AgReview

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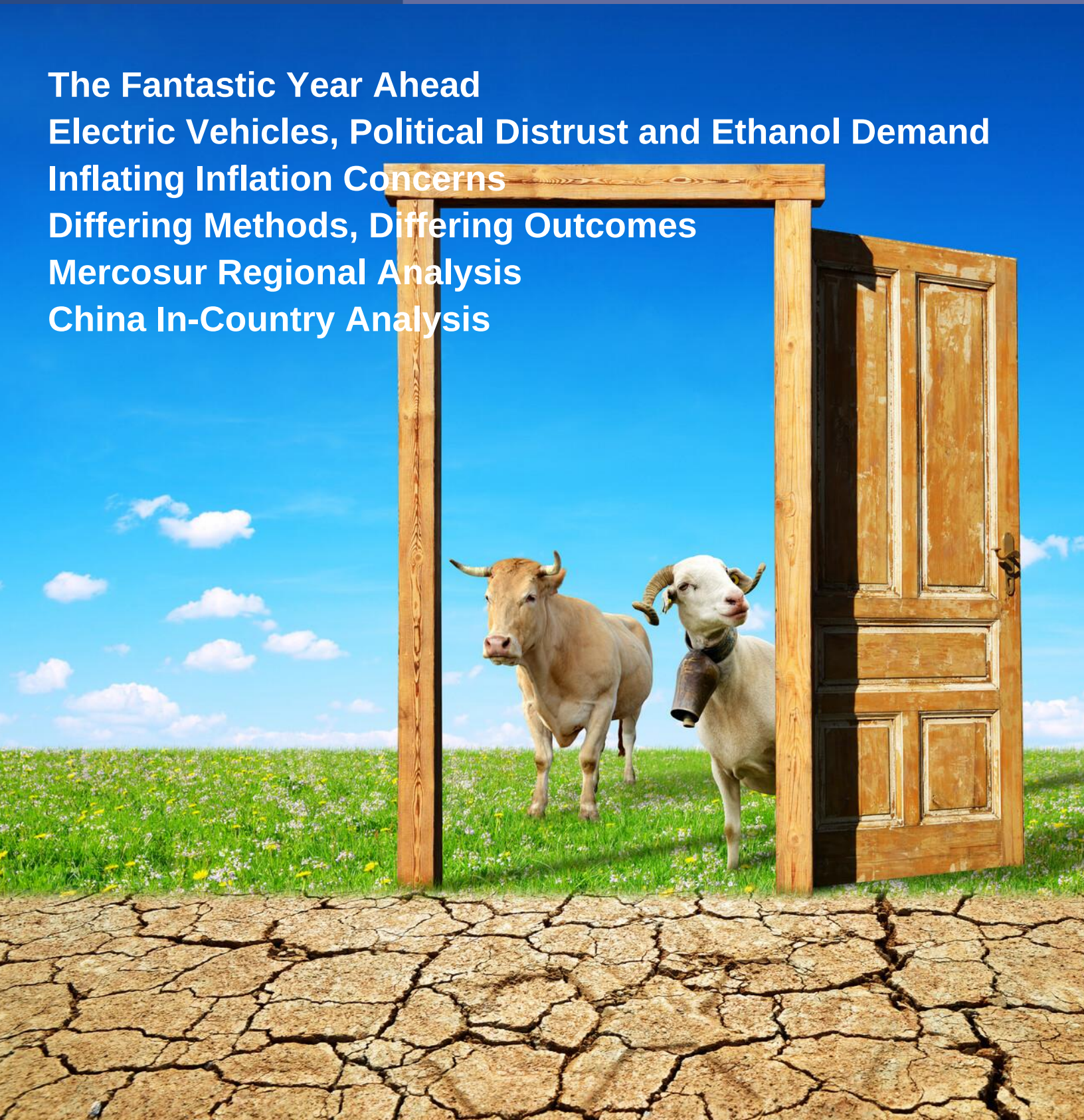

The Fantastic Year Ahead
Electric Vehicles, Political Distrust and Ethanol Demand
Inflating Inflation Concerns
Differing Methods, Differing Outcomes
Mercosur Regional Analysis
China In-Country Analysis

WORLD PERSPECTIVES: AG REVIEW

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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.

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- *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.*
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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.

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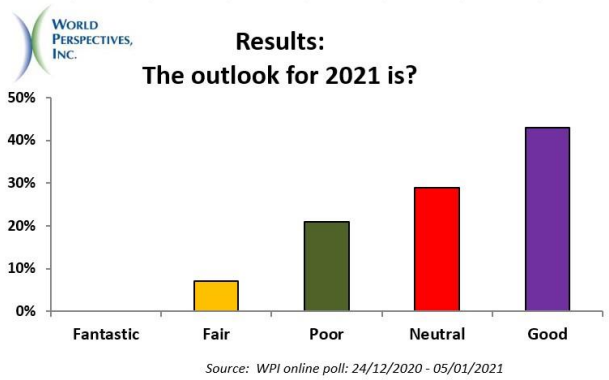
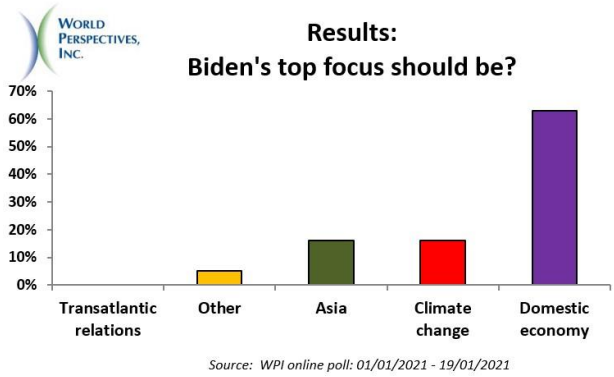
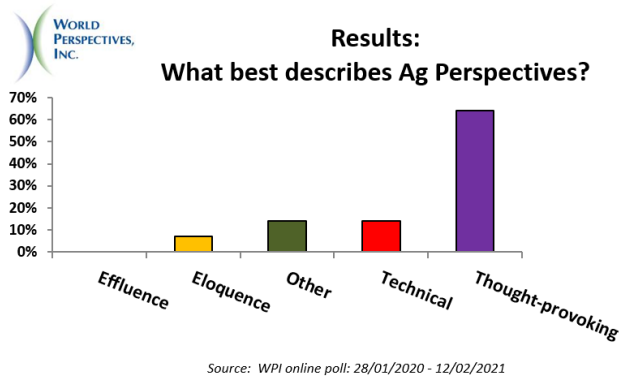
WPI POLLING

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

It is the start of a new year and it begins with hope that the expanding availability of a vaccine will make it a better one than 2O2O. Thus, this edition of Ag Review includes an optimistic look at the Fantastic Year Ahead. But since looking at the world through rose colored glasses means potentially not seeing some red flags, we flag some issues deserving of our attention.

For example, should the fact that governments are spending unimaginable amounts of printed money to prop up sagging economies inflate our inflation concerns?

We include the practical things this month like China generally, but also China specifically as the Middle Kingdom gobbles up all the corn and pork it can find. Plus, we look at whether production in Mercosur this year will overcome the dryness imposed by La Niña.

The change at 1600 Pennsylvania Avenue means a renewed focus on climate change and sustainability. This has implications for electric cars and ethanol, among other things.

We end the issue with some odds and ends that are just fun, like the imprisoned conspiracy theorist who demands organic food. After all, if we can't have fun with the potpourri dished up by the folly of politicians, Mother Nature and the markets, why bother.

Have fun!

Gary Blumenthal

WPI MARKET ANALYSIS

Inflating Inflation Concerns

By Gary Blumenthal

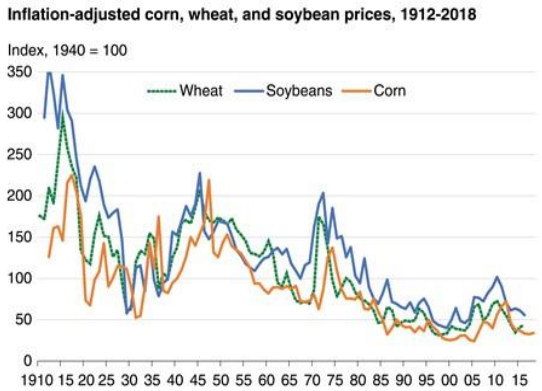
The Democrats controlling the whole of U.S. government has boosted the chances of more fiscal stimulus, but also reflationary concerns. According to Hill-HarrisX, 75 percent of the 3,787 registered voters surveyed are somewhat or very concerned about the national deficit. The U.S. deficit was $3.1 trillion in 2020 alone and if additional $2,000/person stimulus checks are now written, that will add nearly another half-trillion dollars.

The dollar is already weakening and thus helping to inflate commodity values. Inflation is particularly impactful on commodity prices because speculation can add its own impetus. Capital inflows to the commodity markets have been notable of late, egged on by perceived supply shortages but now likely to accelerate as a hedge against inflation. Adding to the dynamic is the plan by Saudi Arabia to short the petroleum market at the same time the Biden Administration is expected to squeeze fracking and fossil fuel use.

Commodity prices are not necessarily a pure indicator of inflation, and inflation does not necessarily impact all components in the market. Agflation was coined as a term because commodities can inflate faster than other goods or services. Inflation can and will impact the commodity market, and unless the current tightening in the real supply/demand balance sheet is reversed, it will be a double whammy for those buying commodities. It will also be a large problem for farmers with large debts not secured to fixed interest rates, and those subject to rising land costs.

Inflation will ultimately constrain how much the Democrats can spend. The interest on the 10-year Treasury has already risen above 1 percent and eventually the cost of borrowing becomes excessive. Party leaders will become concerned about the future electoral impacts of rising prices and rising interest rate costs.

Inflation will cause an increase in wages, which will superficially look like the achievement of improved economic equity. However, as the chart below reveals, extracting inflation or adjusting for it reveals the actual decline in values over time.



Source: USDA, Economic Research Service calculations using data from USDA, National Agricultural Statistics Service and U.S. Department of Labor, Bureau of Labor Statistics.

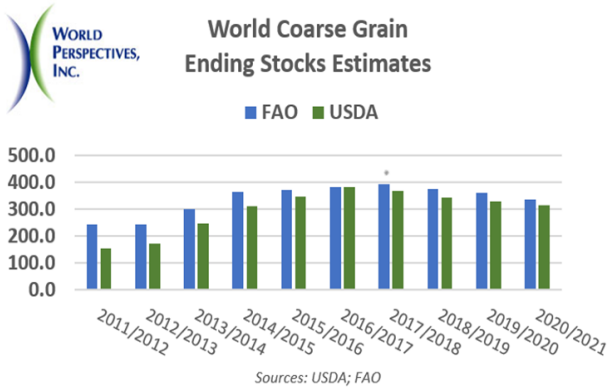
Differing Methods, Differing Outcomes

By Gary Blumenthal

China's corn carryover has been a mystery for many years and is ongoing due to Beijing viewing such information as protected by national security. Nonetheless, USDA, FAO, IGC and others make their guestimates of the bottom line.

The FAO, which usually weighs more heavily than USDA the submitted data from UN members, recently reduced its estimate of Chinese corn ending stocks by more than 50 MMT. It said the move was justified based on sharply higher Chinese imports and a domestic price substantially higher than world levels.

USDA was not as aggressive in making reductions. Historically, the FAO has estimated global coarse grain stocks about 13.6 percent larger than does USDA. The UN agency has reduced stock estimates for 2020/21 by 6.6 percent from a year earlier, whereas USDA's reduction is 4.8 percent, a 27 percent difference. The difference in overall numbers is due to differing methodologies and product inclusions. However, the difference in direction for estimates is more notable.



Pork Demand Clears Out Freezers of Inventory

By Dave Juday

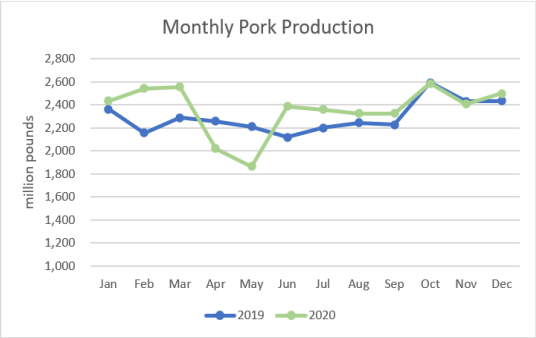
USDA's January Cold Storage report showed pork in cold storage as of 31 December was 408.361 MMT, 97 percent of November and 70 percent of December 2019, led by drops in primal cuts virtually across the board. That is good news for hog producers given the disruptions of 2020 – the volume continued to move.

Boneless loins inventories were at record highs for December, while bone-in hams were at a record low for December. Production of bone-in hams for the second half of the year was up given the effects of COVID on fabrication.

Pork production in 2020 was 102 percent of 2019, which was a good recovery after the spring plant shutdowns and the euthanization of pigs. The increase was driven by heavier weights; the average slaughter weight in 2019 was 285 pounds and 289 pounds in 2020. Demand was driven by exports. Pork exports in 2019 set a record, which has already been surpassed by the January-November 2020 export total accounting for 29 percent of production.

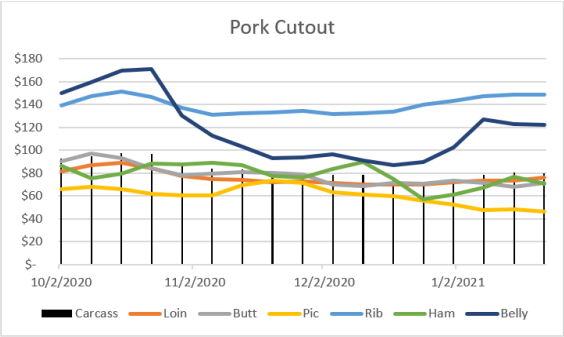
Pork in Cold Storage 1,000 lbs.		
	30-Nov-20	31-Dec-21
Total Pork	419,753	408,361
PicNic Bone In	8,864	7,253
Total Hams	74,862	53,649
Bone In	*26,780*	*12,199*
Boneless	*48,082*	*41,450*
Bellies	23,292	30,715
Total Loins	37,152	37,919
Boneless	*27,863*	*29,671*
Bone In	*9,289*	*8,248*
Ribs	80,343	83,843
Butts	17,413	15,220
Trimmings	42,062	43,058
Other	58,908	62,293
Variety Meats	24,324	24,828
Unclassified	52,533	49,583

Source: USDA, WPI



Source: USDA, WPI

Lower prices in 4Q 2020 helped move inventory; the pork cutout dropped about $28 in value from a high in October to the end of December. November was a record month for exports. Good demand for ribs and a rebound in bellies have helped the cutout rebound during the first three weeks of January.



Source: USDA, WPI

WPI INTERNATIONAL ANALYSIS

Mercosur Regional Analysis - 8 February 2021

By WPI Staff

The Argentine economy is still not doing well. Poverty is increasing and there are multiple exchange rates with a 100 percent spread between the official and black-market rates. Unemployment is large and public workers represent 27 percent of total employed people. The number and amount of government subsidies seem to be increasing monthly. Public accounts are deep in the red, so the government needs fresh dollars to avoid printing money and exacerbating inflation.

Currently, the most pressing issue for the Argentine government is the inflation rate, particularly the food inflation rate. Food inflation has been trending higher at 4 percent for the last several months and is expected to continue rising in February and March. The current government, like similar administrations past, still thinks increasing export taxes with an export quota system for grains and oilseeds means they will be able to control food prices. This approach has been tried in the past, but it failed as inflation didn't slow and farmers cut production severely.

WPI readers will recall MY 2012/13 year when Argentina produced only 9.3 MMT of wheat (versus 2020/21 expected production of 17.5 MMT) and the local wheat price reached $700/MT.

Last week, President Alberto Fernandez issued a press release threatening exporters with export tax increases and the application of an export quota if prices continue to increase. In principle, it seems he was talking about meat exports, but with grain prices so high there is a risk of grain being included in an export quota system. Farmers and farmers unions are on high alert and are prepared to strike if the government pushes for these sorts of policies.

Corn

As noted in previous reports, the industry estimates there are 10 MMT of old crop corn stocks remaining, of which 8 MMT is available for export. The government closed export declarations for a brief period and has since reopened the process, following unrest from the industry. Since then, exporters have declared 275,000 MT of export sales for old crop corn. Argentina was not competitive in the old crop corn market before the suspension of export declarations, which made the suspension illogical, but it seems there was an undisclosed agreement to slow or minimize old crop corn exports. Moreover, exporters are still long corn in the FAS market and will have to carry that position into the new crop in an inverted market.

The 2020/21 corn crop is now forecast at 46 MMT. If 2019/20 ending stocks are added to that figure, total supply reaches 56 MMT, which implies an export surplus of 42 MMT or better. For the 2019/20 campaign, the export surplus was smaller, but exporters will have shipped 34-35 MMT of exports.

The Buenos Aires Grain Exchange reported planting is finished with 6.3 Mha seeded. The Exchange lowered the crop by 1 MMT to 46 MMT due to drought and hot weather during December that impacted early-planted corn yields. The market continues to watch and see if additional losses will be reported due to dryness in January.

The core agricultural region received 35-170 mm of rain last week. The early corn crop will not recover its yield potential, but the rains put a floor under production potential and ensure adequate moisture for the grain filling stage. For the late-planted corn, the rains are great news and will ensure good crop development. Late-planted corn

crop yields could be higher than the early-planted crop. Initial yield estimates in the center of the Argentine Corn Belt are lower than previously expected.

A few weeks ago, WPI expected a rebound in basis levels following a big round of business and more buyers present in the market. That didn't happen and basis has fallen in the past two weeks, pressured by a lack of buyers, strong farmer selling, the CBOT rally, and exporters reinforcing their programs.

Finally, demand showed up last week and some volume was traded on the FOB market. There has been demand from several destinations, including Africa, Asia, and Latin America. Bids are not far from offers for Upriver corn and some undisclosed volumes were certainly traded. Asian buyers have shown interest for Panamax vessels but are 15-20 cents below offers (bid 65K versus offers at 85K for April/May and 65N versus 80N for June). Buyers have yet to show interest for positions from July forward as Brazil becomes competitive at that point and there is plenty of time remaining to take a position in the deferred markets. The Upriver market ended last week as follows:

Argentine New-Crop Corn Prices
FOB Upriver Ports
Cents/Bu. vs. CBOT Futures

Month	Bid	Offer
March	68K	75K
April/May	66K	75K
June	60N	70N
July	No Bid	55N
August	No Bid	120U

Wheat

The wheat market is moving slowly, and it seems like it will stay that way for some time now. Brazilian millers were the primary buyers of Argentine wheat and it seems they are no longer in a hurry to make purchases. There might be some volume sold to other destinations (completions for shipments to Asia, as well as some volume to Latin American countries), but the most important demand seems to be coming from Brazil.

Soybeans

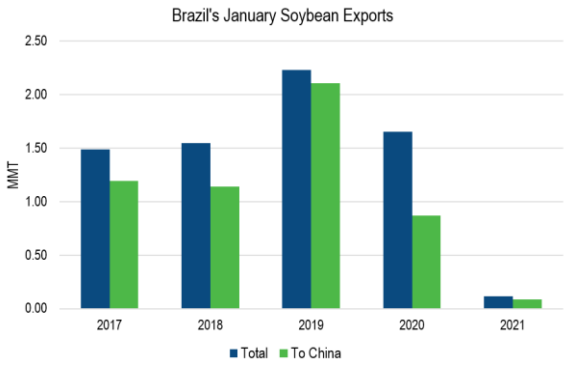
Brazil

Rains in Goias and northeast parts of Mato Grosso last week offered some relief for one of the few dry pockets in Brazil. Production estimates are near 135 MMT, with some upside potential to 137 MMT. Of course, this would be another record large crop for Brazil. Last year's production was 125 MMT, so this year's crop will be around 10 MMT more, which is a big number for the global soybean markets.

Slow harvest progress during the week was one of the primary factors driving CBOT volatility last week. Mato Grosso, Brazil's largest soybean producing state, reported its crop was 11.2 percent harvested at the end of last week (down from 44.5 percent from this time last year) while total Brazilian progress reached 7 percent, only half of last year's progress.

The harvest delay is exerting a large impact on the market. In January, only 120,000 MT were loaded for export versus the 600,000 MT that was expected just a few months ago. February has started slowly as well, with 80,000 MT loaded through Friday and 5 MMT of vessels waiting at ports and 11.5 MMT in the vessel lineup!

February sales to China are estimated at 5.8 MMT. WPI estimates the average waiting time at Brazilian ports is about 20 days with better odds that number will grow in the future rather than decline. These delays sparked rumors of Chinese cancellations or reselling spot positions and purchasing U.S. PNW vessels.



At this time, WPI views these rumors as just that, rather than facts. PNW prices are around 220H CNF China while Brazil is offering February at 195H CNF China with bids at 185H. Moreover, Chinese crush margins are negative considering variable costs on the spot. Consequently, there was little commercial activity to China last week and no activity so far this week. From March forward, Brazil becomes competitive against the U.S. and that will entice Chinese buying.

Farmers are still thought to have sold 58 percent of the crop, with that figure slowly growing. Farmers are presently focused on field work and will resume sales when they have the crop in bins. The weather forecast suggests good conditions for fieldwork and harvesting this week, so hopefully farmers will be able to take advantage.

WPI notes that farmers have sold significant volumes of soybeans at much lower prices than current values, due to the lower CBOT and a stronger Brazilian real earlier in the year. Consequently, trading houses are scared farmers will default on these cheap sales, so they have decided to receive whatever farmers deliver and avoid discussions about contract terms (delivery dates, quality, etc.). Brazilian farmers are more used to defaulting on contracts than Argentine farmers, for example.

Argentina
The Buenos Aires Grain Exchange reported 95 percent of the Argentine soybean crop is in fair/good/excellent condition as of last week. There are still some dry pockets in the southeast and southwest of Buenos Aires, but those areas are not really significant for the country's soybean production.

Farmers have only sold 15.3 percent of the crop (of which only 7 percent is sold "at price"). WPI has noted this frequently but it's worth reinforcing that farmers are not selling soybeans at harvest and will store them and only sell when they need cash during the year. The gap between the "agri dollar" (the official rate the Argentine government pays exporters) and the free dollar (the actual exchange rate for non-government transactions) is decreasing but is still near 60 percent. Notably, not even unofficial discussions of export tax increases (the government was threatening a tax increase in grain and oilseed exports) this past week could prompt farmers to sell.

Soybean production in Argentina is forecast at 47 MMT and only 180,000 MT of new crop export licenses have been registered. WPI looks for some 6 MMT of soybean exports this year, with the rest going to the domestic crush.

Paraguay
Paraguay's crop is in good condition with production still forecast at 10 MMT. Like Brazil, however, there are harvest delays due to rains.

Uruguay
Uruguay's soybean production forecast is stabilized at 2.7 MMT and there was no trade or commercial activity last week.

China In-Country Analysis
17 February 2021
By Global Agribusiness Partners

Cultural

The Year of the Ox Arrives
With China's Luna New Year's Eve occurring last Thursday, the year of the rat came to a close and the year of the ox was ushered in with an air of optimism that 2021 will bring more normalcy. The symbolism of the ox and its reputation for honesty, hard work, strength, dependability, and determination appear as welcome signs according to many reports across the Middle Kingdom. The idea of putting family and work first after a year of tumult seems to be at top of most average citizens' 2021 wish list. In addition, the ox as the dependable draft animal seems to be suggesting that agriculture will continue a sustained run and flourish in the new year.

Pandemic

COVID-19 Still Looms Over this Year's Celebrations
While the country has largely returned to normal after spending the first third of last year in quarantine, COVID-19 outbreaks remain a fact of life as it does for the rest of the world. Travel for 2021 celebrations was limited in major parts of

the country including the northeast and in Beijing as recently identified cases either resulted in temporary bans and lockdowns or convinced people with young school children that the risk was not worth taking while the vaccine rollout is going slower than expected.

According to National Public Radio (NPR), roughly 24 million doses have been administered, which amounts to just 1.6 percent of China's population. In addition, the overall efficacy of China's first commercial vaccine from the state-owned pharmaceutical company Sinopharm is reportedly 79 percent, less than the vaccines from Moderna and Pfizer. Sinovac, another national pharmacy player, is in the process of completing its trials for another two-stage vaccine with a reported efficacy rates ranging from 50 to 91 percent. Meanwhile, the WHO's recent fact-finding mission to Wuhan has suggested that the disease outbreak began before December 2019 and was much wider spread by that point. Getting to the bottom of where and how and documenting the assorted government failures across the globe that exacerbated the worst public health crisis in a century, however, will take more than a few weeks of research in any one country. The question is likely to linger as long as the variants of the disease continue to crop up.

Market Trends

U.S. Ag Exports to China Set New Record in 2020

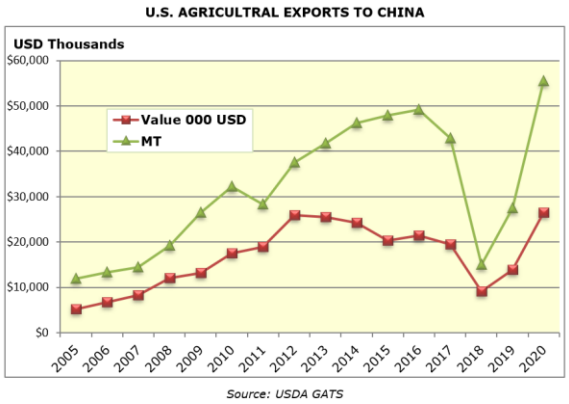
At the halfway point of 2020, U.S. agricultural product exports to China totaled just 9.93 MMT with a value of just over $6.1 billion. That translated into an average FOB price of $614.61/MT, as meat shipments during the quarantine period in China remained strong. However, on an historical basis, the first half of 2020 was hardly notable except to say that it represented the lowest tonnage for the first half of any year going back to 2008 and on a value basis, it was the third lowest total since 2008.

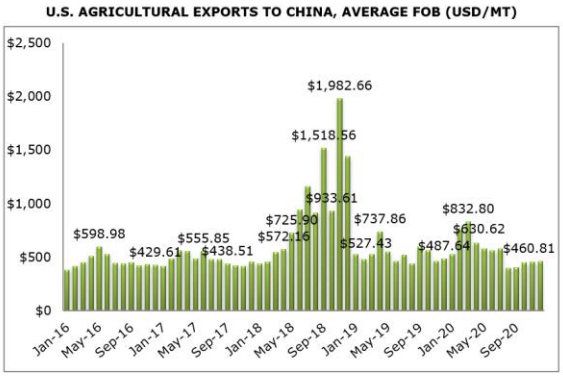
The second half of 2020, however, proved to be a radically different story. From July onward, the U.S. exported 45.53 MMT of agricultural products worth more than $20.33 billion. That brought that year-end total to nearly 55.50 MMT with a value of $26.43 billion for an average export value of $476.65/MT. Resurging feed demand helped lead the way while meat exports continued to remain robust.

Overall, soybean shipments accounted for 62 percent of the 2020 volume and 54 percent of the value. Corn exports, which surged ahead in the last quarter of the year, totaling 3.9 MMT in the last three months alone, represented 13 percent of the volume and 9 percent of value. U.S. pork, poultry, and beef exports while only accounting for 2 percent, 1 percent, and .1 percent of the total tonnage, respectively, amounted to 9 percent, 3 percent, and 1 percent of the total value. Nut exports led by almonds, pistachios, peanuts, and to a lesser extent, filberts, also performed quite well in 2020. Even hay exports, which set new records for 2020, represented 2 percent of the total tonnage and value.

Putting 2020 figures in a historical context, the previous record for tonnage was set in 2016, when the U.S. shipped 49.23 MMT of agricultural products to China. That year saw a record volume for soybean exports to the Middle Kingdom.

In terms of value, the previous highwater market occurred in 2012, when a total of $25.86 billion in agricultural products left U.S. ports for China. That period marked a high period in soybean and corn prices as the global economy, particularly emerging markets were rebounding from the global housing and financial crisis that impacted the U.S. and Europe.





Livestock

Disease Problems, Poor Productivity Raise Concerns for Pork

While the Ministry of Agricultural and Rural Affairs (MARA) trumpets the speed with which the domestic hog industry has recovered in the second half of 2020, uncertainty and questions continue to mount. The problems brought about by the use of an illegal African Swine Fever (ASF) vaccine, while having impacted some major players like Wens Group and New Hope-Liuhe, has likely spread to other producers in the business of breeding new piglets.

Although China has been conducting research for the better part of 16 months at various veterinary institutes, an official vaccine has yet to be approved. In its place has emerged an illicit product that has created a new strain of ASF, one that is missing one to two deleted genes from the original disease. While the new strain is reportedly less deadly, it is creating another problem – reduced litter sizes which in the near-term could halt progress to the country's hog recovery.

In addition, the new strain, according to Jim Long of the hog genetics company Genesus, can be transmitted by air, and sows that have been poisoned with the fake vaccine been sent to slaughter in droves over the past three months. Mr. Long's report from this week indicated 1.76 million head of sows were slaughter from November through January, up 10 percent from the previous three months, while pig semen sales fell by 16 percent from October - December. Declining sow numbers do not bode well for the sale of genetic material.

On the reproductive side, the cost of feed pigs has continued to rise, which according to Mr. Long is now on an eleven-week run. A feeder pig with an average size of 16 kg (35 pounds) is fetching RMB 1,681/head ($260/head). With corn at record prices, that puts the breakeven price for live hogs at an estimated RMB 2,584/head ($400/head), which is well above the most recent figures for average profit per pig at the national level.

As noted in previous editions, in the second of half of 2020, China went on a live pig importing binge in an effort to restock its grandparent stock and genetics base. Low import volumes from 2015 - 2017 really put the country in a bind when ASF hit. Nonetheless, the country's inability to develop its own breeding and genetics base will continue to impact its hog supply for years to come.

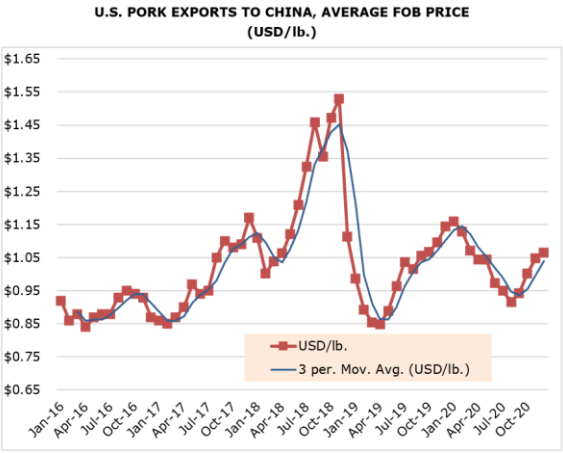
In most years, according to data provided by the blog Dims Sums, China has imported an average of 2,100 head of purebred breeder pigs, but as genetic traits degrade with each subsequent generation, any gap in restocking can lead to setbacks in productivity. Rushing immature sows to meet the demand is at best a band-aid approach that cannot be sustained in the long-term. Add in the fact that regulatory officials banned the use of antibiotics in feed last year, and China's hog industry has also had to confront resurgent respiratory and diarrhea diseases this year. Thus, as Dim Sums rightly argues this lack of transparency in combination with a breakneck speed to rebuild without addressing larger systemic issues will continue to impact adversely the recovery process and may result in some serious setbacks.

As for market signals, the Dalian Commodity Exchange's live hog futures market seems to have grasped the potential magnitude of these problems. The September 2021 contract closed last week at RMB 26,705/MT ($4,133.90/MT), up RMB 860/MT ($133.13/MT) from the previous week's settled price. After opening the first week of trading back at the start of January at RMB 29,500/MT ($4,552.47/MT), the September contract ended last month down RMB 3,930/MT ($607.42/MT) or 13.3 percent. Since

the start of February, the September contract has recovered by 4.4 percent. Looking further ahead, the January 2022 contract, the second most heavily traded by volume, closed last week at RMB 24,960/MT ($3,863.78/MT), up RMB 1,390/MT ($215.17/MT). The January 2022 contract opened its first week of trading at RMB 26,200/MT ($4,043.21/MT) and then declined by RMB 2,775/MT ($428.90/MT) or 10.6 percent through the end of last month. So far in February, it has pulled back 6.6 percent, pointing to some concerns about the sustainability of China's efforts to build back the hog supply in the longer term.

U.S. Meat Exports Secure Record Year

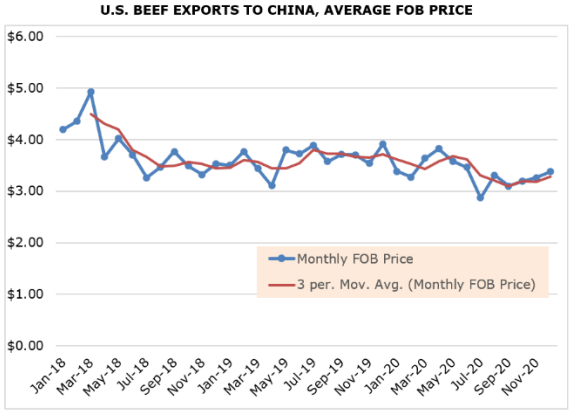
Pork and pork product exports to China in December were down year-on-year by 23 percent in volume and 28 percent in value. Still, with a total of 78,647.50 MT worth $78.65 million, that brought the 2020 total volume and value of U.S. pork exports to China to a record 996 MMT worth more than $2.28 billion. Those figures represent a 73 percent jump in total tonnage from the previous record set in 2019 and a 75 percent improvement in the total value. The average FOB price also rose for the fifth straight month in December to an average of $2.35/kg or $1.07/lb. That raised the average for all of 2020 to $2.29/kg or $1.04/lb. up from $2.26/kg or $1.03/lb. for all of 2019.



Source: USDA GATS

Through the first week of February, weekly export sales of fresh, chilled, and frozen cuts of pork have continued to remain brisk. USDA weekly ag export sales reports a five-week average of 11,458.6 MT, while new gross sales have averaged 6,018.20 MT over the same period.

Relative to pork exports, beef shipments to China closed out 2020 with a banner December. A total volume of 9,732.10 MT with a value of $72.39 million left U.S. ports in the final month of the year, resulting in an average FOB price of $3.37/lb. That marked the fourth straight month in the increase of the average FOB value. That pushed up the total for all of 2020 to a record 42,814.40 MT worth $310.18 million for an average FOB value of $3.29/lb.



Source: USDA GATS

As with pork, U.S. beef exports to China have not slowed down much, if any, here in the new year. Weekly volumes have averaged 1,344.6 MT of fresh, chilled, or frozen cuts of beef from the start of the year through 4 February. Meanwhile, new gross sales have averaged 3,909 MT over the same timeframe.

By comparison, U.S. poultry and poultry products exports concluded 2020 with one of the most remarkable turnarounds. Led by the record high FOB value for frozen paws and feet, poultry shipments to China in December amounted to 49,322.7 MT valued at a remarkable $70.30 million. That brought the 2020 total to 530,585.4 MT worth an all-time record of $761.64 million. On a value basis, the previous record was set in 2008 at $721.90 million. The total tonnage for 2020 ranks as the fourth best and the highest since 2009. For their part, frozen paws and feet had an average FOB value in 2020 of $1.04/lb., which compares to just $.30/lb. for 2008.

The bottom line for U.S. meat shipments to China is that while 2021 may not be a repeat across the board in terms of historic marks, at least for pork, volumes should remain high. The relative cost advantage of U.S. products and the fact that significant progress was made in the major coastal areas in marketing prepackaged frozen cuts of pork and beef to professional households bodes well for the future. Ongoing recovery in the quick serve restaurant segment and institutional foodservice will help drive poultry sales as well.

Oilseeds

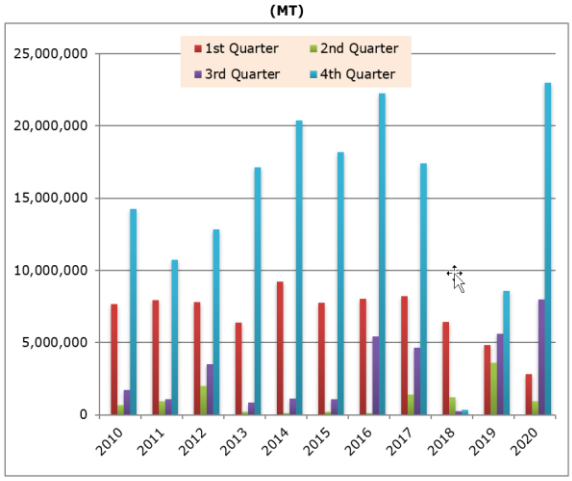
U.S. Soybeans Set Record for Second Half of 2020

Like U.S. agricultural exports as a whole, U.S. soybean shipments through last June totaled just 3.76 MMT with a value slightly over $1.36 million. That translated into an average FOB price of $9.87/bu. The second half of the year was by itself a record with total of 30.81 MMT worth nearly $12.80 billion. That brought the total for the year to just over 34.57 MMT with an aggregate value of $14.16 billion for an average FOB price of $409.55/MT or $11.15/bu.

December's figures of 6.82 MMT at a value of $3.06 billion resulted in an average FOB price of $12.22/bu. That marked the highest monthly average since August 2015. On a tonnage basis, 2020 ranks second all-time to 2016 when a total of 36.05 MMT of soybeans were shipped to China, while the total value is the fourth best ever and highest since 2016.

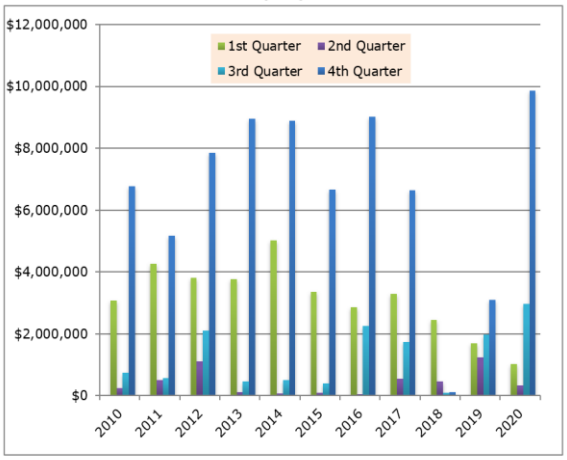
Since the start of 2021, weekly soybean exports to China have remained strong and steady with an average of nearly 1.26 MMT for the first five weeks of the year. Gross new sales have averaged 375,105.4 MT over the same period. Outstanding sales through the first week of February total just north of 2.31 MMT.

U.S. SOYBEAN EXPORTS TO CHINA BY QUARTER, 2010 – 2020 (MT)



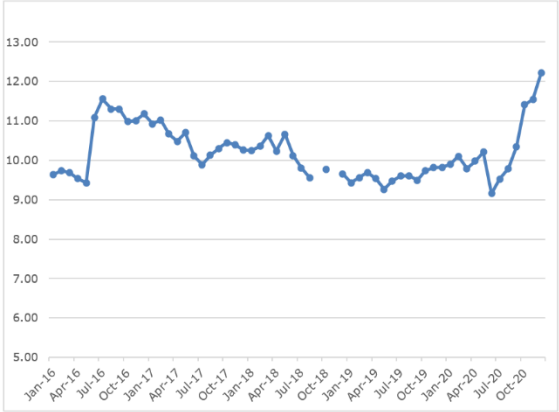
Source: USDA GATS

U.S. SOYBEAN EXPORTS TO CHINA BY QUARTER, 2010 – 2020 (USD)



Source: USDA GATS

U.S. SOYBEAN EXPORTS TO CHINA, AVERAGE FOB PRICE (USD/bu.)



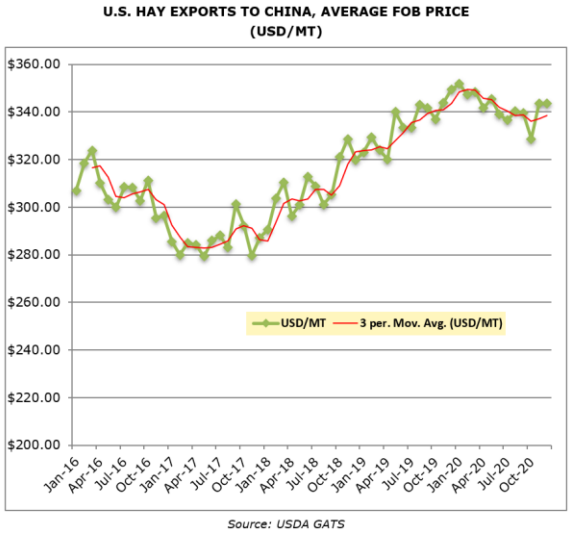
Source: USDA GATS

Feedstuffs

U.S. Hay Exports Record December Closes Out Record 2020

With a phenomenal total of 112,076 MT valued at $38.49 million, U.S. hay shipments to China hit a new mark for the month of December and set a yearly record as a result. A surging dairy market in China has driven demand as the average FOB price for December rose to $344.44/MT, up from $328.59/MT for November and the highest average since last May. That brought the yearly total to nearly 1.21 MMT worth $412.47 million surpassing the 2017 record for tonnage of 1.19 MMT and the 2016 mark for value of $354.96 million.

The outlook for 2021 with continued consumer demand expansion and steady recovery in dining out activity is for more robust growth in the consumption of yogurt, cheese, and ice cream across China and in rapidly expanding tier 2 and tier 3 cities.



WPI POLICY ANALYSIS

The Fantastic Year Ahead

By Gary Blumenthal

Prognosticators are signaling a lot of consensus around some key issues going into the new year. When everyone agrees, the usual advice is to run for shelter because it is bound to be wrong. Yet, it all could be true. The so-called honeymoon period for a new president has gotten much shorter over the years but President-Elect Biden's success could involve serious effort on areas of consensus, while limiting actions to symbolism on issues in dispute.

Areas of Consensus

Agriculture: Farmers voted for Trump, but Democrats want to court support from, not retribute against, this constituency. Farmers received huge cash infusions from Trump as trade war and COVID-19 relief, Biden could continue that flow but based on the adoption of better conservation practices.

Fiscal Spending: Trump ended the Republican focus on a balanced budget. A rising government debt has bad long-term implications, maybe the loss of reserve currency status/dominance of bitcoin, but not in 2021. This will help keep the value of the dollar down, boosting U.S. export competitiveness.

Trade: Republicans used to be free traders, but Trump adopted the Democrats' trade skepticism. He and Hillary both opposed TPP; Biden says he will not rush into any trade agreements. Trump went crazy with tariffs and Biden has not said he will unilaterally withdraw them – sounds like a consensus.

China: As noted by Australian Parliamentarian Dave Sharma, it is striking that a year after the coronavirus was found in Wuhan, the WHO has still not stepped foot in the city to investigate. Both Democrats and Republicans agree with Mr. Sharma that China "has demonstrated to the world the sort of great power it would be: one which brooks no criticism, demands deference from client states, and places its internal political needs above international norms and principles." Infrastructure: No one on the right or left says the roads are great and my internet is way too fast. Provided the plan allows for some local authority, and some bipartisan pork barreling, there can be an infrastructure package in 2021.

Areas of Opportunity

Environment: Everyone wants a clean environment and to avoid the worst that is predicted from climate change. The means and thus the costs of mitigation are in dispute but mostly from the two extreme wings of the two parties. This needle could be threaded, but probably not.

Equality: The debate is over opportunity versus outcome. Nobody on the right cares about the left's largely symbolic gestures, such as having the most diverse Cabinet ever. A broadly empathetic Joe Biden at the top of his game could make progress on this issue, but he would have to be at his best.

The most fantastic part about 2021 is the vaccine because it will ensure that it will not be another 2020.

Electric Vehicles, Political Distrust and Ethanol Demand

By Dave Juday

General Motors has announced that in an effort to lower its emissions goal it will produce 40 percent of its car and light duty vehicles as electric powered. The Renewable Fuels Association (RFS) commented through a statement from CEO Geoff Cooper:

I would encourage people to take these announcements with a grain of salt …. There is a lot of posturing going on right now with the new administration and these aspirational announcements are getting blown a little bit out of proportion.

In the meantime, the American Fuel and Petrochemical Manufacturers (AFPM) has been pushing for collaboration with the biofuels industry to preserve liquid fuel market share, in part by blocking subsidies for electric vehicles as per the Biden Administration agenda.

In a Reuter's article RFA's Cooper reacted saying:

We weren't born yesterday and we're not going to let the oil industry play us like a fiddle. They have a long history of pushing surrogates and proxies to the microphone to do their dirty work and we're not interested in that.

Other biofuel groups are reluctant as well. Despite the adversarial distrust, liquid fuels are under pressure, both petroleum and biofuels. As WPI reported about a month ago, with new mileage efficiency rules published by EPA, the annual average miles per gallon of the passenger car and light duty truck fleet will be about 32 miles per gallon in 2030; that compares to the 2020's estimated real world 25.69 miles per gallon.

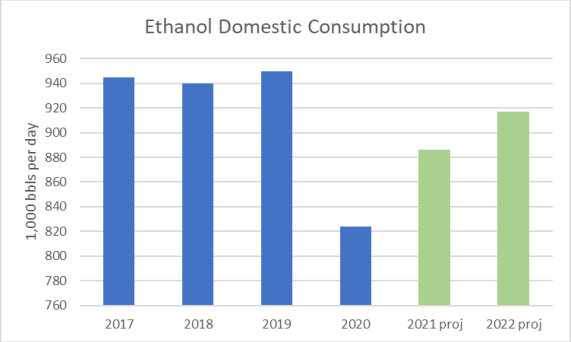
RFA's Cooper also noted that GM had missed its goal on making half of its models flex fuel vehicles. Back in November 2019, WPI highlighted that point:

As for E85, only Ford and General Motors are capable of using E85 in model year 2020. A total of 16 models will be available as FFVs in 2020, with six of those available only to fleet purchasers. That's down from more than 80 different models from eight manufacturers being available to consumers as recently as 2015.

But as was pointed out, a report from the think tank Third Way noted that conventional combustion engine gasoline powered cars peaked in 2016 and electric vehicles (EV) sales continue to increase. According to the report, EV sales could grow at double-digit rates for an extended period during the coming decade; environmental policy could catalyze that.

The point is the general trend of fuel policy is clearly shifting the struggle from how much of the tank is filled with gasoline versus biofuel to a struggle between liquid fuel and alternatives. This is coming after the COVID impact of 2020 which dropped domestic ethanol use by about 121,000 barrels per day and which is not projected to recover through 2022.

Whether the petroleum and biofuels industry align as strange bedfellows under a liquid fuel coalition or not, the trend in alternative vehicles and mileage efficiency moving forward have the same potential adverse consequences for them both.



Beating GIs with EIs

By Gary Blumenthal

Robert Bonnie is the new senior advisor for climate at USDA and his description of the agency's approach to farmers and the Biden Administration's green goals involved the softest of retail marketing. His 10-minute spiel included the following:

New market opportunities, markets as climate change benefit, collaboration, partnership, incentives, voluntary, work for the bottom line, have a conversation, build tools, climate smart agriculture, build not compete with private sector investment, acceptable, measurable, resilience, de-risk, de-risk, de-risk, equity for Black farmers, etc.

Farmers turned out in droves for Donald Trump when he promised to undue the Obama Administration's burdensome regulatory obligations and Democrats appear to have learned the lesson. Mr. Bonnie's description means that instead of being ham-fisted, USDA is going to throw a lot of money at the problem. After all, if "agroecology" and profitability were naturally symbiotic, the market would already be making it happen. Underlying the pitch is that consumers will gladly pay more if they know the food is eco-friendly. In fact, eco-indicator foods could beat geographic indicator foods in the marketplace since the latter lacks the sustainability moniker.

Hard to Beat Meat

In the name of public health and the environment, the original EU draft sought to cut red and processed meat out of the government's multi-million-euro annual marketing budget. Almost a quarter of the EU's promotion funds go toward promoting the consumption of such products. NGO's and Green lawmakers reportedly objected to taxpayer funds being used to promote becoming a "beefatarian" or a "pork lover." But in the end and likely under pressure from beefatarians, the EU will seek to "phaseout" the promotion of red and processed meat promotion as the availability of plant-based diets improves.

Food Irony

Skeptics of some food marketing ploys might find the irony in a judge's decision in a case involving a leader of the storming of the U.S. Capitol last month. The judge granted the request of Jacob Chansley that he be fed organic food while in prison. Chansley, who is also known as the "QAnon shaman," is said to need organic food for religious and health reasons. QAnon follows fringe conspiracy theories.


WORLD PERSPECTIVES
AT THE NEXUS OF POLICY & MARKETS