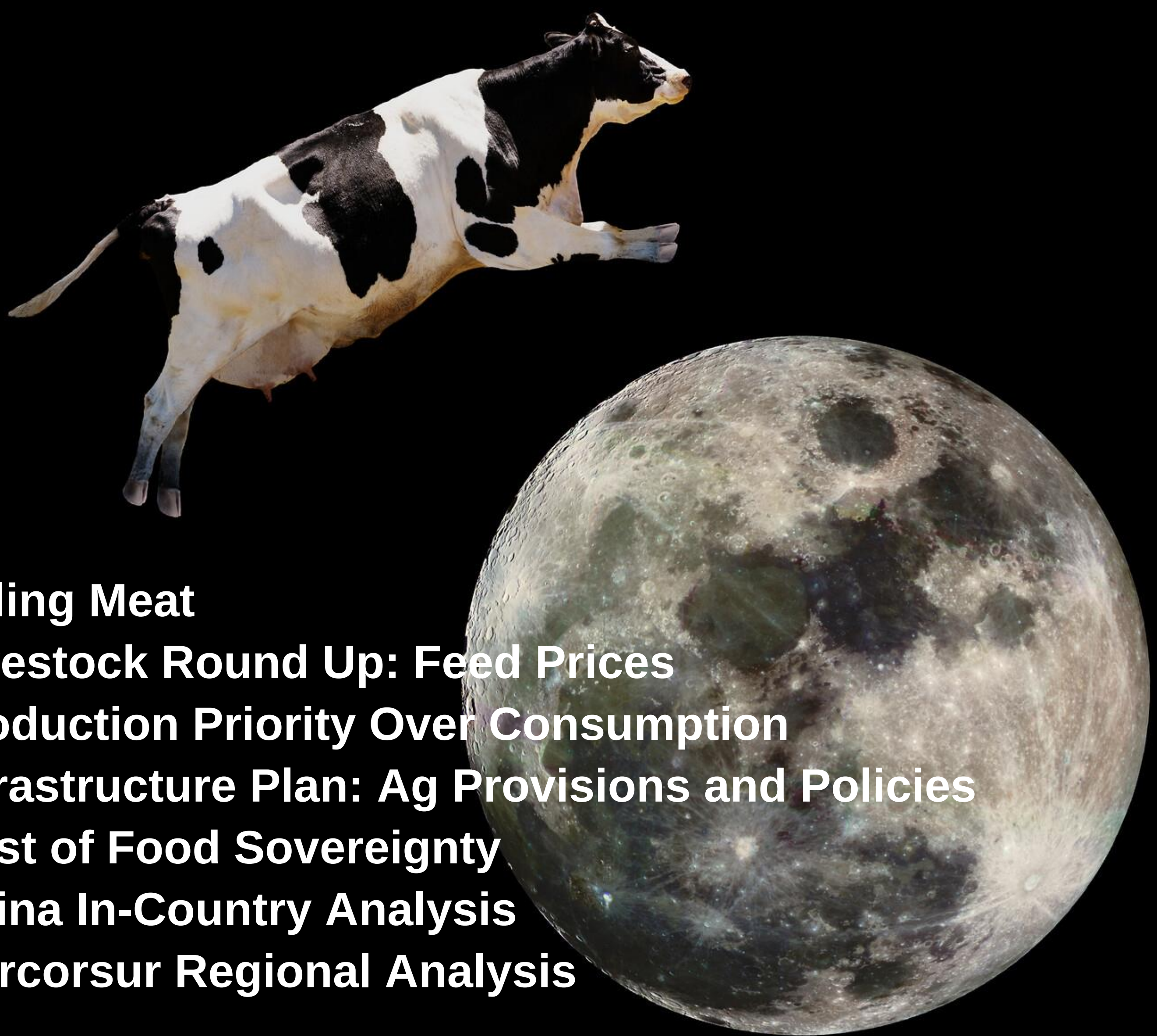
AgReview

April 2021 | Volume 33, No. 3 | World Perspectives, Inc.



Killing Meat

Livestock Round Up: Feed Prices

Production Priority Over Consumption

Infrastructure Plan: Ag Provisions and Policies

Cost of Food Sovereignty

China In-Country Analysis

Mercorsur Regional Analysis

WORLD PERSPECTIVES: AG REVIEW

If you would like to receive *World Perspectives: Ag Review* in PDF format via email, please send your name, organization name and e-mail address to: wpi@agrilink.com.

Cover Design: Renee Boudreau, Studio Del Ray
Cover Photo: www.canstockphoto.com

For more information about WPI and its information services, including subscriptions for *World Perspectives: Ag Review*, please contact us via email at **wpi@agrilink.com** or mail your request to:

World Perspectives, Inc.
1621 North Kent Street
Suite 606
Arlington, VA 22209 USA

How can WPI's consulting services help your business succeed?

Consumer Research: WPI produces low-cost, non-probability consumer surveys around the world. When overlaid with conventional market research data, the result is insights into where and how markets for agrifood products can be expanded – and we have the results to prove it.

Market Identification: Conventional use of macroeconomic and demographic data has correlative value in identifying new markets, but WPI digs deeper. The result has been unique recommendations with some netting a return ratio of 6:1 for increased exports and promotional investment.

Investment Analysis: WPI has provided due diligence on agrifood investments in disparate parts of the world from dairy and juice packaging in Cameroon to soybean crushing in Ukraine and biotech corn planting in Canada. In other instances, the company has used its decades of risk management experience to caution enthusiastic but new-to-agriculture investors to be prudent.

What do our clients say about our services?

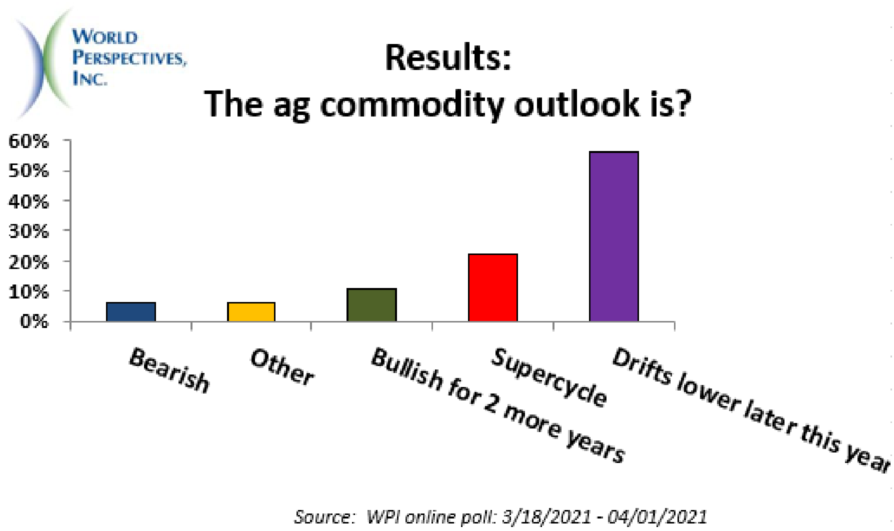
- *Any company that follows up like WPI deserves our business.*
- *WPI does an excellent job of working to assess the client's needs and tailoring their methodologies accordingly.*
- *WPI is very responsive in addressing any questions we have; they are helping the association gauge how to move forward with effective strategies in international markets. This year they have increased the level of their services and continue to help us find ways to be effective with our strategies.*
- *WPI has been responsive and cooperative under every challenge and circumstance presented in their work for us.*
- *WPI really provides us with a life-blood service.*

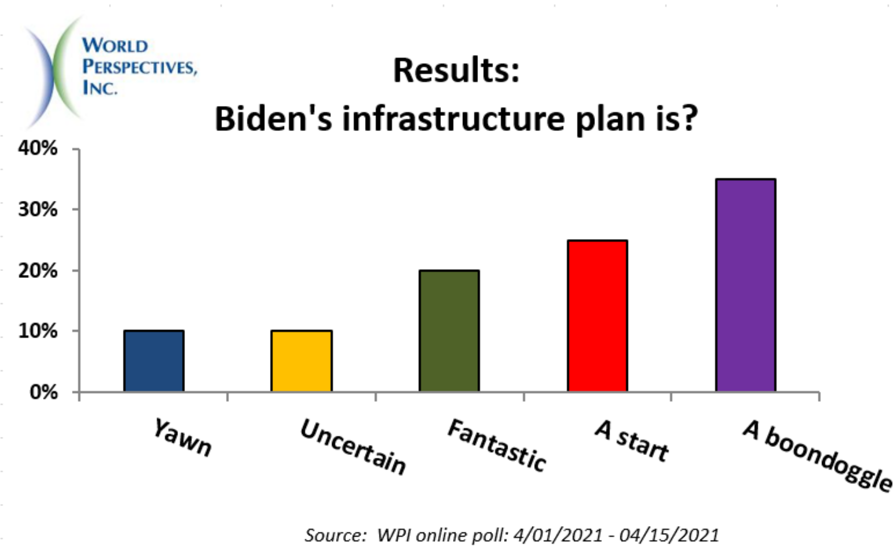
Please contact Gary Blumenthal, CEO and President, at 202-785-3345 or gblumenthal@agrilink.com for more information about how WPI's consulting services can work for you.

CONTENTS

WPI POLLING

Below are the results of two recent WPI polls. Visit www.worldperspectives.com to cast your vote in our current survey.





FROM THE WPI TEAM

The markets are exciting once again! Rising the daily limit and then falling sharply on retracements. It is the emotion of uncertainty, and the physicality of money won and lost. WPI's analysts are hard at work explaining the causes and effects to hopefully temper the volatility.

In this issue of *Ag Review*, we talk about the impact of higher feed costs on the livestock sector, and the even greater challenge of animal welfare regulation. We talk about vegetables, because paraphrasing a British WWII slogan, how can you have any meat if you don't eat your vegetables? More directly, the point in this piece is how domestic antitrust law protects the consumer, but international antidumping law protects the producer. It will get stranger when you read about an off-the-wall solution to hunger and obesity.

Back to the more serious, we explain the market turmoil over production in Mercosur, and once again pierce the enigma that is the Middle Kingdom. There is King Sorghum, agriculture's role in immigration, infrastructure spending and much more. If you missed any of this in the first go-round in *Ag Perspectives*, you will see it here all nicely packaged in *Ag Review*. We hope you will enjoy the read.

Gary Blumenthal

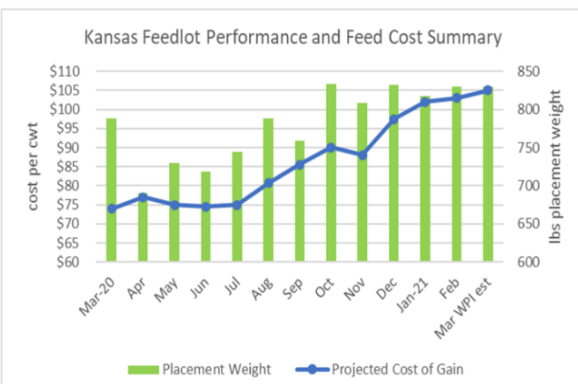
WPI MARKET ANALYSIS

Livestock Round Up: Feed Prices

By Dave Juday

Livestock cost of gain is an issue that seemingly is not going away and has heightened the interest in this month's WASDE report. At current carcass weights, a dollar increase in corn price means about $10 per head for hogs, and for cattle it means that cattle will be held back on grass for heavier feedlot placements, but feeding costs are still increasing.

The chart below is from Kansas State University's Focus on Feedlots newsletter showing placement weights and cost of gain for steers projected for current month placements, with WPI's estimate for March 2021 given current trends.



Source: KSU, WPI

Though heavier weight cattle will be sought by feeders, they're likely to be picky about overly fleshy cattle that won't be efficient gainers. So far, with higher boxed beef prices and steady demand, live cattle prices are holding and could turn even more bullish. At the beginning of Q2, supplies of fed cattle are not much larger than they were in Q1, with Q2 being peak beef demand. May and May and June are the largest slaughter months. Feeder cattle, however, are feeling some pressure.

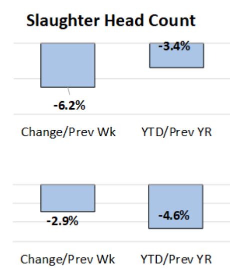
Livestock and Poultry Inventories (Week Ending 2 April)	
Cattle	The total number of feeder and stocker cattle sold at from auctions was 193,300 down from 201,200 the previous week and up from 179,100 for the same week last year. Overall total from auctions, direct and video/internet sales of 257,00 were down from 276,500 the previous week and up from 201,100 last year. Volumes included 54 percent weighing more than 600 pounds and 46 percent heifers.
Pigs	Receipts of feeder pigs totaled 71,748, down from 94,602 the previous week. Receipts included 27.1 percent originating from Canada.
Chickens	Based on the preliminary chick placements, the number of fryers available for marketing during the week ending 15-May-21 is estimated at 164.4 million head. This compares to 164.5 million head the previous week and to 172.0 million head the same week a year ago when the slaughter was 166.7 million head and the national weighted average price was 66.61 cents per pound.

Source: USDA, WPI

Weekly Slaughter Totals (Week Ending 2 April)

Cattle	
# Head -	609,000
Avg. Wt. (lbs) -	1,377

Hogs	
# Head -	2,470,000
Avg. Wt. (lbs) -	291



Source: USDA, WPI

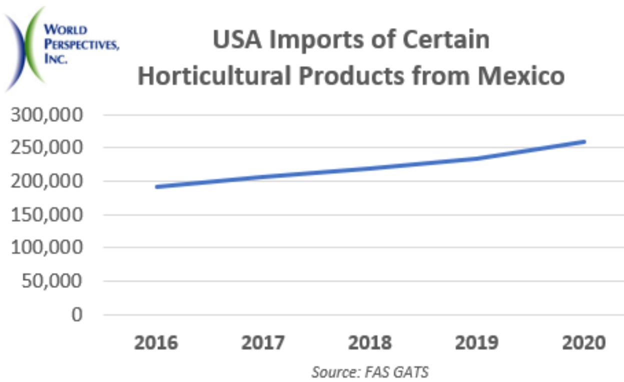
Production Priority Over Consumption

By Gary Blumenthal

Americans consume more than the dietary guidelines recommend for meat and grains while under-consuming fruit and vegetables. Vegetable consumption has been rising and is now at around 70 percent of recommended levels. This has been helped in part by fresh, low-cost supplies from Mexico. The U.S. imports about 6.8 MMT of vegetables from Mexico and they have been growing at 3 percent CAGR. However, there is a group of selected horticultural product imports that have been growing at 6.2 percent CAGR. Imports in this category grew by 34 percent in January and February of this year.

Meanwhile, U.S. vegetable production has been declining on a 1.66 percent annual basis. A group of U.S. lawmakers want the U.S. International

Trade Commission (USITC) to investigate imports of cucumbers and squash from Mexico, which they charge are causing injury to U.S. growers. The USITC will assess injury to the growers but not injury to consumers, which is the opposite approach to antitrust where the goal is to ensure competition on behalf of retail buyers.

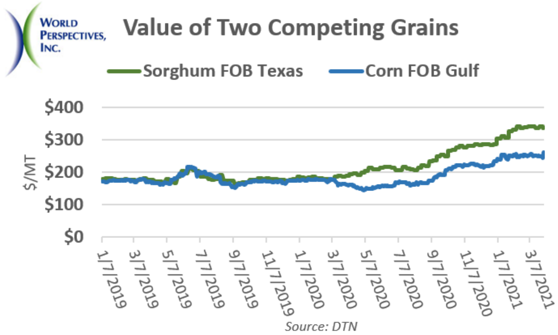


King Sorghum

By Gary Blumenthal

For many decades, sorghum was the Rodney Dangerfield of row crops, it could not get any respect. Over the past three years as total U.S. corn acreage expanded by 1.55 percent, the area planted to sorghum has exploded by 31.8 percent, albeit from a much smaller base number. The increased interest in planting sorghum is drawn from a price that has increased 87 percent in three years, versus 52.7 percent for corn.

Exports generally and China specifically has been the cause of the sorghum price spike. Over half the sorghum crop is exported, versus about a quarter of the corn counting exports in all its forms. That implies greater risk for sorghum if export markets are more volatile than domestic demand. But sorghum also fares well under climate change warnings of more limited moisture. At just 2.5 percent of total U.S. feed grain production sorghum is no real threat to King corn, but producers of milo are feeling better about themselves these days.



WPI INTERNATIONAL ANALYSIS

China In-Country Analysis
21 April 2021

By Global Agribusiness Partners

Livestock

Live First Quarter Data on Hog Revocery Progress Sends Mixed Signals

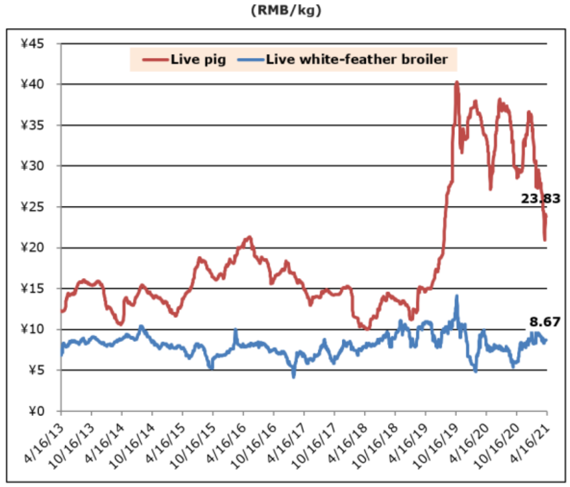
According to China's National Bureau of Statistics (NBS), the country's hog output and total domestic swine inventory continued to recover in Q1 2021. This marks six straight months of increases. Through the end of March, total on farm live hog inventory stood at 415.95 million head, up 94.75 million head or 29.5 percent from the Q1 2020.

This figure, if accurate, suggests the live hog inventory in China is back to a pre-African Swine Fever (ASF) level. Similarly, the sow inventory rose by 9.37 million heads or 27.7 percent from the first three months of last year to end the recent quarter at 43.18 million head. In terms of output, 171.43 million live hogs were slaughtered in the first quarter, an uptick of 40.15 million or 30.6 percent from a year ago. This translated into total domestic pork production for the first three months of the year of 13.69 MMT, an improvement of 3.31 MMT or 31.9 percent from the same period in 2020.

With piglet prices still at historically high levels, even with their recent decline since a peak in mid-March, the NBS figures raise several questions. First, although the average live hog price fell for six straight weeks from the end of the first week of March through the first whole week in April, it saw a correction of 13.9 percent last week. That translated into a week-on-week uptick of RMB 2.91/kg ($.45/kg) or RMB 1.32/lb. ($.20/lb.). Meanwhile, after the September 2021 live hog futures fell by 3.9 percent or RMB 1,070/MT ($163.61/MT) two weeks ago to close at RMB 26,610/MT ($4,068.81/MT), equivalent to an average of RMB 26.61/kg, it ended today at RMB 27,170/MT ($4,160.80/MT), up RMB 485/MT ($74.27/MT) or 1.8 percent. In addition, China imported 480,000 MT of frozen pork last month, the highest single monthly total in history, and an increase in growth of 16.1 percent from the total for March 2020.

For the first quarter of 2021, China's pork and byproduct imports amounted to 1.47 MMT, a growth of 18.9 percent from last year. Based on the first quarter's import volume, China's imports of frozen pork and pork related products in 2021 may exceed 4.5 MMT, equivalent to 64 million live hogs. In addition, China has continued to import beef, poultry, and seafood at historically high volumes through the first quarter. Based on conversations with industry traders, the trend is expected to remain for the rest of the year based on a slower than expected live hog recovery, high feed costs, increased domestic demand, and ongoing disease problems.

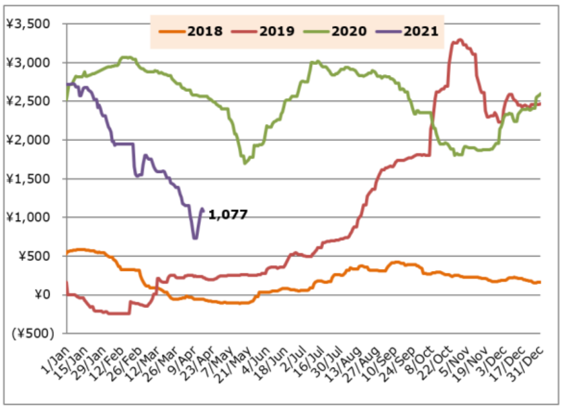
CHINA LIVE BROILER AND PIG PRICES
(RMB/kg)



Data Source: Boyar

The improved average live hog price created a correction in the operating margin for producers. The average profit per live pig jumped up by 47.7 percent or RMB 348/head ($54.12) to push past the RMB 1,000/head ($153.14/head) threshold. By comparison, the average white feather broiler price edged down by RMB .01/kg last week.

CHINA PIG FARMING PROFIT
(RMB/MARKET PIG)



Data Source: Boyar

Apart from the market pricing signals and import data, the blog Dims Sums pointed out another potential question with NBS's recent hog inventory figures. In doing so, it used the recent report to look at an estimated piglet output per sow and made some comparisons with 2017 totals, the last year prior to ASF's emergence.

Essentially, as the table below shows, from a starting sow inventory of roughly 34 million head at the end of Q1 2020, China managed to grow its live hog inventory by 95 million, replace 17 million culled sows (half of the starting total were replaced during the 12 months), and produce 567 million head that was slaughtered during that 12-month window with an average output of 20 surviving offspring per sow. For 2017, the calculations and estimates from Dims Sums work out to an average of 16 surviving piglets per reproductive sow. A 25 percent improvement in productivity in the face of record imports of breeding pigs, higher rates of disease, and the use of fraudulent ASF vaccines sounds extremely impressive under the circumstances.

China Sow Productivity Estimates Using Official Inventory Data
Q1 2020 - Q1 2021 vs. 2017

Category	Q1 2020 to Q1 2021	2017
Starting Sow Inventory	34	45
Slaughtered Hogs	567	694
Change in Hog Inventory	95	-2
Replacement Sows	17	22
Total Swine Produced	679	716
Surviving Piglets Per Sow	20	16

Source: Dim Sums Blogspot

Oilseeds

Soymeal Inventory Continues to Decline

As expected, the falling average crush margins on U.S. and Brazilian soybeans in the second half of March and early April on a cash basis resulted in a cut back in activity. Last week saw China's estimated soymeal inventory drop by 76,700 MT or 10.6 percent to 648,800 MT. Going back to mid-April 2020, through last Friday, the nationwide soymeal inventory is up year-on-year by 489,100 MT or 306.3 percent. Declining regions outnumbered those seeing increases by five to two. Those seeing the largest weekly decreases included the North, Shandong, and Guangdong, which fell by 36,000 MT or 34 percent, 16,100 MT or 23.6 percent, and 15,400 MT or 19.8 percent, respectively. The outlook is for soymeal stocks to see modest increases toward the end of April and through May as large volumes of Brazil soybeans hit local ports.

Another point of comparison to consider is that over the decade, average weekly soymeal consumption for feed has been about 1.31 MMT. Pre-ASF, average weekly soybean crushing volume was about 2.1 MMT, resulting in an equivalent of about 1.6 MMT of soymeal. At present, estimated soybean crushing volume has fallen to about 1.55 MMT per week due to new ASF outbreaks and the culling of hogs and breeding sows. With lower inventories, it seems less likely that crushers will be able to see sustained higher prices such to boost their flagging margins, which generally means a cutback in output or at least holding the line until fundamentals change.

China's Estimated Soymeal Stocks (1,000 MT)

	Northeast	North	Shandong	East	Guangdong	Guangxi	Fujian	Total
16 April 2021	57.0	70.0	52.1	348.4	62.3	44.0	15.0	648.8
Week-on-week	-11.4	-36.0	-16.1	1.2	-15.4	-5.0	6.0	-76.7
Month-on-month	-28.6	-18.5	-39.8	18.1	-1.7	-22.0	-4.0	-96.5
Year-on-year	56.0	64.0	29.7	235.3	60.8	34.3	9.0	489.1

Source: CoFeed, China Grain

Imported Soybean Inventory Sees Another Modest Decrease

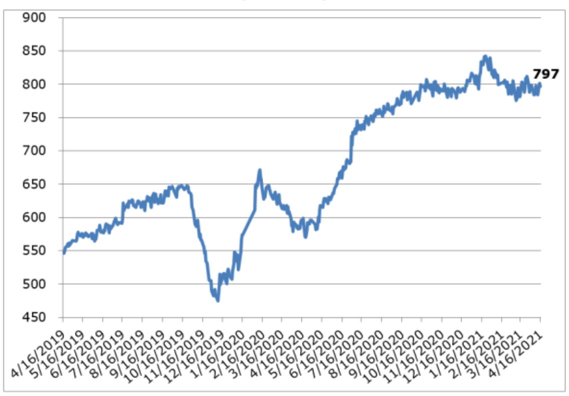
For the second week in a row, a drop in the imported soybean stocks at the five major seaports in Shandong Province drove down the national total. In a departure from two weeks ago, this past week saw Shandong's inventory fall by 207,700 MT or 6.8 percent, a significant uptick. That drop reduced the province's share to 35.9 percent from 38.5 percent. In contrast, the imported soybeans stocks at the ports in Guangdong and Jiangsu edged up 32,000 MT or 1 percent and 37,400 MT or 1.8 percent, pushing their shares up to 10.4 percent and 26.2 percent, respectively. Stocks at the other major seaports rose by 131,100 MT or 6.4 percent to nearly offset the decline in Shandong.

China's Imported Soybean Stocks (1,000MT)

	Total	Other Ports	Shandong	Guangdong	Jiangsu
16 April 2021	7,965.6	2,187.9	2,863.5	830.7	2,083.5
Week-on-week	-7.2	131.1	-207.7	32.0	37.4
Month-on-month	-57.0	177.5	-204.7	30.9	-60.7
Year-on-year	2,037.0	634.2	255.9	1,209.5	

Source: JCI

Imported Soybean Stock Trend at China's Major Ports (10,000 MT)



Source: JCI

Crush Margins Improve on Increasing Meal and Oil Prices

Although the margins on U.S. and Brazilian soybeans continued to remain in negative territory, the losses were reduced by improved prices for soymeal and oil. In addition, with China's yuan seeing increased strength against the U.S. dollar, the average CNF price for U.S. soybeans ticked down by $2/MT or .4 percent. In contrast, the average landed cost on Brazilian soybeans was up by a modest $2/MT or .4 percent. On the product front, the average producer's price for soymeal saw another modest gain, rising last week by RMB 12/MT ($1.84/MT) or .3 percent, while average price of soyoil ticked up RMB 80/MT ($12.25/MT) or .9 percent. The net result saw the average margin on U.S. soybeans narrow its losses by RMB 47/MT ($7.20/MT) to remain just under the breakeven point. By comparison, the average loss on Brazilian soybeans was reduced last week by RMB 17/MT ($2.60/MT).

Average Producer Price for Soymeal (Yuan/MT)

Source: China Grain

China's Imported Soybean Crush Margin on U.S. Soybeans with 28% Tariff

	Imported Soybeans Cost & Freight	Exchange Rate	Soymeal Prices	Soybean Oil Prices	Crush Margin *(Tariff-28%)*	Crush Margin
	(USD/MT)	(USD/CNY)	(RMB/MT)	(RMB/MT)	(RMB/MT)	(USD/MT)
16 April 2021	565	6.53	3,472	9,277	-1,044	-159.9
Week-on-week	-2	-0.01	12	80	53	7.8
Month-on-month	15	0.01	110	-467	-149	-22.7
Year-on-year	187	-0.54	260	3,528	-612	-98.9

Source: JCI

China's Imported Soybean Crush Margin on U.S. Soybeans without 25% Tariff

	Imported Soybeans Cost & Freight	Exchange Rate	Soymeal Prices	Soybean Oil Prices	Crush Margin *(Tariff-3%)*	Crush Margin
	(USD/MT)	(USD/CNY)	(RMB/MT)	(RMB/MT)	(RMB/MT)	(USD/MT)
16 April 2021	565	6.53	3,472	9,277	-2	-0.3
Week-on-week	-2	-0.01	12	80	47	7.2
Month-on-month	15	0.01	110	-467	-120	-18.4
Year-on-year	187	-0.54	260	3,528	-326	-46.1

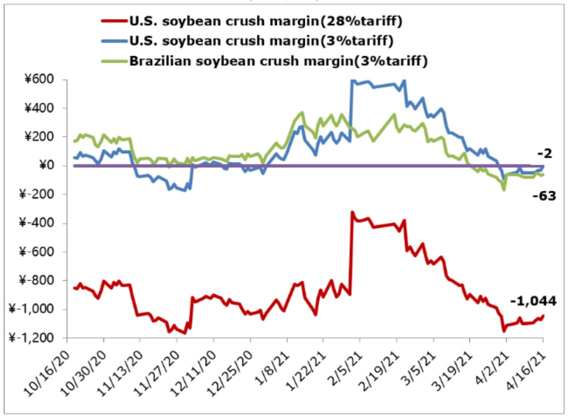
Source: JCI

China's Imported Soybean Crush Margin on Brazil Soybeans

	Imported Soybeans Cost & Freight	Exchange Rate	Soymeal Prices	Soybean Oil Prices	Crush Margin *(Tariff-3%)*	Crush Margin
	(USD/MT)	(USD/CNY)	(RMB/MT)	(RMB/MT)	(RMB/MT)	(USD/MT)
16 April 2021	573	6.53	3,472	9,277	-63	-9.6
Week-on-week	2	-0.01	12	80	17	2.6
Month-on-month	8	0.01	110	-467	-67	-10.3
Year-on-year	206	-0.54	260	3,528	-477	-68.2

Source: JCI

Historical Imported Soybean Crush Margin
(RMB/MT)



Source: JCI

Grains

The Domestic Corn Price Sees Modest Recovery

Even with the government attempting to push out old reserved wheat and rice stocks, limited interest due to quality has led to a rebound in corn prices domestically. Since early January, the price gap between corn and wheat in the north has remained in the range of RMB 300 to 400/MT ($45.94 to 61.26/MT), which may eventually drive up the usage of wheat to replace expensive corn in the current market year. Some projections suggest about 40 MMT wheat will be used for feed. Even so, last week suggested that those projections may not completely hold. Led by a RMB 90/MT ($13.78/MT) or 3.2 percent improvement in the average corn price in Guangdong, the national average ticked up by RMB 23/MT ($3.52/MT) or .8 percent. In Liaoning, the average price saw a solid gain of RMB 45/MT ($6.89/MT) or 1.6 percent from the previous week.

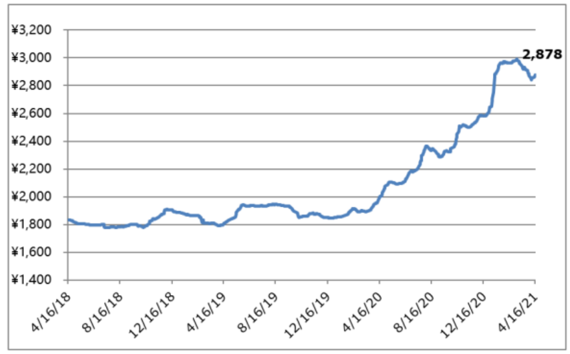
On the processing side, price movements were mixed. In Shandong, the average cornstarch price shed RMB 10/MT ($1.53/MT) or .3 percent, while the corn gluten meal price improved by RMB 90/MT ($13.78/MT) or 2 percent. In contrast, the average ethanol and DDGS prices in Shandong were unchanged from a week ago. In Jilin, there was zero movement in the prices for starch and corn gluten meal. However, ethanol producers in that province saw the average ethanol price dip by RMB 100/MT ($15.31/MT) or 1.5 percent, while average DDGS price held steady.

China Corn Wholesale Price (RMB/MT)

	Nationwide	Heilongjiang	Jilin	Liaoning	Shandong	Guangdong
16 April 2021	2,878	2,735	2,810	2,833	2,952	2,880
Week-on-week	23	25	10	45	10	90
Month-on-month	-42	-35	-23	-38	-54	-10
Year-on-year	883	975	947	871	920	810

Source: CNGOIC/JCI

Corn Weekly Wholesale Price
(RMB/MT)



Source: CNGOIC

China Cornstarch Processing Margin (RMB/MT)

(RMB/MT)	Shandong				Jilin			
	Corn Price	Starch Price	Corn Gluten Meal Price	Margin	Corn Price	Starch Price	Corn Gluten Meal Price	Margin
16 April 2021	2,980	3,510	4,590	-58	2,650	3,500	4,560	285
Week-on-week	20	-10	90	-18	50	0	0	-77
Month-on-month	-80	-160	-150	-73	-120	-100	-390	4
Year-on-year	880	990	-90	-65	840	1,150	60	133

Source: JCCE

China Corn Ethanol Processing Margin (RMB/MT)

(RMB/MT)	Shandong				Jilin			
	Corn Price	Ethanol Price	DDGS Price	Margin	Corn Price	Ethanol Price	DDGS Price	Margin
16 April 2021	2,960	6,900	2,550	-145	2,530	6,650	2,230	286
Week-on-week	-10	0	0	31	0	-100	0	-40
Month-on-month	-110	-350	0	22	-250	-400	-170	42
Year-on-year	900	1,750	350	-472	760	1,675	180	-112

Source: JCCE

Mercosur Regional Analysis
19 April 2021

By WPI Staff

Corn

Argentina

Argentina's corn harvest is making slow progress with high soil moisture and high grain moisture preventing fieldwork. Farmers collected just 2 percent of planted fields last week, bringing the total harvest to 14.2 percent.

The harvest delays are making logistics more complicated and various participants in the corn value chain are getting nervous. The market knows that once conditions become favorable for harvesting soybeans, farmers will switch their focus to that crop. The corn harvest, consequently, is often delayed and it is impossible to recover the time lost in the short run. To make matters worse, showers are forecast for Argentina this week, that will further delay the corn harvest.

The number of trucks arriving to ports declined last week but Argentine exporters have still been able to load 1.8 MMT of corn so far this month. Most of the vessels are destined for Asia and North Africa. WPI forecasts, all going well logistically, April exports will be near 3 MMT. The Buenos Aires Grain exchange increased its corn crop forecast by 1 MMT to 46 MMT due to better yields in the late-planted crop. Favorable rains during the critical stages of development created the unexpected boost in yields.

The FAS market remains dynamic with nearly every exporter in the market trying to buy. Prices moved sideways last week between $200-210/MT FAS for the early corn (until May delivery).

Argentina's late planted crop is doing well, and analysts expect yields to be high and large volumes should appear starting in July. Despite this, the strong CBOT and concerns about the Brazilian crop are keeping prices high ($195/MT, on average) for July/August delivery. It seems like a good opportunity for farmers to sell some of the crop because they will be able to lock in profitable production margins at these prices.

In Argentina, the FOB market has been quieter with premiums lower due to a higher CBOT. April programs are done and there are some scarce offers for May shipment ending at 35K. Buyers are a bit shy under this scenario.

For deferred shipment, Argentina is showing selling interest for July shipment at 30N for Upriver and 32N for Panamax, which is about 50 cents below Brazilian offers. Demand is absent. Due to expected delays in the harvest, corn is expensive in Brazil for July shipment (July is offered at 80N and August at 95U, with a 44-cent inverse in CBOT).

Brazil

There are big concerns about the second/late (safrinha) crop in Brazil. To start with, most of the crop was planted late and now central and southern Brazil are suffering from worsening drought. The next 20-30 days are critical for the development of the crop and forecasts are not showing significant rains.

How Brazilian corn premiums move for August onwards will depend on the weather during the coming weeks, but currently August/September is offered at 95U and October at 100Z with bids 10-12 cents below.

Last week saw some exporters start biding for new crop at $175/MT for March/May 2022. July 2022 was bid $165/MT, but it doesn't seem these prices are high enough to encourage farmers to start pricing the new crop. The latest new crop bids are $30-35/MT below spot values and there is a long time to go until next year's crop is ready. The last time spot corn was priced at $175/MT was in October 2020 (for April delivery) and the CBOT was trading near $4.15/bushel.

Soybeans

CBOT soybeans firmed steadily last week, and it seems the market is mostly focused on U.S. fundamentals. The May/July spread increased last week, reflecting Midwest crushers' spot demands. The strength in May CBOT futures impacted Brazilian May FOB basis, which settled 10 cents below the prior week, offered 25K versus bids at 15K.

Brazil

Logistics wise, Brazil is performing exceptionally well, closing the first half of April with 8.1 MMT loaded. There was a record of 964,000 MT loaded daily last week versus 742,000 MT loaded during the same week last year. WPI expects April loadings to total 15 MMT. Brazil's efficiency is nearly equally offset in China, with low discharge rates and a vessel lineup that is growing daily. Consequently, crushers are selling spot CNF cargoes or trying to roll them forward and pay a 10-cent fee for that. Additionally, the spot value for freight is rising ($49/MT for May shipment last week versus $42 the prior week).

Chinese authorities confirmed official figures for January-March soybean imports. China imported 21.2 MMT, up 19 percent from the same period in 2020. The higher import volume was partly driven by China's growing pig herd, which is up 29 percent from 2020 at 416 million head.

Chinese crush margins are favorable for March 2022 forward, which is one reason why a lot of new crop Brazilian cargoes traded last week. As WPI has noted in recent weeks, traders were long 5 MMT of Brazilian 2022 soybeans and last week's sales give them more ability to buy from farmers. Farmers are taking the rally as an opportunity to hedge part of their expected 2022 crop and farmers have so far sold 15 percent or 20 MMT of the new crop. Ocean freight is also cheaper for 2022, trading around $38/MT versus $47/MT for 2021.Finally, the July/November futures spread is also weaker giving both the U.S. and Brazil more competitive positions for 2022.

With Brazil's harvest nearly finished, WPI is still estimating the final production and total export program. Rumors of crop yields and quality suggest both are good. The consensus production number is 136 MMT with 84 MMT of exports. A large wildcard is the fact Brazil may temporarily reduce its biodiesel blending mandate from 13 percent to 10 percent. This could free up more soybeans for export.

Argentina

Argentina's soybean harvest made good progress last week, advancing 7 percent but remaining 30 percent behind this time last year. Farmer selling is still very slow with 15.4 percent of the crop sold and export licenses for 1.4 MMT. Farmers are not in the mood to sell, despite good prices. The government has been threatening to freeze meat and wheat exports in effort to control domestic prices. WPI reminds readers that the official dollar exchange rate used to pay farmers is 50 percent below the "real" exchange rate. The official dollar is also used to price crop inputs and imported machinery. WPI clients will remember that Argentine exporters receive payments for international sales in U.S. dollars and have one week to bring those dollars into Argentina. Those dollars come in through the Argentine central bank, which keeps the dollars and pays exporters in Argentine pesos at the official exchange rate.

Paraguay

In Paraguay, the soybean harvest is finished. Navigation on the Alto Parana River is still difficult but is running smoothly on the Paraguay River. The river navigation has impacted trade in soybeans for import into Argentina for crushing. Almost all crushing plants are located along the Paraguay River whereas soybeans shipped on the Alto Parana River are more often exported to Argentina. Moving soybeans near the Alto Parana river to crushing plants in Asuncion has the same freight costs as exporting to Argentina.

WPI POLICY ANALYSIS

Killing Meat

By Gary Blumenthal

California will require 100 percent cage-free eggs next year and is now crafting a requirement that sows be given at least 24 square feet of living space. Since the requirements apply to products coming from other states where most of it originates, it is roiling largely Midwest farms and processors. But the EU has California beat. It will consider a European Citizens Initiative called “End the Cage,” potentially meaning no artificial barriers for animals.

Europe is regulating livestock production on multiple levels from pig tail docking to transportation hours, and animal welfare labeling. Fur farming is going away, and Norwegian fish mongers fear the next ban will be on the centuries old practice of drying fish outdoors. Alt-meat is not the big threat to livestock producers, though Italian environment minister Roberto Cingolani says consumers should replace meat with plant-based foods, but rather the uncertain regulatory regime impacting the industry.

The industry is warning that perceived ethics and the science of animal welfare do not always pair up. Farrowing crates may contain the sow but they also prevent the deaths of piglets. Many livestock management practices evolved to prevent injury and the spread of diseases. Humans tend to anthropomorphize what is good for animals when they do not even treat fellow humans as well.

Critics of detaining people crossing the southwestern U.S. border said that ICE was putting them in “cages” because of the use of chain link fencing. That has now been upgraded to glass and plastic but still critics complain.

Should humans breaking the law and animals be kept in 1-star hotels or 5-star hotels?

Public attitudes are not informed by science and they change quickly, causing policymakers to keep moving the goal posts faster than the industry can finance it. Then imports are regulated based on supposed “demonstrable ethical concerns.” There has always been a bit of protectionism involved in regulating the meat trade, and there is always the vegan goal of ending meat consumption via clever twists of phrase like End the Cage. In the end, it all spells the demise of the meat industry, which is part of the underlying reason for the changes.

Migrant Labor’s Future

Big row crops have been automated for decades but specialty crops produced in the U.S. south and west have largely been dependent on migrant labor, over half of which is estimated to be illegal. Efforts by the Biden Administration to legitimize the cross-border movement of labor will inevitably raise labor costs. In fact, some argue the strategy for competing with China given that country’s future demographic challenge is to vastly increase legal immigration.

Now the Western Growers Association has figured out that if the sector does not automate, paying the higher cost of legal labor will eventually force more production to move south of the border. Given modern robotics and AI, the ability to automate even in specialty crop production is feasible – it simply requires capital investment.

Infrastructure Plan: Ag Provisions and Politics

By Dave Juday

President Biden has unveiled a major $2 trillion infrastructure package, the American Jobs Plan. From agriculture’s perspective, the plan is a mixed bag, but mostly positive proposals in terms of infrastructure upgrades.

- Inland waterways, ports, and in-land ports of entry would receive $17 billion in funding for upgrades;

- Rural broadband – and the adoption of ag tech which depends on broadband – would benefit from the $100 billion in funding for broadband connectivity;

- Roads and bridges would receive $115 billion in funding for upgrades, starting with the "most economically significant large bridges in the country in need of reconstruction" and include "the worst 10,000 smaller bridges, including bridges that provide critical connections to rural" areas;

- Local development projects pursued by counties and localities would be eligible for $5 billion in assistance funds through a new Rural Partnership Program; and

- Electric vehicles would receive $174 billion in funding to reach the target of 500,000 electric vehicle charging stations by 2030 and replacing 50,000 diesel transit vehicles and 20 percent of current school buses with electric powered buses.

That last item was met with concern by the biofuels industry as electric vehicles would reduce the demand for liquid fuel. The plan is heavy on climate initiatives with $50 billion budgeted for improving infrastructure "resilience" to weather and climate disasters, including "support for agricultural resources management and climate-smart technologies" and addressing the "western drought crisis by investing in water efficiency and recycling."
Like Biden, President Trump had campaigned on the promise of an infrastructure plan, but never proposed one during his four years in office. Generally, the need to address infrastructure upgrades is something that could garner bipartisan support in Congress, but as the saying goes, "the devil is in the details." The real debate – and fate of the proposal – will be focused on cost, scope, and funding.

First, the cost. This $2 trillion plan comes in addition to $5.95 trillion in previously passed relief measures.

COVID Relief Measures Passed by Congress *in billions*	
American Rescue Plan	$1,890
CARES Act	$2,070
Coronavirus Supplemental Appropriations	$7.57
Families First Act	$212
PPP & Health Care Enhancement Act	$818
Response and Relief Act	$955
September 2020 Continuing Resolution	$32.2
TOTAL	$5,984.77

Source: Committee for a Responsible Budget, WPI

That money is in addition to the $6.01 trillion in stimulus measures from the Federal Reserve (of which just less than half, or $2.9 trillion, has been used) and $873 billion in relief through administrative actions. There is growing concern that the economy, which is starting to recover, is already at risk for over stimulation and that another $2 trillion would only heighten that risk.
Second, the scope. The bill reaches far beyond the traditional definition of infrastructure. About 5.75 percent of the budget goes to road and bridges. Adding in the waterways, ports, new rural project development, broadband, and electric grid transition to clean electricity to the road and bridge repair is still only about 37 percent of the total package. On its own, the reach of some of the non-infrastructure provisions – along with the size of the spending package – is generating opposition among Republicans in Congress.

Third, the funding. The White House wants to raise the top corporate marginal tax rate to 28 percent from the current 21 percent. The current top corporate tax rate was reduced from 35 percent per the 2017 Tax Cuts and Jobs Act. The proposal also calls for a global minimum corporate alternative tax rate of 21 percent by disallowing deductions from out of the country tax expenses and deductions. This provision has raised opposition within the Democrats in Congress. Senator Joe Manchin (D-West Virginia) says he opposes the 28 percent rate, though he is open to a rate as high as 25 percent and has the support of "six or seven" other Democrat Senators who "feel very strongly about this."

Additionally, other tax provisions on the drawing board to fund the package are two items very directly linked to agriculture, specifically farmland inheritance and sales: an increase in the capital gains tax and a reduction in the stepped-up basis for capital gains.

Problem Solved; Cost of Food Sovereignty

By Gary Blumenthal

Problem Solved

The UN hosts a Food Systems Summit later this year intended to promote progress on the organization's sustainable development goals and other food system "problems." The Summit's website bravely asserts that, "The good news is that we know what we need to do to get back on track." But apparently, "we" do not. The Summit's special envoy, Dr. Agnes Kalibata together with the World Obesity Federation recently wrote in *The Hill* newsletter the following:

"It is the crudest expression of global dysfunction that the world produces enough food to feed us all, yet undernutrition and obesity coexist...The international community needs to transform the type of food systems that have created this situation…As the number of people affected by obesity increases in nearly every country…governments must work with actors across the food system to reverse this trend…"

It is easy to identify problems but much more difficult to devise solutions and thus these "experts" do not offer their own specific alternatives. If the "food system" is the problem, then why are our pets also becoming obese when we control their diets? That brings us to the solution for ensuring all humans eat the right amount of food - mimic livestock managers.

Today's pigs have an average body fat that is lower than humans. They have been genetically bred this way and they are fed scientifically calculated rations based on their age. The output is a herd more uniformly sized that reduces complications during the slaughter process. If governments control human breeding and then ration feeding based on actual need, we will eliminate both undernourishment and obesity. Problem solved.

Cost of Sovereignty

The United Arab Emirates exports over $300 billion worth of petroleum products but the mostly desert nation imports 90 percent of its food. The government wants to boost food production by 30 to 40 percent within ten years. Bloomberg reports that the Minister of Food and Water Security plans to grow rice in the desert and import dairy cows, which ought to exacerbate the water security problem. There is also research on growing food in space. If other countries can expend huge resources on alternative energy to avoid buying the UAE's oil, the UAE can spend large amounts of its money trying to grow food. When it comes to energy or food sovereignty, apparently no cost should be spared.

WORLD PERSPECTIVES

AT THE NEXUS OF POLICY & MARKETS