGETABLE OILS

### ➤ World Soybean Oil Supply & Demand Outlook

Oil, Soybean World as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Crush (1000 MT)	332,313	+19007(+6.07%)	313,306	314,233	315,821	312,391
Extr. Rate, 999.9999 (PERCENT)	0.19	-	0.19	0.19	0.19	0.19
Beginning Stocks (1000 MT)	4,558	-112(-2.4%)	4,670	5,361	5,370	4,756
Production (1000 MT)	62,472	+3548(+6.02%)	58,924	59,220	59,273	58,501
MY Imports (1000 MT)	10,868	+935(+9.41%)	9,933	11,538	11,779	11,535
Total Supply (1000 MT)	77,898	+4371(+5.94%)	73,527	76,119	76,422	74,792
MY Exports (1000 MT)	11,780	+945(+8.72%)	10,835	12,241	12,617	12,375
Industrial Dom. Cons. (1000 MT)	13,698	+1025(+8.09%)	12,673	11,862	11,224	11,193
Food Use Dom. Cons. (1000 MT)	47,060	+1679(+3.7%)	45,381	47,281	47,130	45,749
Feed Waste Dom. Cons. (1000 MT)	80	-	80	65	90	105
Total Dom. Cons. (1000 MT)	60,838	+2704(+4.65%)	58,134	59,208	58,444	57,047
Ending Stocks (1000 MT)	5,280	+722(+15.84%)	4,558	4,670	5,361	5,370
Total Distribution (1000 MT)	77,898	+4371(+5.94%)	73,527	76,119	76,422	74,792

Source: USDA PS&D



April 2023 Soybean and Palm Oil Export Prices

	U.S. Gulf FOB	Argentina Up River FOB	Brazil Paranagua FOB	Indonesia Palm Oil	Malaysia Palm Oil
April Avg Price	\$1,264/ton	\$967 /ton	\$953 /ton	\$1,009/ton	\$996/ton
Change vs March	- \$78/ton	- \$93/ton	- \$105/ton	+ \$1/ton	+ \$28/ton

Source: International Grains Council; all prices are FOB: U.S. Gulf, Argentina Up River, Brazil Paranagua.

### ➤ Canola, Rapeseed, Sunseed Prices (FOB, US\$/mt) 10<sup>th</sup> of May 2023

		TW	LW	LY	%Y/Y
SOYA OIL					
Argentina (Up River)	May	959	914	1,821	- 47
Brazil (Paranagua)	Jun	949	907	1,799	- 47
RBD PALM OIL					

Malaysia Jun 963 968 1,730 - 44

Source: International Grains Council visit: [http://www.igc.int/grainsupdate/igc\\_goi.xlsb](http://www.igc.int/grainsupdate/igc_goi.xlsb)

### ➤ **Egypt's GASC announces two vegoil tenders for Jun-Jul arrival**

9 May 2023 - Egypt's state buyer launched two new tenders on Tuesday evening, as it looked to secure soyoil and sunoil for delivery between June 25<sup>th</sup> and July 10<sup>th</sup>, market sources have told Agricensus.

The General Authority for Supply Commodities (GASC) is seeking to buy at least 30,000 mts of overseas soyoil and 10,000 mts of sunoil, with offers to be submitted both on a payment-at-sight basis and on a 180-day payment term basis.

The tender is set to close on May 11.

The state buyer is also looking for at least 1,000 mts of soyoil and 500 mt of vegoils in a local tender which will run on the same day, with delivery expected between July 1<sup>st</sup> and 20<sup>th</sup>.

Egypt's GASC buys 34,000 T of vegetable oils international tender

UPDATE

12 May 2023 Reuters - Egyptian state grains buyer GASC said on Thursday it had bought 34,000 mts of vegetable oils in an international tender.

The purchase was comprised of 22,000 mts of sunflower oil and 12,000 mts of soyoil.

### ➤ **USDA – U.S. Soybean Oil**

Oil, Soybean United States as of May 2023				
Attribute	23/24 May'23	Change	22/23 May'23	21/22
Crush (1000 MT)	62,868	+2449(+4.05%)	60,419	59,980
Extr. Rate, 999.9999 (PERCENT)	0.20	-	0.20	0.20
Beginning Stocks (1000 MT)	878	-25(-2.77%)	903	967
Production (1000 MT)	12,313	+431(+3.63%)	11,882	11,864
MY Imports (1000 MT)	159	+12(+8.16%)	147	138
Total Supply (1000 MT)	13,350	+418(+3.23%)	12,932	12,969
MY Exports (1000 MT)	272	+68(+33.33%)	204	804
Industrial Dom. Cons. (1000 MT)	5,670	+408(+7.75%)	5,262	4,694
Food Use Dom. Cons. (1000 MT)	6,577	-11(-.17%)	6,588	6,568
Feed Waste Dom. Cons. (1000 MT)	0	-	0	0
Total Dom. Cons. (1000 MT)	12,247	+397(+3.35%)	11,850	11,262
Ending Stocks (1000 MT)	831	-47(-5.35%)	878	903
Total Distribution (1000 MT)	13,350	+418(+3.23%)	12,932	12,969

Source: USDA PS&D

### ➤ **NOPA April U.S. soybean crush seen at 174.173 mbus**

11 May 2023 by Mark Weinraub Reuters – U.S. soybean processors likely recorded their busiest April on record despite sharp declines in the futures market, analysts

said ahead of a monthly National Oilseed Processors Association (NOPA) report due on Monday.

NOPA members, which handle about 95% of all soybeans processed in the United States, were estimated to have crushed 174.173 mbus last month, according to the average of estimates from 8 analysts.

That compares with 185.810 mbus processed by NOPA members in March and an April 2022 crush of 169.788 mbus. NOPA members notched their busiest April in 2020, when they crushed 171.754 mbus of soybeans.

Estimates for the April 2023 crush ranged from 172.000 million to 177.500 mbus, with a median of 173.750 mbus.

The monthly NOPA report is scheduled for release at 11 a.m. CDT (1600 GMT) on Monday. NOPA issues crush data on the 15th of each month, or the next business day.

Soyoil supplies held by NOPA members as of April 30 were forecast at 1.828 billion pounds.

Soyoil stocks at the end of March stood at a 12-month high of 1.851 billion lbs. At the end of April 2022, soyoil stocks were reported at 1.814 billion lbs.

Soyoil stocks estimates ranged from 1.750 billion to 1.950 billion pounds, with a median of 1.809 billion pounds. (Reporting by Mark Weinraub; Editing by David Gregorio)

### ➤ **CME Soybean Oil – Nearby Daily**



Source: Barchart <https://www.barchart.com/futures/quotes/ZLU22/interactive-chart>



**CME July 2023 Soybean Oil Futures** settled on Friday at \$49.02/cwt, off \$0.50 on the day, and losing \$5.31 cents for the week.

Soybean oil futures were down 102 to 163 points on Friday. That left the July contract at a 481 point loss for the week, and back near June 2021 lows.

NASS's March crush was 2<sup>nd</sup> largest ever at 198 mbus and driven by record high SBM exports. Domestic soybean meal demand was down 4% versus 2022 with the Oct-Mar total down nearly 1% and in contrast to the USDA forecast for a 1.1% annual gain.

Traders estimated NOPA members processed 174.17 mbu soybeans in April. Soybean oil stocks are estimated at 1.828 billion lbs. That report will be out on Monday.

USDA projected the average meal cash prices at \$455/ton and \$365/ton, respectively. Soybean Oil was set at 64 cents/lb for old crop and 58 for new crop.

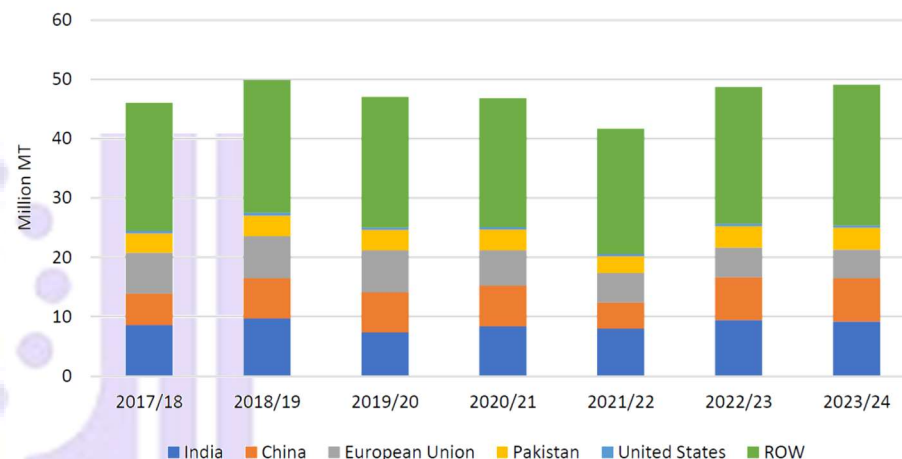
## ➤ **USDA – World Palm Oil Supply & Demand Outlook**

Oil, Palm World as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Area Harvested (1000 HA)	26,917	+382(+1.44%)	26,535	25,396	24,783	24,454
Beginning Stocks (1000 MT)	16,916	+596(+3.65%)	16,320	15,189	15,755	14,951
Production (1000 MT)	79,564	+1420(+1.82%)	78,144	72,949	73,207	73,042
MY Imports (1000 MT)	49,327	+599(+1.23%)	48,728	41,649	46,842	47,029
Total Supply (1000 MT)	145,807	+2615(+1.83%)	143,192	129,787	135,804	135,022
MY Exports (1000 MT)	51,330	+561(+1.11%)	50,769	43,892	48,089	48,355
Industrial Dom. Cons. (1000 MT)	26,348	+1388(+5.56%)	24,960	22,780	23,429	23,143
Food Use Dom. Cons. (1000 MT)	50,905	+1040(+2.09%)	49,865	46,138	48,398	47,063
Feed Waste Dom. Cons. (1000 MT)	702	+20(+2.93%)	682	657	699	706
Total Dom. Cons. (1000 MT)	77,955	+2448(+3.24%)	75,507	69,575	72,526	70,912
Ending Stocks (1000 MT)	16,522	-394(-2.33%)	16,916	16,320	15,189	15,755
Total Distribution (1000 MT)	145,807	+2615(+1.83%)	143,192	129,787	135,804	135,022
Yield (MT/HA)	2.96	+(-.68%)	2.94	2.87	2.95	2.99

Source: USDA PS&D

**12 May 2023 USDA FAS** – Global palm oil production in 2023/24 is up on projected area expansion and return to trend yields for Malaysia and Indonesia. Driven by both population and economic growth, global use of palm oil for food and industrial consumption is projected to increase in 2023/24.

Global Palm Oil Imports



Trade is expected to grow marginally as exports from Indonesia are projected flat while Malaysia exports are only forecast to increase modestly. Indonesia is expected to utilize more of its production to supply its domestic market with cooking oil and biodiesel, limiting exportable supplies. Lower import demand is expected from the European Union while demand is increasing in China, India, and many countries in Africa and Southeast Asia. Ending stocks are lower as global utilization of palm oil increases.

### Highlights

**Indonesia** palm oil exports are expected to remain unchanged at 28.4 mmts despite increasing production. As the B35 biodiesel blending mandate continues to be implemented in 2023/24, industrial domestic consumption is expected to increase by 1.1 mmts to 12.6 million.. Total Indonesia palm oil consumption is projected up to 20.1 mmts.

**Malaysia** palm oil exports are expected to increase to 16.9 mmts on higher production.

**China** imports are up to 7.3 mmts as domestic soybean oil production growth and soybean oil imports are expected to slow compared to historical growth levels.

**EU** imports are down to 4.8 mmts, reflecting greater availability of other oils in Europe as well as the Renewable Energy Directive II policy, which phases out palm oil as a feedstock for biofuel production by 2030.

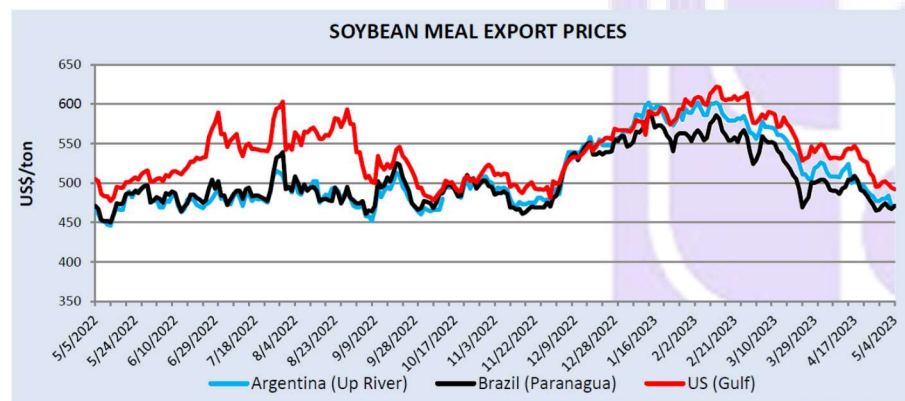
**India** imports are up to 9.2 mmts on rising population and a strong economic outlook.

## PLANT PROTEIN MEALS

### ➤ World Soybean Meal Supply & Demand Outlook

Meal, Soybean World as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Crush (1000 MT)	332,316	+19007(+6.07%)	313,309	314,236	315,824	312,396
Extr. Rate, 999.9999 (PERCENT)	0.78	(-1.27%)	0.79	0.78	0.79	0.79
Beginning Stocks (1000 MT)	12,266	-3397(-21.69%)	15,663	15,167	15,678	15,895
Production (1000 MT)	260,852	+14719(+5.98%)	246,133	246,527	248,176	245,396
MY Imports (1000 MT)	66,870	+4085(+6.51%)	62,785	66,928	65,157	63,280
Total Supply (1000 MT)	339,988	+15407(+4.75%)	324,581	328,622	329,011	324,571
MY Exports (1000 MT)	69,979	+4009(+6.08%)	65,970	68,745	69,453	67,936
Industrial Dom. Cons. (1000 MT)	1,370	-2(-.15%)	1,372	1,332	1,367	1,377
Food Use Dom. Cons. (1000 MT)	852	+31(+3.78%)	821	811	741	671
Feed Waste Dom. Cons. (1000 MT)	253,244	+9092(+3.72%)	244,152	242,071	242,283	238,909
Total Dom. Cons. (1000 MT)	255,466	+9121(+3.7%)	246,345	244,214	244,391	240,957
Ending Stocks (1000 MT)	14,543	+2277(+18.56%)	12,266	15,663	15,167	15,678
Total Distribution (1000 MT)	339,988	+15407(+4.75%)	324,581	328,622	329,011	324,571
SME (1000 MT)	253,244	+9092(+3.72%)	244,152	242,071	242,283	238,909

Source: USDA PS&D



April 2023 Soybean Meal Export Prices

	U.S. Gulf FOB	Argentina Up River FOB	Brazil Paranagua FOB
April Avg Price	\$528/ton	\$501/ton	\$489/ton
Change vs March	- \$36/ton	- \$43/ton	- \$30/ton

Source: International Grains Council. All prices are FOB: U.S. Gulf, Argentina Up River, and Brazil Paranagua.

### ➤ U.S Soybean Meal Supply & Demand Outlook

Meal, Soybean United States as of May 2023				
Attribute	23/24 May'23	Change	22/23 May'23	21/22
Crush (1000 MT)	62,868	+2449(+4.05%)	60,419	59,980
Extr. Rate, 999.9999 (PERCENT)	0.78	(-1.27%)	0.79	0.78
Beginning Stocks (1000 MT)	318	+36(+12.77%)	282	309
Production (1000 MT)	49,328	+1733(+3.64%)	47,595	47,005
MY Imports (1000 MT)	590	-22(-3.59%)	612	589
Total Supply (1000 MT)	50,236	+1747(+3.6%)	48,489	47,903
MY Exports (1000 MT)	13,426	+907(+7.24%)	12,519	12,269
Industrial Dom. Cons. (1000 MT)	0	-	0	0
Food Use Dom. Cons. (1000 MT)	0	-	0	0
Feed Waste Dom. Cons. (1000 MT)	36,447	+795(+2.23%)	35,652	35,352
Total Dom. Cons. (1000 MT)	36,447	+795(+2.23%)	35,652	35,352
Ending Stocks (1000 MT)	363	+45(+14.15%)	318	282
Total Distribution (1000 MT)	50,236	+1747(+3.6%)	48,489	47,903
SME (1000 MT)	36,447	+795(+2.23%)	35,652	35,352

Source: USDA PS&D

### ➤ CME CBOT Soybean Meal



Source: Barchart <https://www.barchart.com/futures/quotes/ZMU22/interactive-chart>

**CME July 2023 Soybean Meal Futures**, settled on Friday at \$434.80/short ton, up \$1.90 on the day, and gaining \$8.70/short ton for the week.

Soymeal futures ended the session with 40c to \$1.50/ton gains, while beans and soy oil dropped.

USDA projected the average meal cash prices at \$455/ton and \$365/ton, respectively. Soybean Oil was set at 64 cents/lb for old crop and 58 for new crop.

➤ **Soybean Meal Export Prices (FOB, US\$/mt) as of the 12<sup>th</sup> of May 2023**

	TW	LW	LY	%Y/Y
Argentina (Up River) Apr	500	515	528	- 5

CIF SOYBEAN MEAL	5/11/2023	5/12/2023		
MAY	12 / 18	12 / 16	K	
JUN	15 / 18	12 / 18	N	
JUL	15 / 18	12 / 18	N	
AUG	20 / 40	20 / 40	U	UNC
SEP	20 / 40	20 / 40	U	UNC
OCT	25 / 40	25 / 40	Z	UNC
NOV	25 / 40	25 / 40	Z	UNC
DEC	25 / 40	25 / 40	Z	UNC

**Spot Soymeal Export Prices** (As of 12<sup>th</sup> May 2023)

U.S., fob Gulf -	\$548.50/mt	-\$2.25
Argentina, fob upriver,	\$488.75/mt	+\$9.75.
Brazil, fob Paranagua,	\$476.25/mt	+\$9.75

Source: Agricensus

➤ **U.S. Exports of DDGS Spring Higher in March**

4 May 2023 by Ann Lewis, Senior Analyst Renewable Fuels Association - March U.S. exports of dried distillers grains (DDGS), the animal feed co-product generated by dry-mill ethanol plants, swung 17% higher to 898,086 mts upon elevated volumes in our larger markets.

Mexico remained our top customer for the ninth consecutive month, with imports tallying 209,812 mts, a 23% leap over February volumes and a ten-month high.

Mexico, South Korea (127,685, +7%), and Turkey (103,346 mts, +153%) together captured half of our global market in March. Indonesia (68,832 mts, +43%), Vietnam (53,259 mts, up a tick), and Canada (48,360 mts, +4%) imported sizeable volumes as well.

Year-to-date DDGS exports total 2.43 mmts, coming in 16% below last year at this time and representing the smallest first quarter exports since 2019.

➤ **DDG's – Prices were lower on average**

12 May 2023 Mary Kennedy, DTN – The DTN average price for domestic distillers dried grains (DDG) from 35 locations reporting for the week ending the 11<sup>th</sup> of May was \$242/ton, down \$6 from one week ago. Prices were mixed but lower again on

average due in part to the lower cash corn price and weakness overall in other feed products.

Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ended May 11 was 1.07%. The value of DDG relative to soybean meal was 56.73 and the cost per unit of protein for DDG was \$8.96 compared to the cost per unit of protein for soybean meal at \$8.98. (Futures used in the table are still based the May).

In its weekly DDGS export update, the U.S. Grains Council said: "Barge CIF NOLA values turned higher this week with offers for June rising \$8 metric ton (mt) to \$281 while FOB NOLA offers are up \$5 for June at \$293/MT. Offers for July and August positions are up \$10-\$12 mt in the FOB market. Offers for 40-foot containers to southeast Asia are up \$5 mt at \$371 with increases in values for product on the river system offsetting declines in freight rates."

Lock and Dam closures update on the Mississippi River as of May 11: Lock & Dam 16(RM 457) Illinois City, Illinois, closed due to high water; anticipated reopening May 12<sup>th</sup>. Lock & Dam 17 (RM 437) New Boston, Illinois, closed due to high water; anticipated reopening May 12<sup>th</sup>.

➤ **VALUE OF DDG VS. Corn & Soybean Meal** (As of 11<sup>th</sup> May 2023)

Settlement Price:	Quote Date	Bushel	Short Ton
Corn	5/11/2023	\$6.3250	\$225.8929
Soybean Meal	5/11/2023		\$426.60
DDG Weekly Average Spot Price	5/11/2023		\$242.00

DDG Value Relative to:	5/11	5/4
Corn	1.07%	1.07%
Soybean Meal	56.73%	58.04%

Cost Per Unit of Protein:

DDG	\$8.96	\$9.19
Soybean Meal	\$8.98	\$9.00

Notes: Corn and soybean prices take from DTN Market Quotes. DDG price represents the average spot price from Midwest companies collected on Thursday afternoons. Soybean meal cost per unit of protein is cost per ton divided by 47.5. DDG cost per unit of protein is cost per ton divided by 27.



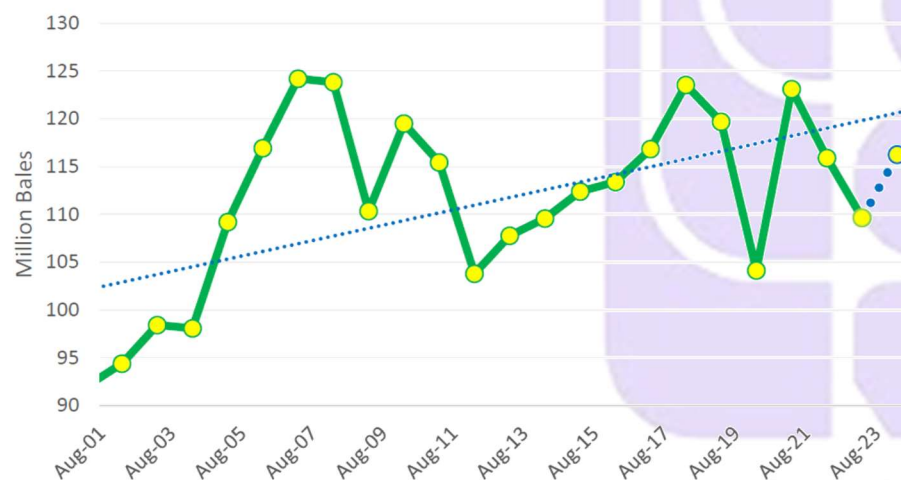
## COTTON

### ➤ World Cotton Supply & Demand Outlook

Cotton World as of May 2023						
Attribute	23/24 May'23	Change	22/23 May'23	21/22	20/21	19/20
Area Harvested (1000 HA)	31,537	-318(-1%)	31,855	32,486	31,299	34,393
Beginning Stocks (1000 480 lb. Bales)	92,633	+6474(+7.51%)	86,159	86,217	98,234	82,804
Production (1000 480 lb. Bales)	115,691	-664(-.57%)	116,355	115,780	111,273	119,983
Imports (1000 480 lb. Bales)	42,837	+4970(+13.12%)	37,867	42,620	48,561	40,549
Total Supply (1000 480 lb. Bales)	251,161	+10780(+4.48%)	240,381	244,617	258,068	243,336
Exports (1000 480 lb. Bales)	42,845	+4571(+11.94%)	38,274	42,997	48,872	41,131
Domestic Use (1000 480 lb. Bales)	116,233	+6602(+6.02%)	109,631	115,900	123,118	104,137
Loss (1000 480 lb. Bales)	-195	-38(24.2%)	-157	-439	-139	-166
Ending Stocks (1000 480 lb. Bales)	92,278	-355(-.38%)	92,633	86,159	86,217	98,234
Total Distribution (1000 480 lb. Bales)	251,161	+10780(+4.48%)	240,381	244,617	258,068	243,336
Stock to Use % (PERCENT)	58.01	-5(-7.38%)	62.63	54.22	50.13	67.62
Yield (KG/HA)	799	+4(+.5%)	795	776	774	760

Source: USDA PS&D

### 2023/24 Global Use Forecast at 3-Year High



Note: Marketing year 2023/24 reflects forecast global consumption from August 2023 – July 2024.

12 May 2023 USDA FAS - Global cotton consumption is forecast at 116.2 million bales, up more than 6.6 million from the previous year.

Greater cotton supplies, lower producer price inflation, low global cotton yarn stocks, and greater margins for spinners are expected to boost future use.

Consumption is forecast at the second highest level in 5 years and implies an annual growth rate of 6.0%, significantly higher than the long-term annual average of 1.5%

since 1960/61. Still, consumption is projected below trend as macro-economic headwinds and competition from chemical fibers continue to pressure global use.

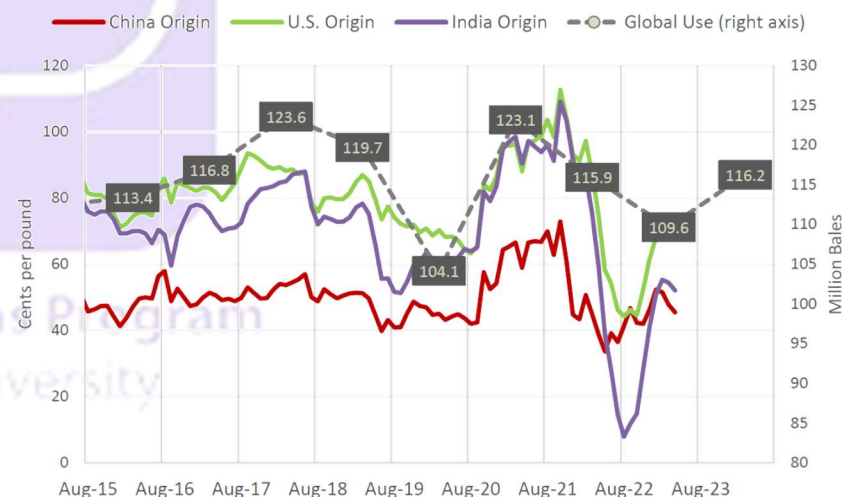
The world's three largest consumers – China, India, and Pakistan – are forecast to account for more than half of the global increase. Of the top ten consuming countries, all are expected to have higher use.

After significant reductions for India, Pakistan, and Bangladesh in the previous year, a general easing of financial pressures and greater supplies are expected to support consumption. Prospects for a depreciating U.S. dollar, greater access to opening letters of credit, and lower energy costs are expected to boost growth (see page 8 for this year's articles highlighting challenges to 2022/23 consumption).

Higher cotton consumption is also supported by prospects for global economic growth. Cotton lint consumption and year-over-year changes in global Gross Domestic Product (GDP) are mostly correlated, however, cotton use and GDP do not always follow the same trend as illustrated in the chart below. The April 2023 World Economic Outlook published by the International Monetary Fund (IMF) projects global GD to grow 2.8% for calendar year 2023 and 3.0% for 2024.

The IMF's outlook is uncertain and mentions concerns in the global banking sector, persistently high consumer inflation, and other factors that may inhibit global growth. Recent global cotton consumption relative to global gross GDP and population remains significantly below the level of record consumption witnessed more than 16 years prior. Since the 2006/07 consumption record of more than 124.0 million bales, competition with man-made fibers and macroeconomic challenges have pressured not only the level but the volatility of consumption.

### Chinese Cotton Yarn Price Minus Cotton Lint Price



Source: USDA/FAS calculation using data from CFCGroup; Note: Price is for 32 count single cotton yarn and the average monthly yarn price. The cotton lint prices used are the 3-month moving average for each respective origin found on page 5.

Higher cotton yarn prices compared with cotton lint (roughly half of input costs) supports greater profit margins. Year-to-year changes in this margin (cotton yarn minus lint) have trended closely with changes in global cotton consumption as seen below. A less volatile and average level going into 2023/24 is expected to support greater consumption compared with the previous year's low expected margins.

China's yarn is used to represent a global yarn price as it is the largest cotton yarn producer, importer, and consumer. Comparing the yarn price across various origins of cotton lint is a general gauge for capturing spinner's profitability in and outside China.<sup>1</sup>

Another factor driving higher consumption is expected low inventories across the cotton product supply chain at the beginning of 2023/24. Disrupted and delayed shipments of consumer goods in calendar years 2021 and 2022 inflated global inventories and retailers responded with unusually large reductions in 2022/23 product orders. In addition, China's lockdown orders starting in early 2022 also slowed consumption to unusually low levels.

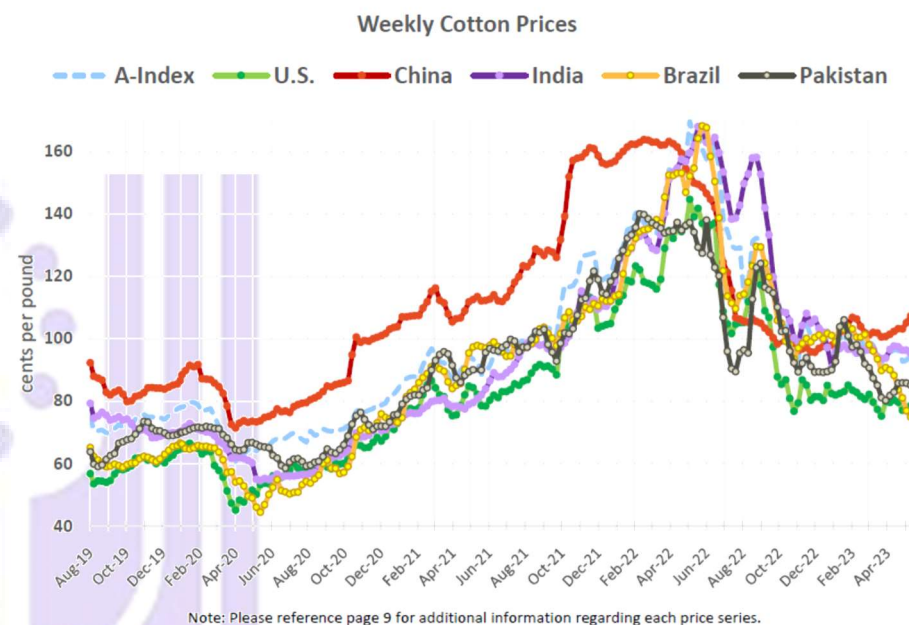
Global mills' operating rates have improved and are expected to continue into 2023/24 relative to the previous year. As the impacts of the pandemic further recede, inventory levels across the cotton product supply chain are expected to normalize and support higher use. Rising household savings accumulated during China's COVID lockdowns are also expected to support greater domestic purchases of cotton finished goods in one of the world's most populous countries.

Uncertainties in the consumption outlook include the level of global cotton production, a persistent shift of consumer purchases to services and away from goods, and the unexpected impacts of global financial tightening in response to persistently high inflation. The ongoing Russian invasion of Ukraine has further contributed to uncertainty regarding global economic growth. This is particularly acute for Europe, as both the European Union and United Kingdom are the world's largest buyer of consumer products made from cotton fiber.

<sup>1</sup> Nonetheless, other input costs including electricity and financing must also be considered. The U.S. and India origins do not represent the actual imported values into China (freight, import tariffs, and Value Added Tax are omitted) and serve as an indicator for general profitability across markets.

### World Cotton Prices

Global cotton prices were mixed since last month's WASDE with futures prices on the Intercontinental Exchange (ICE) settling at roughly 80 cents per pound. This is the average level since last fall as volatility has dropped significantly compared with the previous year. Strong U.S. export sales and shipments continue to be offset by global macroeconomic concerns (especially concerning the financial status of U.S. regional banks), higher U.S. producer selling and fixations as exhibited by the Commodity Futures Trading Commission's Cotton on Call report, and generally lower commodity prices (reflected by the Bloomberg Commodity Spot Index seen below).



Changes Since April WASDE (cents per pound)						
	A-Index	U.S.	China	India	Brazil	Pakistan
6-Apr	94.9	80.9	101.4	97.3	88.1	82.4
10-May	93.5	77.5	107.0	94.7	74.7	83.9
Change	-1.4	-3.4	5.6	-2.6	-13.4	1.5

Prices in China have climbed on stronger cotton lint demand and concerns regarding the 2023 harvest. Cool temperatures in the Xinjiang province coupled with lower plantings have raised greater concerns on output. China's basis (i.e., spot minus futures) relative to ICE has surged compared with last year as a more positive cotton consumption outlook takes hold. Brazil prices plummeted despite a stronger domestic currency, attributed to slow exports and weak domestic spinning.

### ➤ USDA – U.S Cotton Supply & Demand Outlook

Cotton United States as of May 2023				
Attribute	23/24 May'23	Change	22/23 May'23	21/22
Area Harvested (1000 HA)	3,521	-229(-6.11%)	3,750	4,157
Beginning Stocks (1000 480 lb. Bales)	3,500	-10968(-75.81%)	14,468	3,150
Production (1000 480 lb. Bales)	15,500	+15495(+309900%)	5	17,523
Imports (1000 480 lb. Bales)	5	-18218(-99.97%)	18,223	5
Total Supply (1000 480 lb. Bales)	19,005	+16905(+805%)	2,100	20,678
Exports (1000 480 lb. Bales)	13,500	+13477(+58595.65%)	23	14,622
Domestic Use (1000 480 lb. Bales)	2,200	-1300(-37.14%)	3,500	2,550
Loss (1000 480 lb. Bales)	5	-18218(-99.97%)	18,223	-244
Ending Stocks (1000 480 lb. Bales)	3,300	+3276(+13759.72%)	23.81	3,750
Total Distribution (1000 480 lb. Bales)	19,005	+17940(+1684.51%)	1,065	20,678
Stock to Use % (PERCENT)	21.02	-		21.84
Yield (KG/HA)	958	-		918

Source: USDA PS&D

## ICE Cotton – Daily Nearby



Source: Barchart <https://www.barchart.com/futures/quotes/CTN23/interactive-chart>

**CME May 2023 Cotton Futures** settled on Friday at \$80.53/cwt, up 91 points on the day, and losing \$3.37/cwt for the week. Dec23 Cotton closed at 80.15, up 55 points, while Mar24 Cotton closed at 80.22, up 47 points.

The cotton market pulled back into the close, but held onto 30 to 90 point gains for the session. July futures ended the day 123 points off the session high, but about 150 points off the week's low. July was still at a 309 point loss for the week.

Friday's USDA's WASDE report had old crop cotton abandonment 130k bales higher. That lifted the yield slightly to 950 lbs/acre for a net 210k bale lighter crop. Exports

were also boosted by 400k bales to 12.6 million. On net old crop stocks were 600k tighter at 3.5 million. For new crop, USDA's initial ideas are for a 8.71 million acre harvest off 11.26 million planted acres. Production is forecasted 1.03m higher yr/yr at 15.5 million bales. Stocks are forecasted to shrink by 200k to 3.3 million noting a 900k bale increase yr/yr to exports.

USDA's WASDE cash price for cotton was UNCH at 82 cents for old crop and was set at 78 cents for new crop.

The NASS Cotton Ginnings data showed 14.116 million bales were ginned for the season through March. That is down from 17.1m bales last year.

CFTC's weekly update showed short covering for the managed money cotton traders. That lightened the group's net short by 8k contracts to 13,842. Commercial cotton traders added 10.7k new short hedges through the week that ended the 9<sup>th</sup> of May, leaving them 37,032 contracts net short.

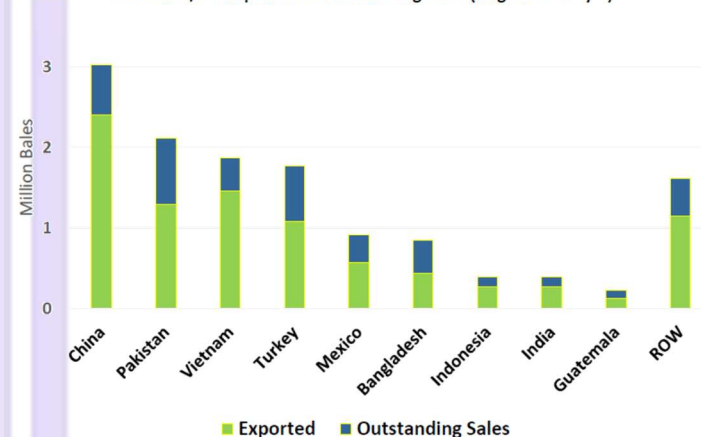
USDA's weekly Cotton Market Review showed that the average cash price was 88 points stronger for the week at 78.47 cents. The report had 26,390 bales sold for the week bringing the yearly total to 633,689 bales.

The Cotlook A Index was down by 225 points to 93.45 cents for 5/10. The AWP for cotton was raised 128 points to 67.97 cents.

Cotton prices are in a slump, as speculative short positions have grown, as indications of declining demand in the wake of a slowing global economy eclipse tightening supplies resulting from cotton production problems in the top growing regions of the US, China, and India.

In the US, the third-largest producer, farmers are expected to plant 18% fewer acres to cotton this year, one of the biggest cotton acreage declines this century. The US also is the No. 1 exporter of cotton, and a smaller US crop will have an outsize effect on global exportable supplies.

U.S. 2022/23 Shipments & Outstanding Sales (August 1 - May 5)

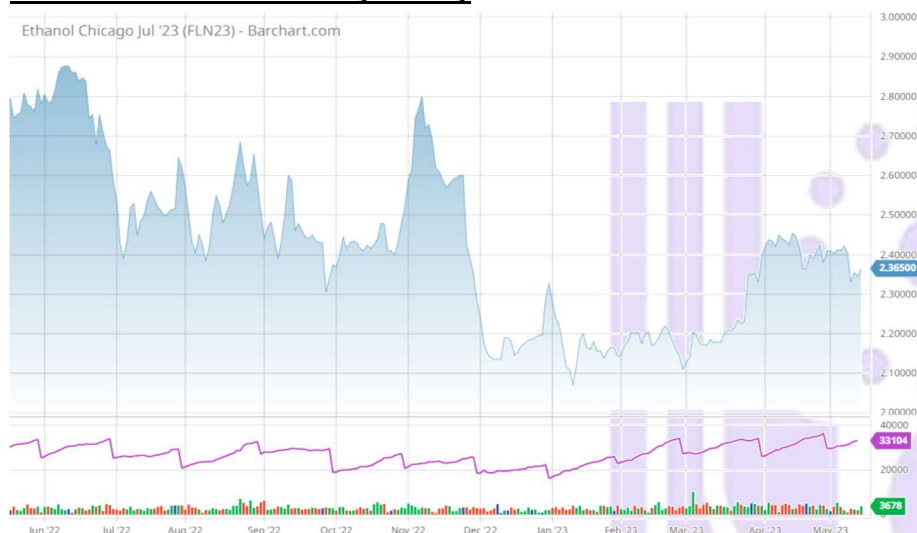


Source: USDA FAS Export Sales Reporting (ESR); Note: ROW (Rest of World)



## ENERGY & ETHANOL

### ➤ CME Ethanol Futures – Daily Nearby



Source: Barchart <https://www.barchart.com/futures/quotes/FLV22/interactive-chart>

**CME Nearby Ethanol July 2023** settling on Friday at \$2.36500/gallon, up 2.000 cents on the day, but losing 5.750 cents for the week.

June WTI crude oil (CLM23) on Friday closed down -0.83 (-1.17%), and June RBOB gasoline (RBM23) closed down -3.228 (-1.38%).

The weekly cash price data showed ethanol ranged \$2.28 to \$2.40/gal regionally; mostly within 2 cents of last week.

DDGS were mostly \$3 to \$8 weaker from \$230/ton in eastern Iowa to \$2.65/ton in Nebraska.

The cash corn oil market was a penny stronger from 55 to 58 cents/lb regionally.

The Energy Information Administration (EIA) at midweek showed overall ethanol production in the United States averaged 965,000 barrels per day (bpd) through May 5, down 11,000 bpd week-on-week and 26,000 bpd, or 2.7%, lower than in the same week last year. Four-week average output at 983,000 bpd was 16,000 bpd above the same four weeks in 2022. Midwest ethanol production averaged 912,000 bpd, down 10,000 bpd week-on-week and 29,000 bpd, or 3.2% lower than in the same week last year. Four-week average output at 931,000 bpd was 19,000 bpd above the same four weeks in 2022.

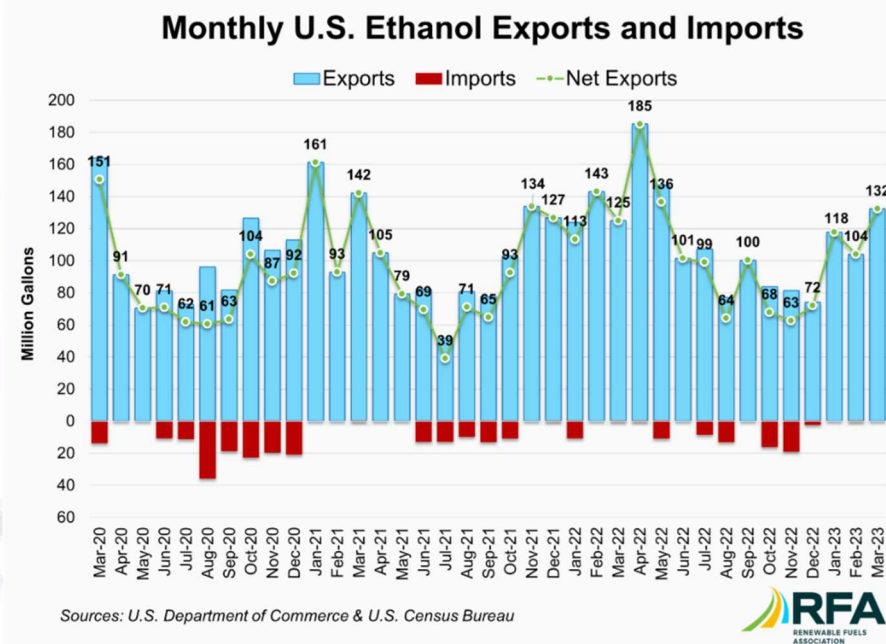
### ➤ U.S. Corn Values delivered Ethanol Plants – Friday 12<sup>th</sup> of May

Corn Delivered Selected Plants / Road quotes, in cents/bus basis CBOT futures: USDA (U.S. No. 2, 14.5% moisture, in cents/bus.

Nearby Ethanol Bids	5/11/2023	5/12/2023		
Blair, NE	75	80	N	
Cedar Rapids, IA	10	0	N	
Decatur, IL	50	50	N	UNC
Fort Dodge, IA	75	75	N	UNC
N. Manchester, IN	35	35	N	UNC
Portland, IN	50	50	N	UNC

### ➤ U.S. Exports of Ethanol Spring Higher in March

4 May 2023 by Ann Lewis, Senior Analyst Renewable Fuels Association -



March U.S. ethanol exports vaulted 27% to a ten-month high of 132.3 million gallons (mg). Canada was our largest destination for the 24<sup>th</sup> consecutive month given its 43% share of March exports, including 72% of all denatured shipments.

Our neighbor's imports of 56.6 mg, a 34% bump over February, represent the largest monthly volume of U.S. ethanol exports to a single country to date.

Other major global customers in March included India (22.8 mg, up from zero to a 13-month high), the European Union (12.8 mg, +104%), the United Kingdom (8.7 mg, -11%), Peru (7.9 mg, +89% to an 11-month high), and Mexico (5.9 mg, +9%). Notably, exports considerably curbed to South Korea (5.2 mg, -50%), the Philippines (2.2 mg, -62%), and Jamaica (2.1 mg, -67%), while Brazil again remained essentially absent from the market with a 16% tariff on U.S. ethanol in place.

Year-to-date U.S. ethanol exports total 354.1 mg, lagging 10% behind last year at this time and marking the smallest first quarter exports since 2016. The U.S. did not log any meaningful imports of ethanol for the third consecutive month.

#### ➤ **Ethanol Groups Tell EPA Ethanol Key Part of Emissions Reduction**

In testimony given to the agency this week on the Biden administration's proposed change to emissions standards that would force the use of more electric vehicles in the next decade, ethanol interest groups called on the EPA to adopt a technology-neutral approach to regulating greenhouse gas emissions in vehicles.

Early in April the EPA released a proposal, that would create fewer buying options for farmers and other blue-collar Americans who rely on their pickups and potentially semi-trucks. The agency hosted virtual public hearings this week, reports *DTN's Progressive Farmer*.

American Coalition for Ethanol CEO Brian Jennings testified on Tuesday, saying that EPA should give more consideration to ethanol to replace the fossil-fuel-powering 99% of the U.S. vehicle fleet. In addition, he pointed to the Intergovernmental Panel on Climate Change finding that 89% of the world's capacity to mitigate carbon emissions comes from agricultural soil carbon sequestration.

The Renewable Fuels Association (RFA) said at issue is the agency's proposal allowing electric-vehicle manufacturers to use a zero grams-per-mile emissions compliance value for EVs.

"This approach falsely assumes EVs have no carbon impacts whatsoever and ignores the upstream emissions related to electricity generation, as well as the substantial emissions involved in battery mineral extraction and vehicle construction," the group said in its comments.

#### ➤ **U.S. Ethanol to benefit from Japanese rule**

Japanese regulators revised the U.S. corn ethanol carbon intensity score.

5 May 2023 by *Diego Flammini* - The U.S. corn and ethanol industries are set to benefit from a revised Japanese rule.

On March 30<sup>th</sup>, Japan's ministry of economy, trade and industry announced it is exploring improving the carbon intensity score of corn ethanol produced in the U.S.

Carbon intensity is defined as the measure of greenhouse gas emissions associated with producing and consuming a transportation fuel. It is measured in grams of carbon dioxide per megajoule of energy (gCO<sub>2</sub>e/MJ).

The improvement would see the carbon-intensity score of U.S. corn ethanol go from 43.15 gCO<sub>2</sub>e/MJ to 37.1 gCO<sub>2</sub>e/MJ.

Prior to 2018, Japan only used Brazilian ethanol made from sugarcane because the government saw it as a better alternative than U.S. corn ethanol.

"This decision was based on an outdated calculation of greenhouse gas emission reduction, which effectively excluded U.S. ethanol," the U.S. Grains Council said in a May 3<sup>rd</sup> statement.

In 2018, the U.S. Grains Council helped American ethanol have access to 44 per cent of the Japanese market, which equaled about 96 million gallons of U.S. ethanol.

Two years later, that number increased to 66 per cent of Japan's market.

If this March 30<sup>th</sup> proposal passes, it would be in place until 2028. And U.S. ethanol will have full access to the Japanese market.

The Office of the United States Trade Representative estimates this could increase exports of U.S. ethanol to Japan by more than 80 million gallons and worth up to \$200 million.

"We applaud Japan for publishing its new biofuels policy, which will help promote a cleaner, more sustainable energy future. This new policy is also a big win for American farmers and our rural economy, as it will expand U.S. biofuel producers' access to the Japanese market," Agriculture Secretary Vilsack said in a statement.

#### ➤ **NYMEX WTI Crude Oil – Daily Cash**



Source: Barchart <https://www.barchart.com/futures/quotes/CLY00/interactive-chart>

**NYMEX Cash WTI Crude Oil** settled on Friday at \$70.04/barrel, off \$0.83 on the day, and losing \$1.30 for the week.

June WTI crude oil (CLM23) on Friday closed down -0.83 (-1.17%), and June RBOB gasoline (RBM23) closed down -3.228 (-1.38%).

#### ➤ **Crude Prices Finish Lower On Dollar Strength And Economic Concerns**

12 May 2023 by Rich Asplund, Barchart – Crude oil and gasoline prices Friday gave up an early advance and closed moderately lower. Friday's rally in the dollar index to a 1-month high weighed on crude prices, as did a decline in U.S. consumer sentiment to a 6-month low.

Crude prices Friday initially moved higher on concerns about tight global supplies as Iraqi crude exports of around 500,000 bpd remain halted from the Turkish port of Ceyhan. Also, the U.S. Energy Department said it would soon start buying oil to refill the Strategic Petroleum Reserve (SPR).

A bearish factor for crude is the deterioration of U.S. consumer sentiment after Friday's University of Michigan U.S. May consumer sentiment index fell -5.8 to a 6-month low of 57.7, weaker than expectations of 63.0.

A bullish factor for crude was U.S. Energy Secretary Granholm's comment late Thursday that the U.S. aims to start buying crude to refill the SPR after the conclusion of a 26 mbbl sale of SPR crude is scheduled to finish in late June.

Strength in fuel demand in India, the world's third-largest crude consumer, is bullish for prices after India's Apr diesel consumption jumped +8.6% y/y to a record 7.82 mmts.

Crude has support on reduced Canadian crude output after wildfires in Alberta halted about 145,000 bpd of crude production from several Canadian crude producers. However, firefighters are progressing in battling the fires, and crude output should soon resume. The number of wildfires has fallen to 73, down from more than 80 on Thursday and more than 100 earlier in the week.

In a bullish factor, Vortexa reported Monday that the amount of crude stored on tankers that have been stationary for at least a week fell -16% w/w to 78.03 million bbl in the week ended May 5 to the lowest in 3 months.

Signs of stronger Chinese fuel demand are supportive for crude prices after China's Ministry of Culture and Tourism reported last Thursday that the number of domestic trips made over the five-day Golden Week holidays reached 274 million, up +19% from the pre-pandemic level in 2019 and almost +71% higher than last year.

The ongoing halt of Iraqi crude exports from the Turkish port of Ceyhan is tightening global oil supplies and is bullish for crude prices. The Turkish government said it wants to negotiate a \$1.5 billion settlement that it has been ordered to pay before allowing Iraqi crude exports to resume through its pipeline. Oil exports of 500,000 bpd from the Turkish port of Ceyhan have been halted since March 25 after Iraq won

an arbitration case from the International Chamber of Commerce that said Turkey violated a 1973 pipeline transit agreement by allowing crude from the Kurdish region to be exported without Iraqi government consent.

Crude oil prices are being undercut by signs that Russia has not delivered on its threat to cut crude output. Tanker-tracking data from Bloomberg shows Russia's crude exports jumped above 4 million bpd in the week of April 28. Russia has halted the publication of crude and condensate production data in an attempt to disguise if it has actually cut crude output.

Crude prices surged on April 3 after OPEC+ announced a surprise oil production cut of more than 1 million bpd starting May 1. Saudi Arabia said the cuts were a "precautionary measure aimed at supporting the stability of the oil market." OPEC Mar crude production fell by -80,000 bpd to 29.16 million bpd.

Wednesday's EIA report showed that (1) U.S. crude oil inventories as of May 5 were -1.2% below the seasonal 5-year average, (2) gasoline inventories were -6.8% below the seasonal 5-year average, and (3) distillate inventories were -16.1% below the 5-year seasonal average. U.S. crude oil production in the week ended May 5 was unchanged w/w to 12.3 million bpd, only 0.8 million bpd (-6.1%) below the Feb-2020 record-high of 13.1 million bpd.

Baker Hughes reported Friday that active U.S. oil rigs in the week ended May 12 fell by -2 to an 11-month low of 586 rigs, falling further below the 2-1/2 year high of 627 rigs posted on December 2. U.S. active oil rigs have more than tripled from the 17-year low of 172 rigs seen in Aug 2020, signaling an increase in U.S. crude oil production capacity.

#### ➤ **NYMEX Natural Gas – Daily Cash**



Source: Barchart <https://www.barchart.com/futures/quotes/CLY00/interactive-chart>



***NYMEX Cash Natural Gas** settled on Friday at \$2.266/MMBtu, up \$0.076 on the day, and gaining 0.129 cents for the week.*

*June WTI crude oil (CLM23) on Friday closed down -0.83 (-1.17%), and June RBOB gasoline (RBM23) closed down -3.228 (-1.38%).*

➤ **Nat-Gas Prices Jump As Active U.S. Nat-Gas Rigs Plunge**

12 May 2023 by Rich Asplund, Barchart – June Nymex natural gas (NGM23) on Friday closed up +0.076 (+3.47%).

Jun nat-gas prices Friday jumped to a 1½ week high and closed sharply higher. Above-normal U.S. temperatures have increased demand from electricity providers to power air-conditioning. According to BNEF data, gas demand for power generation is at the highest seasonal levels since at least 2014. Gains in nat-gas accelerated Friday afternoon when Baker Hughes reported that the number of active U.S. nat-gas drilling rigs in the week ended May 12 plunged by -16 to a 13-month low of 141 rigs.

Nat-gas prices fell sharply starting in December and posted a 2-1/2 year nearest-futures low (NGK23) Apr 14 as abnormally mild weather across the northern hemisphere this past winter eroded heating demand for nat-gas. January was the sixth-warmest across the contiguous 48 U.S. states in data from 1895. This winter's warm temperatures have caused rising nat-gas inventories in Europe and the United States. Gas storage across Europe was 62% full as of May 8, well above the 5-year seasonal average of 43% full for this time of year. Nat-gas inventories in the U.S. were +18.4% above their 5-year seasonal average as of May 5.

Lower-48 state dry gas production on Friday was 101.3 bcf (+4.9% y/y), just below the record high of 101.7 bcf posted on Apr 23, according to BNEF. Lower-48 state gas demand Friday was 62.6 bcf/day, down -0.1% y/y, according to BNEF. On Friday, LNG net flows to U.S. LNG export terminals were 12.7 bcf, down -1.7% w/w. On Apr 16, LNG net flows to U.S. LNG export terminals rose to a record 14.9 bcf/day as nat-gas exports continue to increase from the Freeport LNG terminal as the terminal was partially reopened after being closed since last June because of an explosion.

A decline in U.S. electricity output is bearish for nat-gas demand from utility providers. The Edison Electric Institute reported Wednesday that total U.S. electricity output in the week ended May 6 fell -3.9% y/y to 69,704 GWh (gigawatt hours). Although, cumulative U.S. electricity output in the 52-week period ending May 6 rose +0.7% y/y to 4,102,911 GWh.

Thursday's weekly EIA report was neutral to slightly bullish for nat-gas prices since it showed U.S. nat gas inventories rose +78 bcf, right on expectations but below the five-year average for this time of year of +87 bcf. Nat-gas inventories as of May 5 are +18.4% above their 5-year seasonal average.

Baker Hughes reported Friday that the number of active U.S. nat-gas drilling rigs in the week ended May 12 fell by -16 to a 13-month low of 141 rigs, falling back further from the 3-1/4 year high of 166 rigs posted in the week ended Sep 9. Active rigs

have more than doubled from the record low of 68 rigs posted in July 2020 (data since 1987).

## **OTHER MARKETS**

➤ **Rabobank: Global pork industry cautious in 2023**

27 April 2023 Rabobank - Global pork industry confronts weaker consumption trends and feed cost volatility

Softer consumption trends in early 2023 leave the global pork industry cautious as it struggles to adapt to a moving target, according to the latest Rabobank quarterly pork report.

Weaker economic growth is beginning to take a toll on global pork consumption. Despite early signs that the worst of the inflationary impact may have already passed, the lagged impact on consumption is likely to be felt throughout 2023.

In a slowing economy, pork remains well-positioned, as demand for the protein is historically less income-sensitive than more expensive proteins like beef and premium seafood.

"Nevertheless, we see persistently high retail prices limiting consumption of all proteins. Consumers continue to conserve capital by shifting everyday purchases to lower-value protein options, switching channels, and moving to smaller pack sizes," says Christine McCracken, senior analyst – animal protein at Rabobank.

Moreover, industry optimism in 2022 after a notable upward shift in pork consumption (and prices) in some markets and expectations of a 2023 recovery of pandemic-restricted consumption in others contributed to planned supply growth in 2023. That growth will take time to curb.

"Slowing supply in Europe will help balance the industry, yet high costs of production and limited consumer support will require a more conservative approach to production to stabilize margins," McCracken said.

Although a modest improvement in production costs is expected in 2023, local conditions will vary, and risk management will remain critical to success. Global feed stocks are at historically low levels, and availability remains tight. A disappointing Argentine harvest will partially offset Brazil's record 2023 soybean and safrinha corn crops, leaving the market to focus on import needs, Black Sea grain availability (the current trade extension will expire in the coming months), and the successful planting of a new crop in the Northern Hemisphere.

"Rabobank expects the small global cushion in grain and oilseed stocks to drive additional feed cost volatility in 2023," McCracken said.

Adding to the volatility, recent outbreaks of African swine fever (ASF) in commercial operations in China, South Korea, the Philippines and Europe are perpetuating concerns of lower availability and trade interruption. Market reactions to ASF outbreaks remain most disruptive in China, given the large hog population there. Concerns about new losses drove proactive farmer culling in late 2022 and continue to affect the rate of restocking in early 2023. Losses appear contained and remain

regional, however, which should limit market impact. Currently, global pork supplies appear sufficient, though a sizable shortfall in China due to disease would disrupt the global industry and drive a sharp upward correction in pork prices.

In other regions, improvements in biosecurity, genetics, and herd health are beginning to boost productivity. Herd health is improving in many markets as the impacts of porcine reproductive and respiratory syndrome (PRRS) and porcine epidemic diarrhea virus (PEDv) begin to abate. Improved productivity in the U.S. and Mexico is expected to bring added supply and could potentially burden the market, as a rapid improvement in productivity could result in excess supply and require further industry adjustment.

### ➤ **Urea, Natural Gas, and Corn Price Correlations**

*1 May 2023 Southern Ag Today* – Fertilizer prices have come down from the peak in April 2022 (Figure 1), however fertilizer prices remain elevated compared to 2017 through 2020. In 2021 and 2022, high fertilizer prices coincided with high corn prices, resulting in positive profit margins for many producers, especially those that were not affected by adverse weather.

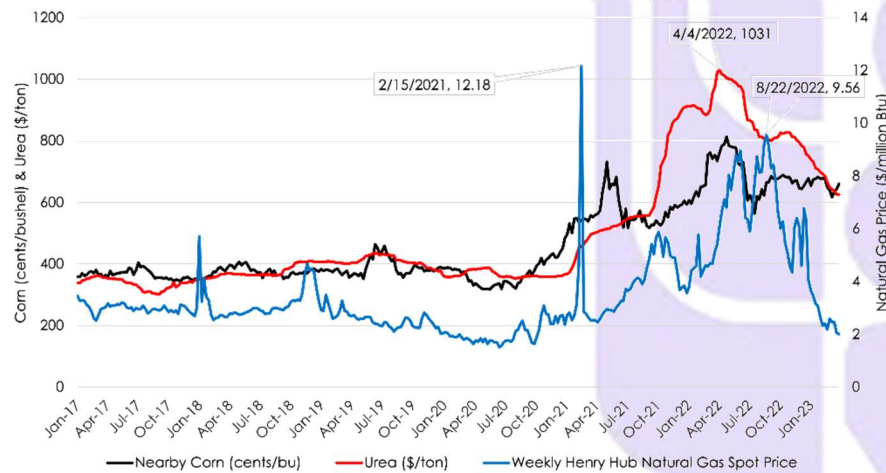


Figure 1. Weekly Urea, Natural Gas, and Nearby Corn Futures Price, January 2, 2017, to March 27, 2023

Since August 2022, Henry Hub Natural Gas Prices have declined sharply. Natural gas is a key input in the production of nitrogen fertilizer accounting for 70-90% of variable production costs (Outlaw et al. 2022).

Two important questions for many producers are how related are these prices and how does this relationship potentially impact profitability in 2023? To examine this, we look at the historical relationship between corn, urea, and natural gas prices.

Nitrogen, natural gas, and corn prices are positively correlated (correlation describes the strength of an association between two variables, positive correlation indicates

that prices move in the same direction, negative correlation indicates prices move in opposite directions; correlation coefficients have values between -1 and 1). Examining weekly price data from January 2017 to March 2023, natural gas and urea prices were positively correlated (0.738), natural gas and corn prices were positively correlated (0.668), and urea and nearby corn futures prices were positively correlated (0.906). All three variables are strongly positively correlated. However, there are event-based anomalies in the data that create temporary deviations in the relationship between prices. For example, natural gas prices briefly spiked in February 2021 during a winter storm that strained natural gas and electricity markets in Texas and Oklahoma (USEIA, 2022). It is also important to note that correlation does not indicate causation. In other words, a higher natural gas or urea price does not necessarily cause higher corn prices, and vice versa. However, the takeaway from this figure and correlations for natural gas, corn, and urea prices are they tend to move in the same direction.

Over the past year, natural gas and urea prices have decreased substantially from recent highs. Urea prices have fallen from \$1,031/ton to \$626/ton (down 39%) and natural gas prices have fallen \$9.56 to \$2.01 (down 79%). Nearby corn prices have decreased from \$8.13 ½ to \$6.60 ½ (down 19%). Based on the realized decline in natural gas prices, the downward trend in urea prices, and the historical correlations above, further weakness in corn futures prices may occur in 2023. There are many factors that will influence corn (and other commodity) prices, such as weather and geopolitical uncertainty, however decreased prices for natural gas and urea provides some indication that weaker corn prices may occur in the not-too-distant future.

From a profitability standpoint for the 2023 crop year, many producers locked in fertilizer prices last fall or early in 2023. In general, those that priced earlier will have higher fertilizer costs than those that priced later. Producers that have locked in fertilizer prices for the 2023 crop may want to consider locking in futures prices for a portion of their crop to avoid a margin squeeze should corn prices decline.

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## TRANSPORTATION

### ➤ **Baltic Dry Freight Index – Daily = 1558**



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

The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea. The index is a composite of three sub-indices that measure different sizes of dry bulk carriers: Capesize, which typically transport iron ore or coal cargoes of about 150,000 mts; Panamax, which usually carry coal or grain cargoes of about 60,000 to 70,000 mts; and Supramax, with a carrying capacity between 48,000 and 60,000 mts. Not restricted to Baltic Sea countries, the index provides "an assessment of the price of moving the major raw materials by sea. Taking in 23 shipping routes measured on a time-charter basis, for dry bulk carriers carrying a range of commodities including coal, iron ore, grain, and other commodities. Because dry bulk primarily consists of materials that function as raw material inputs to the production of intermediate or finished goods, the index is also seen as an efficient economic indicator of future economic growth and production.

### ➤ **Baltic Exchange Weekly Market Report**

12th May, 2023 Source: Baltic Exchange <https://www.thedcn.com.au/news/bulk-trades-shipping/baltic-exchange-weekly-market-report-25/>

THE BALTIC Dry Index last week declined slightly after a mid-week peak. The index started the week at 1598, increased to the mid 1600s before ending the week at 1558 on Friday (12<sup>th</sup> May). The Baltic Dry Index for the week ending on 12 May 2023.

#### CAPE SIZE

The capes started the week on an upbeat note. All three majors were active in the market at the beginning of the week, resulting in a healthy volume of cargo from West Australia to China. As a result, rates pushed up accordingly, together with a positive

paper market. Although by mid-week there was a feeling that the Pacific was looking a little topy and sentiment shifted. This was also reflected in the paper market losing value. Rates began to diminish towards the end of the week, with a noticeable lack of activity.

Brokers said that the supply of tonnage in the North Atlantic is tight and remained so during the week. There were stronger fronthaul and trans-Atlantic fixtures concluded earlier in the week, although, overnight brokers said a slightly softer fixture was done from Seven Islands to China.

At the beginning of the week there was more activity from South Brazil to China and conditions were said to be steady. As the week comes to an end there is a quieter feel, particularly from South Brazil to China, which appears to be rather flat. There is a spread starting to develop between charterers' and owners' ideas, which has resulted in many owners taking the attitude to watch, wait and see.

#### PANAMAX

After a mixed start it returned a week of negativity with rates falling throughout. Reduced fixing volumes and a build-up of tonnage in most origins gave charterers the upper hand and reduced bids consequently became the common theme.

The Atlantic lacked any real demand, both in the North and the South, this week. Ballaster tonnage began to show signs of under pinning rates and many APS load port deals were concluded for end May/early June arrival ex EC South America.

Earlier in the week, several reports of 82,000-dwt types achieving about the \$17,500+\$750,000-mark basis delivery aps EC South America for trips to the Far East.

Asia began the week with solid coal demand, ex Australia to India, but overall the arena returned an oppressed market with rates easing, including an 82,000 dwt delivery China agreeing \$12,250 for a trip via Australia redelivery India. Period activity was slim, although reports emerged of an 81,000 dwt agreeing \$15,250 basis 8/10 months.

#### ULTRAMAX/SUPRAMAX

A mixed bag during the week as brokers described a rather positional feel to many areas. In the Atlantic, the US Gulf seemed to be gaining momentum, although little information surfaced.

Further South, EC South America saw little fresh impetus, with some commenting little fresh enquiry kept a lid on rates. From Asia, it appeared to a two-tier market as the small size lost out rate wise to the larger Ultramax size, which some charterers preferred to utilise. A little more enquiry was seen from the North, although generally it remained finely balanced.

From the Atlantic, a 61,000-dwt was heard fixed delivery US Gulf trip to the Arabian Gulf at \$24,000. Elsewhere, a 53,000-dwt was fixed delivery West Africa for a trip to the Continent at \$12,250.

From Asia, a 56,000-dwt open China fixed a trip to the Mediterranean at \$9,500. Further south, a 61,000-dwt fixed delivery East Kalimantan trip via Indonesia redelivery Vietnam at \$19,000.



The Indian Ocean saw a little action, with a 61,000 dwt fixing delivery Durban trip redelivery Far East at \$20,000, plus \$200,000 ballast bonus.

#### HANDYSIZE

Despite minimal visible activity, positivity returned to the Asia markets, although the Atlantic continued to see a general lack of enquiry leading to a growing list of open vessels.

A 32,000 dwt was fixed basis delivery passing Skaw for a trip to the Mediterranean at \$13,000, whilst a large handy was rumored to have been fixed for a trip from Damietta, with 15-20 May dates to the US Gulf with an intended cargo of cement in the low to mid-teens with a figure of about \$150,000 for hold cleaning.

A 33,000 dwt open in Geelong was fixed via Adelaide to South East Asia with an intended cargo of grains at \$15,500.

A 38,000 dwt opening in CJK was fixed for a trip to EC Central America at about \$10,000. Whilst a 28,000-dwt opening in South Korea was rumored to have been placed on subjects for a trip via North China to South East Asia at \$7,000.

Mediterranean Handymax's were subject to diminished activity levels this week. Despite this there was just enough to hold the TC6 index at WS150 all week.

Up on the UK-Continent, the TC23 index took a 34.7 point cut to WS117.49.

#### VLCC

The rate for 280,000 mt Middle East Gulf to US Gulf (via the cape/cape routing) is now assessed one point lower than a week ago at WS31.39, while the rate for 270,000 mt Middle East Gulf to China reduced about seven points by midweek and rebounded two points on Thursday to be assessed now at WS40.45, giving a corresponding round trip TCE of \$15,500 per day basis the Baltic Exchange's vessel description.

In the Atlantic market, the rate for 260,000 mt West Africa/China sank to WS40 midweek but due to the firmer demand in the US Gulf & Caribbean region, drawing tonnage away from West Africa, rates have rebounded five points to be assessed at WS44.70, which shows a daily round voyage TCE of \$22,300. Since publishing at this level yesterday, Chevron have been reported to have taken a Maran vessel on subjects at WS45 for West Africa to Eastern options.

A busy week in the US Gulf arena has pushed rates up \$138,889 from a week ago for 270,000 mt US Gulf/China, which is now assessed at \$6,905,556 (\$23,900 per day round trip TCE).

#### SUEZMAX

The Black Sea and Mediterranean markets firmed this week with the rate for 135,000mt CPC/Med rising six points to WS126 (a round trip TCE of \$55,700 per day).

In the Atlantic region, the West African market became busier than seen in recent weeks, while the US Gulf and Caribbean region continues to attract tonnage away, and rates rose 24 points for 130,000 mt Nigeria/Rotterdam, which now sits at WS116.5 (a round trip TCE of \$50,600 per day).

In the Middle East, the rate for 140,000mt Basra/Lavera gained further strength, rising 10 points this week to WS70.75.

#### AFRAMAX

In the North Sea market, the rate for the 80,000 mt Hound Point/Wilhelmshaven route climbed 7.5 points to almost WS136 (showing a round-trip daily TCE of \$42,100).

In the Mediterranean, the rate for 80,000mt Ceyhan/Lavera remained flat at WS162.5 (a daily round trip TCE of \$50,600).

Across the Atlantic, the Stateside Aframax market had charterers under pressure early on and by midweek were unable to resist the owners' strength. Rates have gone on a somewhat meteoric rise and now the rate for 70,000 mt East Coast Mexico/US Gulf is 186 points higher than a week ago at WS380 (\$145,600 per day round-trip TCE) and the rate for 70,000mt Covenas/US Gulf has risen 175 points (or increasing 100%) to WS351.25 (a daily round-trip TCE of \$120,800).

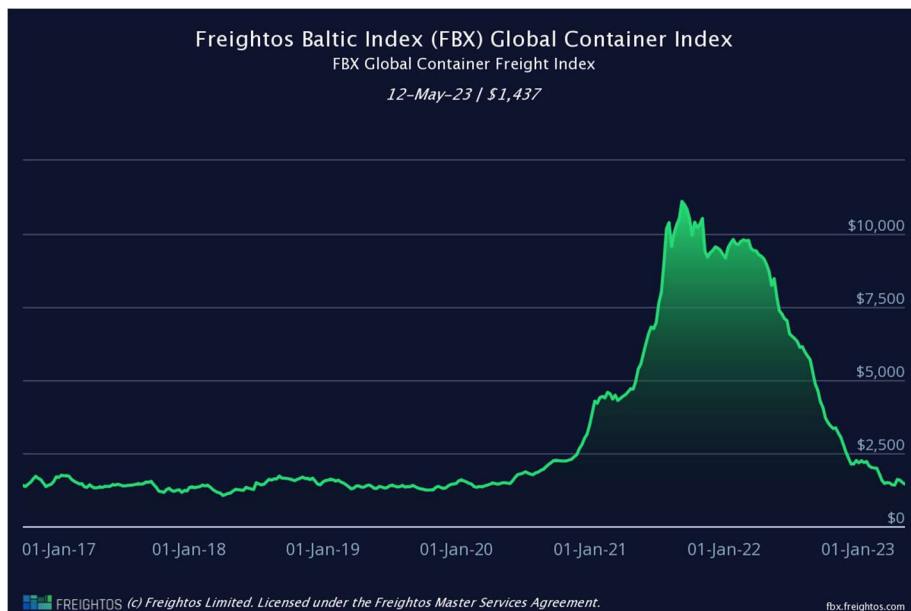
For the trans-Atlantic route of 70,000 mt US Gulf/Rotterdam, the rate was catapulted 86.5 points to WS256 (showing a round trip TCE of \$77,525 per day), which may start attracting tonnage ballasting from Europe if the demand continues and is not depleted by the Suezmax and VLCC activity on this route.

#### ➤ Ocean Freight Route Prices (US\$/mt) as of the 10<sup>th</sup> of May 2023

	TW	LW	LY	%Y/Y
US Gulf to EU (Rotterdam) a)	25	25	45	- 45
US Gulf - Japan a)	49	49	74	- 35
US Gulf - Mexico	18	18	35	- 49
EU (Rouen) - Algeria	22	22	45	- 52
Russia - Egypt	18	19	36	- 50
Argentina (Up River)-EU(Rotterdam)a)	30	31	56	- 46
Brazil - China a)	46	47	74	- 39
Brazil - EU (Rotterdam) a)	24	25	47	- 48
Australia (Kwinana) - China a)	20	21	34	- 42

Source: International Grains Council visit: [http://www.igc.int/grainsupdate/igc\\_goi.xlsb](http://www.igc.int/grainsupdate/igc_goi.xlsb)

➤ **Freightos Baltic Index (FBX): Global Container Freight Index**



FBX stands for Freightos Baltic Index. It is the leading international Freight Rate Index, in cooperation with the Baltic Exchange, providing market rates for 40' containers (FEUs).

Prices used in the index are rolling short term Freight All Kind (FAK) spot tariffs and related surcharges between carriers, freight forwarders and high-volume shippers. Index values are calculated by taking the median price for all prices (to ignore the influence of outliers on active lanes) with weighting by carrier. 50 to 70 million price points are collected every month. The weekly freight index is calculated as an average of the five business days from the same week and published each Friday.

➤ **Illinois River Barge Freight**

12 May 2023 – Indicative values, “bid/offer”, as a% of tariff (1976 benchmark rates short ton (2,000 lbs)). Use to calculate “Delivery Value Equivalents” (DVE).

**IL RIVER FREIGHT**

	5/11/2023	5/12/2023	
wk 5/7	275/290	275/290	UNC
wk 5/14	275/290	275/290	UNC
wk 5/21 & 5/28	275/290	275/290	UNC
June	290/325	290/325	UNC
July	300/325	300/325	UNC
August	450/500	450/500	UNC
Sept	525/600	525/600	UNC
Oct	625/700	625/700	UNC
Nov	575/625	575/625	UNC
Dec	525/600	525/600	UNC

Lock and Dam closures update on the Mississippi River as of May 11: Lock & Dam 16(RM 457) Illinois City, Illinois, closed due to high water; anticipated reopening May 12th. Lock & Dam 17 (RM 437) New Boston, Illinois, closed due to high water; anticipated reopening May 12th.

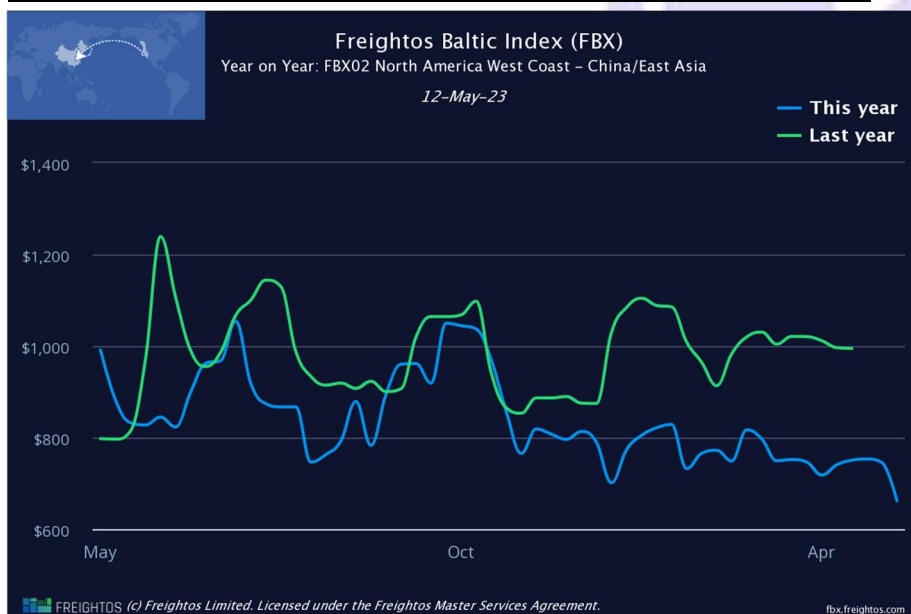
➤ **Flooding Subsides in Some Parts of Mississippi River**

The U.S. Army Corps of Engineers is beginning to reopen several upper Mississippi River locks previously closed due to flooding in the river, reports *Agri-Pulse*.

Water levels in the river have declined over the past week, though levels in Rock Island, Illinois, remain at a "major flood stage", according to gauge readings from the National Oceanic and Atmospheric Administration. Mike Steenhoek, executive director of the Soy Transportation Coalition, said he expects to see declines continue at Rock Island and other high-water areas in the upper river in the days ahead.

Approximately 395,000 metric tons of soybeans were exported during the week of May 4, according to USDA. Steenhoek said volumes at this time of year are “modest”

**Freightos West Coast N.A. – China/East Asia Container Index - Daily**



Source: <https://fbx.freightos.com/>

compared to the fall harvest season, pointing to the 2.75 million metric tons exported last year during the week of Oct. 8.

## LOGISTICS

### ➤ China for \$58 billion rail link with Pakistan to reduce reliance on West



1 May 2023 TBS News - To move further away from Western trade dependence, China has proposed its most expensive Belt and Road Initiative to date with a \$58 billion railway system connecting Pakistan to western China.

According to analysts from the state-owned China Railway First Survey and Design Institute Group Co Ltd, the \$57.7 billion plan to construct a 1,860-mile rail system is worth the investment and has the potential to reshape not only trade but geopolitics, reports Yahoo.

The rail system will be designed to connect Pakistan's port of Gwadar to the Chinese city of Kashgar in the Xinjiang Uygur autonomous region.

"The government and financial institutions should provide strong support, increase coordination and collaboration among relevant domestic departments, strive for the injection of support funds and provide strong policy support and guarantees for the construction of this project," the Chinese team of analysts said in a report published earlier this month in the Chinese journal, Railway Transport and Economy.

The new transport project, connecting China to Pakistan, is set to be China's biggest railway project yet. However, the Jakarta-Bandung high-speed rail line in Indonesia –

Asia's first high-speed rail system – which is slated to open in June, is still the first major international rail system.

China is also working on a rail system which will connect the country to the world's top manufacturer with the Arabian Sea, opening it up to more direct trade routes.

It is also expected to encourage additional train systems that could connect China to Turkey and Iran – significantly opening up direct access to the regions, reported the South China Morning Post.

Additionally, China hopes to connect with Turkey and Iran – significantly opening up direct access to the regions, reported the South China Morning Post.

Beijing's broader Belt and Road Initiative is gradually solidifying China as a world superpower and encourage global domination in the trade sector.

China's initiative show a future which is looking to shift focus away from historical trade routes dominated by Western nations. The country's goal is to improve economic goals and encourage a "multipolar world" to diminish Western power – a move that top autocratic nations like Russia and Iran have also been eager to encourage as geopolitical tensions with the West continue to escalate.

### ➤ Three railroads join to serve US-Mexico-Canada



27 April 2023 by Lisa Cleaver, Feed and Grain - Falcon Premium intermodal service connects CN, UP and Grupo Mexico together, counters CPKC merger.

Canadian National (CN), Union Pacific (UP) and Grupo Mexico railroads said they will work together to move intermodal cars filled with shipping containers from Mexico north across the U.S. to the key hub of Chicago and further north into Canada.

The Grupo Mexico railway will extend from the Mexican hubs of Monterrey, Nuevo León and Silao, Guanajuato, to Eagle Pass, Texas. From there, the Union Pacific railroad extends to Chicago, Illinois and Detroit, Michigan, where it will then connect to all Canadian National railway points — the most direct route between Canada and Mexico.



According to reports, the service is designed to counter Canadian Pacific-Kansas City Southern's (CPKC) merger in March, which created a single-line rail service connecting all three North American countries.

### **Falcon Premium helps with railroads' climate goals**

Falcon Premium is designed to allow the maximization of lading weights between Mexico/Canada for greater efficiency for customers. The service will also contribute to lower greenhouse gas emissions through reduced rail miles and significant truck-to-rail conversion, said Lance Fritz, chairman, president and CEO of UP.

"This ... venture harnesses the strengths of three companies to provide best-in-class service to our customers in three countries, while supporting our climate goals," said Fritz.



The Falcon Premium announcement comes just days after the AP reported that CPKC made a multiyear agreement with the Schneider National trucking firm to become the preferred railroad to handle that company's intermodal shipments to and from Mexico beginning in May.

The deal would move shipping containers of goods the trucking company picks up at manufacturers and ports in Mexico to the key rail hub in Chicago, where all the major railroads exchange traffic.

### ➤ **GrainCorp, Pacific National extend rail partnership**

3 May 2023 by John Reidy - SYDNEY, AUSTRALIA — Riding three straight years of bumper crops in Australia, GrainCorp and Pacific National have extended for another five years their partnership to move grain across the southeast Australia states of New South Wales and Victoria.

The longtime partnership is a key pillar of GrainCorp's integrated value chain, said Robert Spurway, managing director and chief executive officer of GrainCorp, a diversified global agribusiness and processing company based in Sydney, Australia.

"GrainCorp and Pacific National have worked together through the challenges of COVID-19 restrictions and weather impacts to the network over the last few years to deliver a strong supply chain performance for the industry," Spurway said. "We are looking forward to the next five years of collaboration."

GrainCorp has the largest regional accumulation, storage and handling network on the east coast of Australia. The company operates more than 160 regional receival sites and seven bulk ports, connected by road and rail infrastructure.

Over the past three years, GrainCorp has moved 7.6 mmts of grain, with trains covering over 3.6 million kilometers (2.23 million miles) to complete the shipments.

"Pacific National has deep and unrivaled experience, expertise and capacity in hauling large volumes of grain safely and efficiently," said Paul Scurrah, CEO of Pacific National. "This includes being able to call on the resources of 300 highly trained and skilled essential frontline freight workers and a rolling stock fleet of more than 50 locomotives and 1,400 grain wagons."

"As Australia's largest private rail freight operator, Pacific National looks forward to continuing our close and longstanding relationship with the largest grain storage and handling company on the eastern seaboard."

**CPKC joins with trucking firm to move Mexico shipments**

## Government

### ➤ Corn Refiners Association - Trade Update

9 May 2023 CRT Trade Update -

- **Food Security:** The latest [Global Food Security Index](#) revealed a “deteriorating” and “fragile global food system that is under immense pressure and facing some of its worst outcomes ever. Food prices and hunger are hitting record highs, while affordability is plummeting as shocks like the covid-19 pandemic, armed conflict and climate change compound systemic stresses.” While the U.S. ranked only 13th (78.0) in regional rankings, North America (78.6) ranked highest compared to the global average index reading of 62.2.
- **U.S.-China:** The Senate is preparing legislation to counter competition with China and the country’s pernicious unfair trade practices. The legislation will focus on five main themes: limiting the flow of advanced technology to the Chinese government; curbing investment to the Chinese government; securing domestic economic investments; underscoring U.S. commitment to economic allies and maintaining partner alignment; and safeguarding our allies’ and partners’ security and maintaining our strategic alliances, according to reports.
- **U.S.-China:** Separately, the House of Representatives Committee on Rules [announced](#) a hearing on “Examining China’s Coercive Economic Tactics” on May 10, at 2 p.m. EDT.
- **USMCA:** In a speech at the Conference of the Americas, Ambassador Tai stated that the “innovative” features of USMCA could be applied to other countries in the Western Hemisphere.
- **USMCA:** U.S. officials confirmed USMCA technical consultation on Mexico’s biotech decree continue, despite passing the 30-day threshold allowing for a dispute settlement request. USDA Under Secretary for Trade and Foreign Agricultural Affairs Alexis Taylor said the U.S. is still “assessing” Mexico’s comments under the technical consultations, according to Agri-Pulse.
- **USMCA:** The U.S. and Mexico resolved a labor complaint involving worker rights disputed under the USMCA’s rapid response labor mechanism, making it the eighth facility where the U.S. has successfully employed the USMCA provision to “benefit workers,” according to a USTR [press release](#).
- **USMCA:** With the 30-day threshold for USMCA technical consultation passed on the Mexico biotech policy to ban GM corn, a top Mexican agriculture official said Mexico’s decree to ban GM corn imports for certain uses “does not affect U.S. corn producers in any way.”
- **U.S.-China:** China made an additional 18 food and agriculture products subject to production facilities registration for imported products under [Decree 248](#). The move involved mostly dairy products, fruit and vegetable juice, and fruit products, according to a [USDA report](#).
- **U.S.-Kenya:** U.S. and Kenyan officials concluded the first formal negotiating round under the bilateral Strategic Trade and Investment Partnership, in Nairobi, exchanging views on “proposed texts covering agriculture; anticorruption; micro, small and medium-sized enterprises; and services domestic regulation,” according to a USTR [readout](#).
- **U.S.-U.K.:** The U.K. signed a [memorandum of understanding](#) (MOU) on trade with the state of Oklahoma, the fourth state-level trade pact signed by the U.K. According to a statement by the U.K. government, “This MOU builds on the strong existing relationship between the U.K. and Oklahoma and sets out mutual goals and activities to strengthen our economic ties.”
- **Trade Policy:** The Biden Administration doubled down last week on its new approach to U.S. trade policy, eschewing tariff reductions to pursue a more worker-centric trade negotiating framework with greater emphasis on the environment and resilient supply chains. National Security Advisor Jake Sullivan [said](#), “The era of after-the-fact policy patches and vague promises of redistribution is over. We need a new approach.” Sullivan noted the prior approach of tariff concessions dominating trade negotiations was no longer viable.
- **IPEF:** The U.S. will hold an IPEF ministerial in Detroit, MI, on May 27, according to a [joint statement](#) released by U.S. Secretary of Commerce Gina Raimondo and U.S. Ambassador Katherine Tai. The IPEF ministerial meeting in Detroit follows on the heels of the third round of talks in Singapore held this week (May 8-15).
- **IPEF:** A group of freshman Democrats in the U.S. House of Representatives penned a [letter](#) to President Biden expressing support for IPEF and pursuing trade initiatives that include strong worker and environmental protections, building on USMCA as the standard. They further stated, “We strongly support your focus on setting the rules of commerce rather than cutting the few remaining U.S. tariffs,” a nod to the President’s current approach to trade policy that omits comprehensive free trade agreements.
- **WTO:** WTO reform remains a focus in Geneva as India proposed 30 specific incremental reforms of the WTO. Titled the [“30 for 30” proposal](#), a nod to the WTO’s upcoming 30th anniversary of its creation and move from the General Agreement on Tariffs and Trade (GATT), the proposals are aimed at improving the operational effectiveness of the institution and its various committees.
- **WTO:** Meanwhile the U.S. blocked, for the 65th time, a request by over 120 WTO members to fill the vacancies on the defunct appellate body. The U.S. contends that significant reform of the dispute settlement system to ensure transparency and adherence to the WTO principles should precede any actions to consider pursuing the prior two-tier dispute settlement system.
- **WTO:** The Biden Administration affirmed its support for the WTO but noted serious challenges lay ahead and reform of the institution remains critical. National Security Advisor Jake Sullivan [said](#) the U.S. is working with other “WTO members to reform the multilateral trading system so that it benefits workers, accommodates legitimate national security interests, and confronts pressing issues that aren’t fully embedded in the current WTO framework, like sustainable development and the clean-energy transition.”

- **WTO:** WTO Director-General Okonjo-Iweala continues to urge members to coalesce around workable policy objectives for the 13th ministerial (MC13), aiming to manage expectations and build on the positive outcomes from the prior ministerial. The WTO leader specifically mentioned the goals of resolving the temporary moratorium on electronic commerce, continued advancement in curtailing fisheries subsidies, making progress on WTO reform, and agriculture reform and food security.

➤ **Black Sea Grain Initiative Extension Still in Doubt**

The latest talks on extending Ukraine's grain-export deal ended without a definitive agreement, with Russia reiterating its threat to withdraw from the pact in one week, writes *Feedstuffs*.

Negotiations in Istanbul over the past week between officials from Ukraine, Russia, Turkey and the United Nations made "positive and constructive" progress, according to the Turkish defense ministry. However, Russia repeated a warning on Thursday that the deal will end May 18 unless its demands for progress toward removing obstacles on its own food and fertilizer shipments are met.

The proposals discussed included reopening the Togliatti-Odesa ammonia pipeline and improving the Joint Coordination Centre — which conducts the ship inspections — to ensure "stable operations," the UN said.

➤ **Nigerian Government Increases Tariffs On Imported Rice, Wheat, And Alcohol Among 189 Items**

30 April 2023 by Okugbe Osaretin, ODU News - The Federal Government of Nigeria has declared a review of the Import Adjustment Tax (IAT) in line with the implementation of the Economic Community of West African States (ECOWAS) Common External Tariff (CET) for 2022-2026. As a result, tariffs on the importation of rice, wheat, alcohol, and 189 other items will increase.

According to the 2023 revised document, tariffs on rice packaging of more than 5kg or in bulk and in packing of 5kg or less have been raised to 60% from 50%. Additionally, the importation of wheat or meslin flour now carries a 70% tariff, up from 50% in the 2022-2026 ECOWAS CET.

Zainab Ahmed, the Minister of Finance, disclosed this information in a document titled "Revised Import Adjustment Tax (IAT) for Implementation of ECOWAS CET (2022-2026), 2023 Fiscal Policy Measures." The document states that President Buhari has approved the implementation of the 2023 fiscal measures, including Supplementary Protection Measures (SPMs) for the ECOWAS CET and revised excise duty rates on alcoholic beverages, cigarettes, tobacco products, and Single Use Plastics (SUPs).

In 2022, Ahmed had issued a circular announcing President Buhari's approval of the 2022 Fiscal Policy Measures, which involved the enforcement of the ECOWAS CET and excise duties on goods such as non-alcoholic beverages, alcoholic beverages, cigarettes, tobacco products, and telecommunication services, effective April 1, 2022.

The CET aims to harmonize ECOWAS member states and strengthen the common market by applying the same customs duties, import quotas, and preferences across the customs union.

The document further stated that a 90-day grace period, starting May 1, 2023, would be granted to all importers who had opened Form 'M' and entered into irrevocable trade agreements before the implementation of this circular. However, any new import transactions from May 1, 2023, will be subject to the new import duty regime.

Revised excise duty rates on alcoholic beverages and tobacco products will take effect from June 1, 2023, and will be reviewed upwards in accordance with the new regime by June 1, 2024. The excise duty on Single Use Plastics (SUP) will also come into effect on June 1, 2023.

➤ **China may be gearing up for confiscation and reallocation of farmland**

22 April 2023 *The Rahnuma (IANS)* - New rules governing the transfer of rural land in China have sparked concerns that the ruling Communist Party may be gearing up for the mass confiscation and reallocation of farmland in the name of "stabilizing the grain supply", a media report said.

The Ministry of Agriculture announced this week that it will roll out a pilot scheme to "standardize" the transfer of rural property rights, as well as "strengthening supervision and management" over the use of rural land in China, which is typically leased to farmers on 30-year "household responsibility" contracts, with the ownership remaining with the government, Radio Free Asia reported.

The move comes after the administration of supreme party leader Xi Jinping made it easier in 2016 for farmers to be bought out of household responsibility leases, to encourage farmers to relocate to urban areas to reduce rural poverty.

Under the new land rules, officials are expected to "give full play to government leadership" via controversial agricultural management enforcement officials, who critics fear will send the country back to Mao-era collective farming and micromanagement of people's daily lives, RFA reported.

Analysts and farmers said that the main point of the additional controls is the tightening of state control over the supply of grain and to facilitate the transfer of rural land away from farmers if needed, RFA reported.

The move comes amid an ongoing government campaign to "stabilize the grain supply" and other moves to ensure food security, including revamping moribund Mao-era food coops and ordering the construction of state-run canteens.

The rules insist on "disciplined transactions" including supervision of contract-signing and "certification," and could pave the way for the mass reallocation of farmland in future, analysts said, RFA reported.

Financial commentator Cai Shenkun said the scope of the pilot scheme is unprecedented.

"Given the involvement of the agricultural management officials who are now empowered to enforce the law, I think it has something to do with the next step, which will be the confiscation and reallocation of land," he said, RFA reported.



Agricultural management officials are among a slew of local officials empowered in a July 2021 directive to enforce laws and regulations without the involvement of the police.

There are growing signs of unease around the new breed of rural “enforcer”, RFA reported.

### **Australia's FTA with UK to start within weeks**

8 May 2023 Grain Central Source: MLA – In advance of King Charles III's coronation, Australian and UK Prime Ministers Albanese and Sunak met in London yesterday, announcing the long-awaited entry into force date of June 1<sup>st</sup> for the Australia-UK Free Trade Agreement, following the expected completion of UK domestic processes.

The occasion marks a significant week for both Australia's head of state and new era for Australia-UK trade relations.

The A-UK FTA, which was agreed-to in principle in June 2021 and signed in December that year, will see Australian beef and sheep/goat meat access to the UK liberalised over a transition period.

“The FTA marks a new chapter in Australia-UK trade relations and, for our sector, provides an important framework to continue to do business with British customers and consumers,” chair of the Australia-UK Red Meat Market Access Taskforce Andrew McDonald said.

“Australia and the UK have a long history of trade with British consumers being loyal purchasers of Australian beef and sheepmeat,” he said. “The FTA provides an opportunity to modernise our trading relationship for the future, and we look forward to more streamlined trade and reduced supply chain costs with the implementation of the agreement.”

From the 1<sup>st</sup> of June, Australian beef and sheepmeat exports will enter the UK under a new tariff rate quota regime – with initial TRQ tonnages gradually increasing over a ten-year transition period. Product within the TRQ amounts will enter tariff free.

While there will be no TRQ regime post year ten, a volume safeguard provision will apply until the end of year 15, beyond which no safeguards will apply.

“We congratulate the Prime Ministers on finalising this significant milestone in Australia-UK relations and express our gratitude to all who have worked diligently to realise such an outcome,” Mr McDonald said.

Australia occasionally exports panamaxes of canola to the UK, and regularly exports modest amount of chickpeas and wheat.

Its wheat imports from Australia jumped markedly in March, according to the latest data from the Australian Bureau of Statistics.

UK farmer opposition

During the FTA negotiation phase, there was strident and sometimes bitter opposition to the red meat access relaxation from some quarters of the UK farming community – especially targeting Australian grainfed beef as ‘factory farming’ and raising animals

welfare questions. That came despite the common practice of shedding livestock for long periods over the UK winter.

President of the UK National Farmers Union, Minette Batters, said confirmation that the UK's new trade deals with Australia and New Zealand will come into force at the end of the May brought into sharp focus the need for the UK government to monitor the ongoing and cumulative impacts for UK farmers and growers of the inevitable tougher trading environment they will face.

“It's clear that UK farmers have very little to gain from these two deals. Instead we are pushing the government to focus its trade efforts on opening up markets where there's a genuine opportunity for UK agriculture to grow our sales of fantastic products overseas,” she said.

“While it is reassuring that these deals will not result in a change in our food safety standards here – for example, imports of HGP-treated beef will still be banned – we must ensure that the government's commitment to uphold the UK's food safety standards in all deals it negotiates remains unwavering.”

A statement issued by the UK Government yesterday said both Australian and NZ trade deals would drive economic growth and innovation across the UK, Australia and NZ through the removal of tariffs on all UK goods exports, open unprecedented access for services, cutting of red tape for digital trade, and by making it easier for UK professionals to live and work in Australia and New Zealand.

The FTA deals came just weeks after the UK concluded negotiations to join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), a free trade area worth £9 trillion, “putting the UK at the heart of a trading powerhouse.”

Prime Minister Rishi Sunak said the trade deals with Australia and New Zealand squarely delivered on his priorities to drive economic growth, boost innovation and increase highly skilled jobs across the UK.

“It ensures we and our closest friends continue to prosper for generations to come,” he said.

Business and Trade Secretary, Kemi Badenoch, said putting the trade deals into action would help create new opportunities for UK business, boosting wages and helping spur economic growth.

“There are robust protections for British farmers in both deals, including staging tariff liberalisation for sensitive goods over time,” the government said.

The UK and Welsh Governments have now made the final legislative changes needed to bring the trade deals into action.

### **➤ Lawmakers Press for WTO Dispute on India's Ag Subsidies**

The U.S. has twice filed counter notifications with the World Trade Organization to demonstrate that India is vastly under-reporting its subsidies for wheat and rice production, and now House members are urging the U.S. Trade Representative to officially challenge the Indian policy, writes *Agri-Pulse*.

"India has disregarded WTO commitments for at least a decade, leading to entrenched policies and an increasingly justified perception that the rules will not be enforced," Reps. Rick Crawford, R-Ark., Tracey Mann, R-Kans., and 16 other members wrote in a letter to USTR Katherine Tai and USDA Secretary Tom Vilsack. "Meanwhile, these policies have global spillover that degrade market opportunities for farmers in the United States and other countries that comply with the WTO agriculture rules."

Australia, Canada, Paraguay, Thailand, and Ukraine backed the second U.S. counter notification on India.

#### ➤ **Tariffs Could Bring Higher Costs for Canned Foods**

Proposed tariffs up to 300% on tinplate steel imports will increase the cost of canned foods and products by up to 58 cents per product, according to [research](#) conducted by The Juday Group and released by the Consumer Brands Association.

*Agri-Pulse* writes that Consumer Brands is urging the Department of Commerce and International Trade Commission to deny a petition submitted by steel conglomerate Cleveland-Cliffs to impose tariffs of up to 300% on imported tinplate steel from eight countries (Canada, China, Germany, the Netherlands, South Korea, Taiwan, Turkey, UK).

Because tinplate is used in hundreds of canned goods – everything from soup to shaving cream – Consumer Brands said in a release "imposing the requested tariffs would raise production costs for U.S. can manufacturers and trigger price hikes for every consumer, as supported by the research."

#### ➤ **Biden, Ag Committee Leaders Hold 'Very Cordial' Farm Bill Discussion**

Leaders of the House and Senate Agriculture committees met for over an hour at the White House Thursday evening with President Joe Biden and Agriculture Secretary Tom Vilsack to talk about enacting a new farm bill.

In an interview with *Agri-Pulse* after the meeting, the top Republican on the Senate Ag, John Boozman of Arkansas, described the discussion as "very, very cordial" but somewhat general in nature.

"We essentially agreed how important getting the farm bill done was," Boozman said. "We talked about providing adequate resources for it. We also talked about meeting again in the not-too-distant future."

In a joint statement issued after the meeting, Boozman and the other three committee leaders, Senate Ag Chairwoman Debbie Stabenow (D-MI); House Ag Chairman Glenn "GT" Thompson (R-PA); and House Ag ranking Democrat David Scott (D-GA); said they discussed "the importance of passing a bipartisan Farm Bill this year. The Farm Bill is a jobs bill. It is a safety net for farmers and consumers, and it is an investment in our rural communities and the health of the American people.

"The Agriculture Committees have a long tradition of bipartisan cooperation, and we look forward to continuing that tradition through our work on the 2023 Farm Bill."

#### ➤ **House Ag Committee Seeking Farm Bill Feedback**

The House Committee on Agriculture wants your input on the next farm bill. It has created [an online portal to solicit public feedback](#). Committee leaders believe this tool will allow members to better share the experiences and priorities of agriculture producers and consumers, says *Feedstuffs*.

In addition to questions regarding location and occupation, the online portal asks responders to specify the farm bill title they are most interested in as well as which programs they believe are performing well. It also asks for feedback regarding programs that could be improved upon and additional ideas that should be considered. There is space for respondents to include additional information if they feel it could be useful.

The online portal will continue accepting public feedback through June 9.

#### ➤ **One Last Thing: Supreme Court upholds California Prop 12**

*Feedstuffs* reports that the U.S Supreme Court rejected an appeal by the National Pork Producers Council (NPPC) and American Farm Bureau Federation challenging California's controversial Proposition 12 on Thursday. That law, which passed in 2018, requires pork sold in the state to come from pigs born to a sow housed in at least a 24-square-foot-pen.

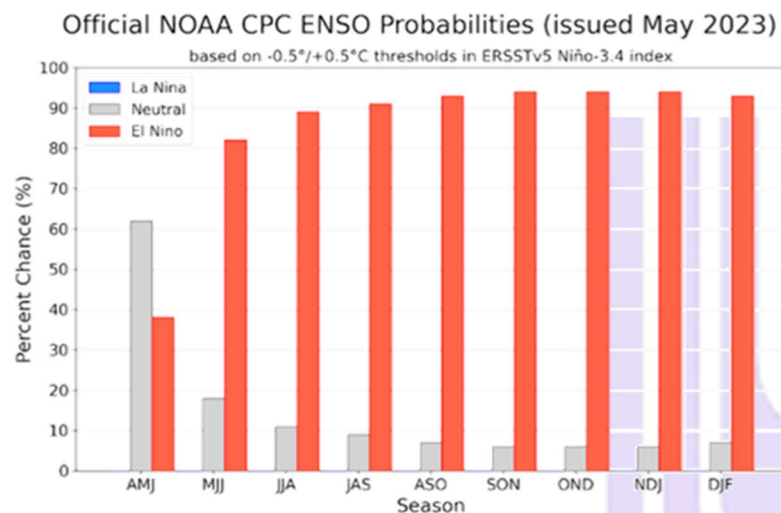
"We are very disappointed with the Supreme Court's opinion," NPPC President Scott Hays said in a statement release shortly after the ruling. "Allowing state overreach will increase prices for consumers and drive small farms out of business, leading to more consolidation. We are still evaluating the Court's full opinion to understand all the implications. NPPC will continue to fight for our nation's pork farmers and American families against misguided regulations."

In his majority opinion, Justice Neil Gorsuch said that those who choose to sell products in various states must normally comply with the laws for those states. He added the responsibility of regulating the pork industry falls on Congress. Otherwise, the court does not have the authority to overturn a state law.

"While the Constitution addresses many weighty issues, the type of pork chops California merchants may sell is not on that list," Gorsuch said.

Still, Gorsuch seemed to leave the door open to future challenges. While rejecting the argument that Prop 12 violated the Commerce Clause, he noted that it potentially calls into question other constitutional provisions including the Import-Export Clause, the Privileges and Immunities Clause, and the Full Faith and Credit Clause.

## International Crop & Weather Highlights



Forecasters' confidence is strong for El Nino's arrival within weeks and its duration into at least early 2024. Odds of El Nino during May-July are at 82%, up from 62% a month ago. Chances of El Nino during Dec23-Feb24 are 93%.

Biggest beneficiaries are likely to be Argentina and Kansas.

### ➤ USDA/WAOB Joint Agricultural Weather Facility – 6<sup>th</sup> May 2023

#### **Europe – More Showers, But Heat And Drought Persisted In Spain**

- Additional albeit lighter showers maintained favorable soil moisture for vegetative to reproductive winter crops from England and France into Poland, while locally excessive rain caused flooding in Italy.
- Hot, dry weather exacerbated drought over Portugal and Spain; winter grains were reproductive to filling, and yield losses were now largely irreversible.

#### **Western FSU – More Showers**

- Additional moderate to heavy showers in eastern Ukraine and western Russia boosted moisture supplies for vegetative to heading winter grains and oilseeds.
- Drier weather favored summer crop planting in Moldova, central and western Ukraine, and Belarus.

#### **Middle East – Showers Continued In Turkey**

- Additional showers in Turkey maintained adequate to abundant moisture supplies for wheat and barley, though favorably drier conditions were noted on the Anatolian Plateau and in the GAP Region.

- Sunny, cool weather favored reproductive to filling wheat and barley from the eastern Mediterranean Coast into Iraq and western Iran, while much-needed showers eased drought in northeastern Iran.

#### **Northwestern Africa – Scorching Heat And Extreme Drought Hastened Winter Grain Maturation**

- Severe drought and scorching heat hastened winter grain maturation in Morocco, Algeria, and Tunisia. Wheat and barley prospects remained poor to abysmal across nearly the entire region save for the immediate northeastern coastal areas.

#### **South Asia – Unusually Wet Weather Continued**

- Pre-monsoon showers overspread much of India, providing an early boost to moisture supplies ahead of the main growing season (kharif) while also providing some relief from searing heat typical for the time of year.

#### **East Asia – Welcome Showers**

- Heavy mid-week showers in China provided beneficial moisture to immature wheat (north) and vegetative spring crops (south) but were too late to significantly benefit mature rapeseed.

#### **Southeast Asia – Little Pre-Monsoon Rainfall And Historic Heat**

- Spotty rainfall in Thailand and environs did little to aid moisture supplies ahead of the main growing season or relieve historically hot weather.

#### **Australia – Sunny Weather Promoted Winter Crop Development**

- Aside from some early-week rain in the east, generally sunny skies and warm weather prevailed across the wheat belt, promoting winter crop planting, germination, and emergence.
- Following the rain in the east, cotton, sorghum, and other summer crop harvesting progressed.

#### **South America – Rain Provided Timely Moisture For Winter Grains**

- Showers increased moisture for winter grains from central Argentina to southern Brazil.
- Warm, sunny weather prompted rapid development of corn and cotton in central Brazil.

#### **Mexico – Drier Conditions Prevailed**

- Sunny weather favored planting of corn and other rain-fed summer crops in eastern farmlands. Mild, sunny weather benefited maturing corn and sugarcane.

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



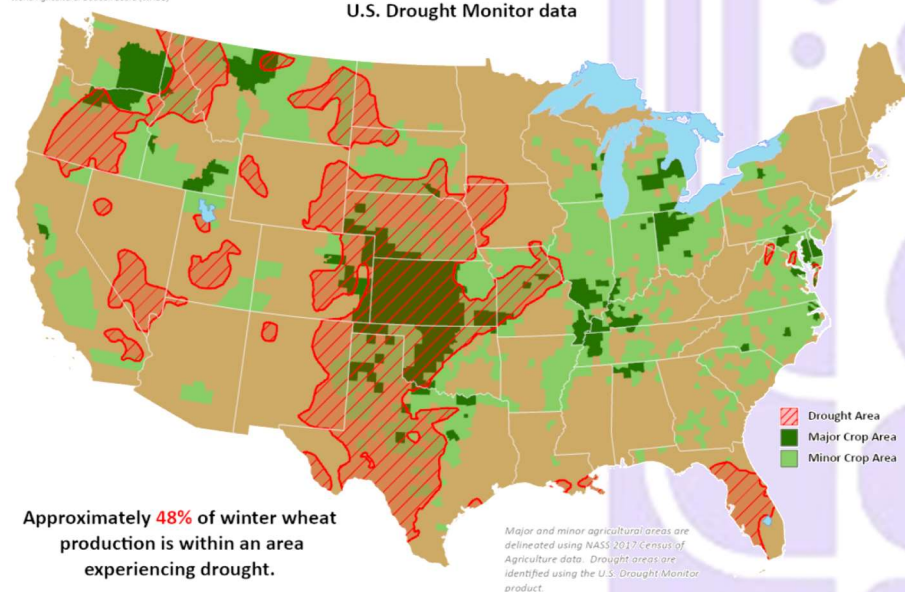
➤ **U.S. Agricultural Weather Highlights – Friday 12<sup>th</sup> May 2023**

**In the West**, any lingering precipitation is confined to the central Rockies and environs. Meanwhile, hot weather is arriving across the Pacific Coast States and the Desert Southwest; in the latter region, today's high temperatures will approach 100°F. Far Western warmth is resulting in rapid melting of high-elevation snowpack and corresponding streamflow increases.

**USDA** United States  
Department of  
Agriculture  
This product was prepared by the  
USDA Office of the Chief Economist (OCE)  
World Agricultural Outlook Board (WAOB)

**Winter Wheat Areas in Drought**

Reflects **May 9, 2023**  
U.S. Drought Monitor data



**On the Plains**, showers and thunderstorms pepper the northern half of the region. The northern Plains' rain is limiting fieldwork, including spring wheat planting, but is generally favorable for rangeland, pastures, winter wheat, and emerging summer crops. On the central Plains, however, some of the recent rain has been accompanied by high winds and large hail, leading to localized crop and property damage. Elsewhere, hot, breezy weather prevails in drought-affected areas of the southern Plains; today's high temperatures will top 90°F in portions of western and central Texas.

**In the Corn Belt**, showers are occurring along and southwest of a line from the Dakotas to the lower Ohio Valley. The rain is slowing a previously rapid planting pace but promoting corn and soybean emergence. Warm weather accompanies the showers, with today's high temperatures expected to reach 80°F or higher as far north as Iowa.

**In the South**, warm, showery weather favors the emergence and growth of spring-sown crops, including corn, cotton, peanuts, rice, and soybeans. Early today, dry

weather is limited to a few areas, including the western Gulf Coast region— where significant rain recently fell—and the Atlantic Coast States from the Carolinas northward.

**Outlook:** A slow-moving storm system currently over the central Plains will slowly weaken while drifting toward the western Corn Belt. As the parent storm fades away on Friday into Saturday, a secondary system will intensify over Texas. During the next 5 days, the Southern storm has the potential to produce at least 4 to 8 inches of rain in parts of central and southern Texas, where flash flooding may occur. Farther north, the initial system could produce an additional 1 to 2 inches of rain during the next couple of days, followed by the return of dry weather. Elsewhere, 5-day rainfall could total an inch or more from the Mississippi Valley eastward, except in the Great Lakes and Northeastern States, while very warm, mostly dry weather will prevail west of the Rockies. Weekend temperatures could reach 100°F as far north as California's San Joaquin Valley. The

**NWS 6- to 10-day outlook for May 17 – 21** calls for the likelihood of near- or above-normal temperatures nationwide, except for cooler-than-normal conditions in the south-central U.S. and from the eastern Corn Belt into the Northeast. Meanwhile, below-normal precipitation across much of the northern U.S., including the Midwest, should contrast with wetter-than-normal weather throughout the southern half of the country.

Contact: Brad Rippey, Agricultural Meteorologist, USDA/OCE/WAOB, Washington, D.C. (202-720-2397)  
Web Site: <https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf>

## References

### ➤ Conversion Calculations

Metric Tonne = 1000 kg, approximately 2204 lbs.

American or Short Ton = 2000 lbs.

British Tonne or Long Ton = 2240 lbs.

#### **Metric Mts to Bushels:**

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

#### **Metric Mts to 480-lbs Bales**

- Cotton = metric mts \* 4.592917

#### **Metric Mts to Hundredweight**

- Rice = metric mts \* 22.04622

#### **Area & Weight**

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

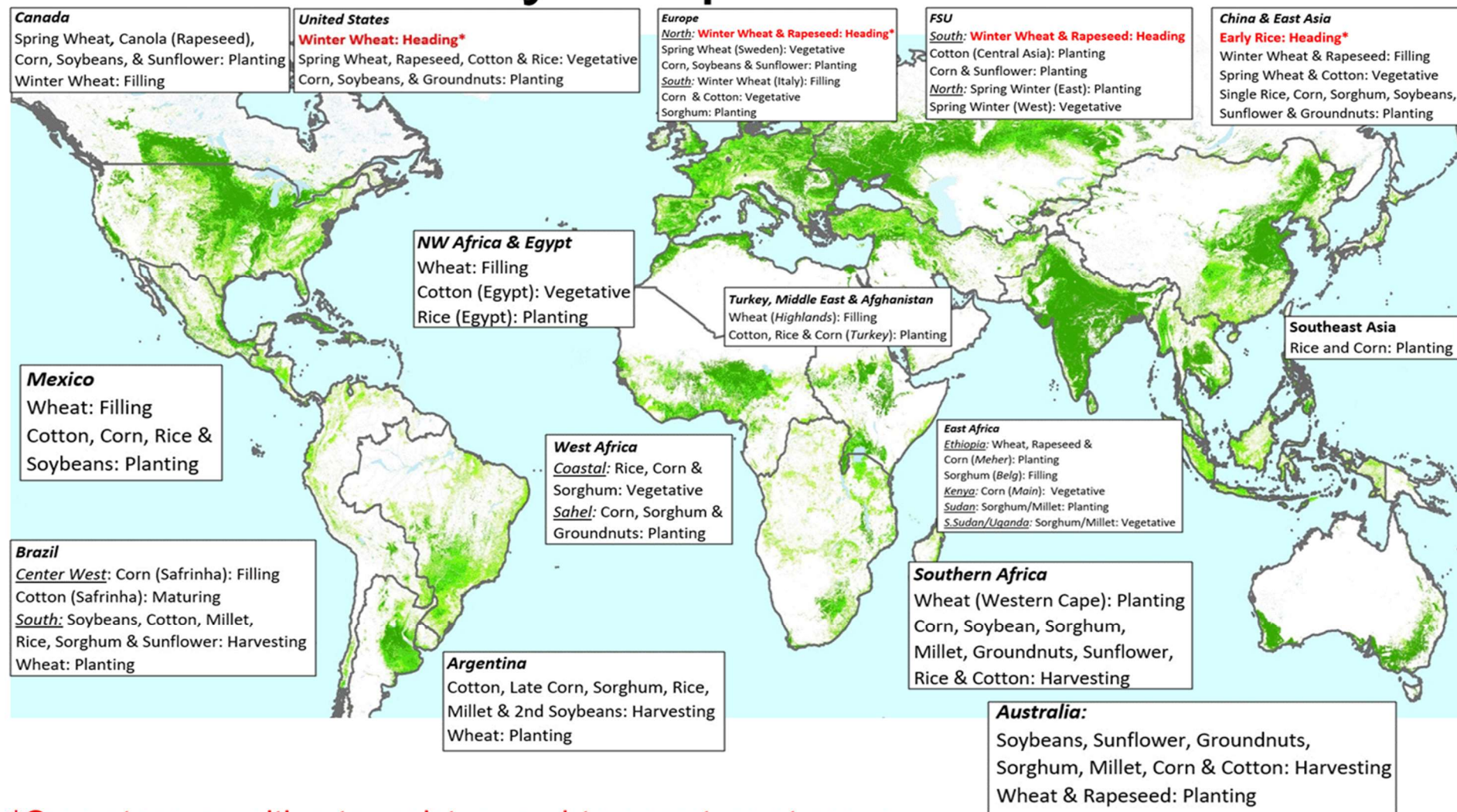
### ➤ Marketing Years (MY)

MY - refers to the 12-month period at the onset of the main harvest, when the crop is marketed (i.e., consumed, traded, or stored). The year first listed begins a country's MY for that commodity (2021/22 starts in 2021); except for summer grains in certain Southern Hemisphere countries and for rice in selected countries, where the second year begins the MY (2021/22 starts in 2022). Key exporter MY's are:

Wheat	Corn	Barley	Sorghum
Argentina (Dec/Nov)	Argentina (Mar/Feb)	Australia (Nov/Oct)	Argentina (Mar/Feb)
Australia (Oct/Sep)	Brazil (Mar/Feb)	Canada (Aug/Jul)	Australia (Mar/Feb)
Canada (Aug/Jul)	Russia (Oct/Sep)	European Union (Jul/Jun)	United States (Sep/Aug)
China (Jul/Jun)	South Africa (May/Apr)	Kazakhstan (Jul/Jun)	
European Union (Jul/Jun)	Ukraine (Oct/Sep)	Russia (Jul/Jun)	
India (Apr/Mar)	United States (Sep/Aug)	Ukraine (Jul/Jun)	
Kazakhstan (Sep/Aug)		United States (Jun/May)	
Russia (Jul/Jun)			
Turkey (Jun/May)			
Ukraine (Jul/Jun)			
United States (Jun/May)			

For a complete list of local marketing years, please see the FAS website (<https://apps.fas.usda.gov/psdonline/>): go to Reports, Reference Data, and then Data Availability.

# May Crop Calendar



\*Crop stage sensitive to moisture and temperature stresses.



U.S. Department of Agriculture (USDA)  
Foreign Agricultural Service (FAS)  
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[https://ipad.fas.usda.gov/ogamaps/images/may\\_calendar.gif](https://ipad.fas.usda.gov/ogamaps/images/may_calendar.gif)