AgReview

July 2021 | Volume 33, No. 6 | World Perspectives, Inc.

PNW Heatwave Impacts

Battle of Oilseeds

U.S. Red Meat Exports Winning the Long Game

China In-Country Analysis

Mercosur Regional Analysis

E15 Legislation Proposed

EO “Attempts” Competitive Ag Economy

WORLD PERSPECTIVES: AG REVIEW

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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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CONTENTS

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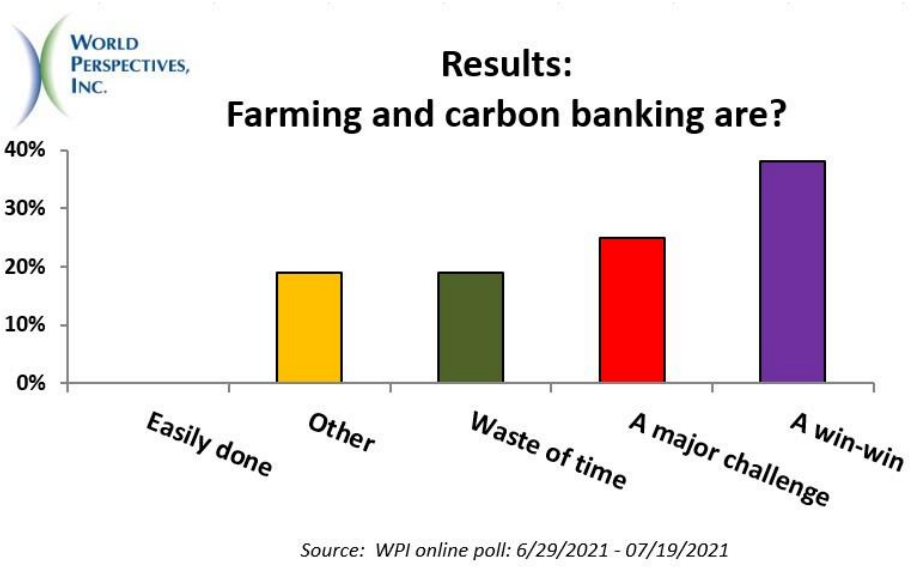
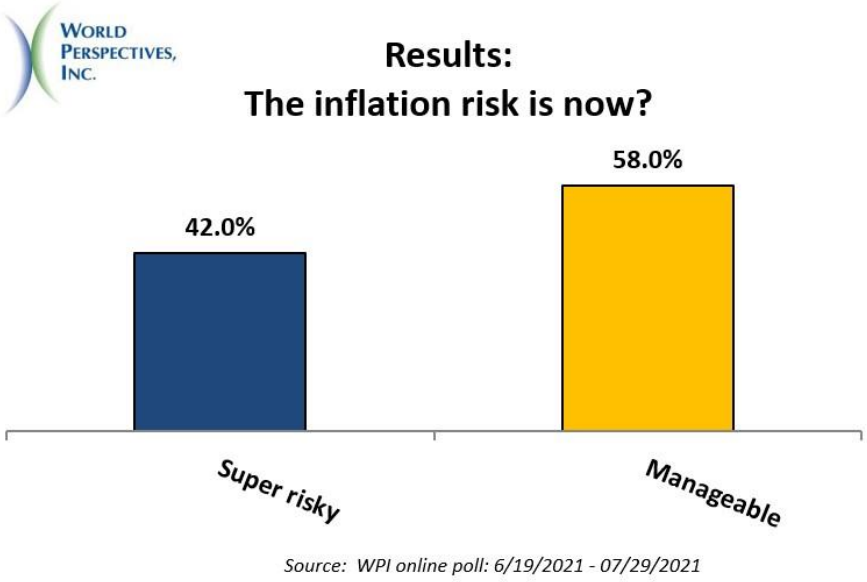
WPI POLLING

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 was another swashbuckling month for the global agrifood industry. After all, it takes daring and pluck to succeed in a capital intensive, low margin business. It is historically romantic but competitively brutal and that is before policymakers stir the pot further. It is not always pretty but we own it and that means constantly trying to understand it. That is what issues like this month's *Ag Review* accomplish. It dissects issues in an easily consumable fashion, even though its parts are complex and the whole is a behemoth.

Let's start with the down and dirty. This year is seeing problems with production and climate change is cast as both the villain and the ultimate savior for agriculture. There will be much more analysis as this topic progresses into the future.

We often talk about the corn/soybean ratio as a fight for acres, but there is a similar competition where oilseeds are pitted against oilseeds. It is a topic worth reviewing. Dave Juday has the meat on the meat industry, and he notes how the industry is winning the long game. Against every imaginable hurdle from disease problems like BSE, to chemophobic reactions to treatments like hormones and ractopamine, the U.S. meat industry is nonetheless exporting at record levels.

Our partners at Global Agribusiness Partners do their usual fine job of breaking down the Godzilla known as China. They have the inside scoop on the rebuilding of the meat sector, the growing stocks of soybeans and products, and the arrival of declining corn prices. It is an inside peak at what these analysts are witnessing on the ground, not the propaganda from government officials in Beijing.

The Americas are perhaps the most import hemisphere in agriculture in part because of Mercosur. It was a challenging production season with suboptimal moisture that crippled the Brazilian corn crop and is now trimming cargo loadings on the Parana River. But Argentine wheat and Brazilian soybeans are doing well, and our analysts detail the developments that impact the global market.

The policy fights can sometimes be worse than Mother Nature when it comes to agriculture. There are the policy fights over the Renewable Fuel Standard where the Biden Administration has been slow to issue blending obligations for 2021 and 2022. And after surviving the collapse in demand due to COVID, now the industry faces legislation that would collapse ethanol use by two-thirds.

Also on the agenda is the renewed war on Big Ag. It is a repeat of the failed effort by the Obama Administration's Justice Department that has now been expanded under President Biden to a whole of government approach. This means investigations by USDA, the SEC, FTC, FMC, and the rest of the USG's alphabet soup, all looking for villains in the seed, feed, fertilizer, meat and poultry industries.

Finally, we touch upon the most serious policy fight in the world, the one with the Middle Kingdom as it rises to be the biggest dragon in the world. This month Beijing and Washington took the fight to the WTO in Geneva but no international for a will be spared in this long ground game.

Enjoy it all!

Gary Blumenthal

WPI MARKET ANALYSIS

PNW Heatwave Impacts

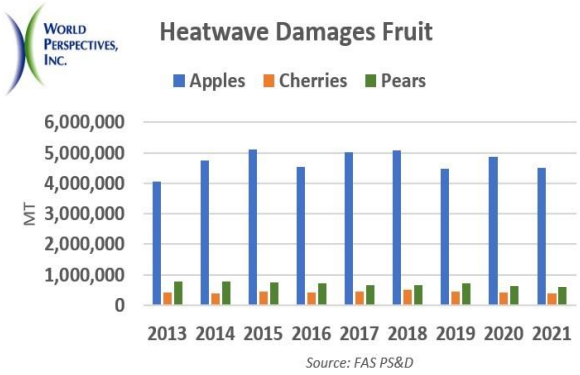
By Gary Blumenthal

The Pacific Northwest (PNW) of the U.S. is suffering drought and a heatwave rarely seen in recent history. The white wheat crop has been damaged for sure but so have the specialty crops that are unique to the region. Fresh apples, pears, cherries, and berries are all believed to have suffered under the harsher than normal conditions.

Nationally, around 20 percent of apple, cherry, and pear production is exported. This means that prices will be up, and exports will likely be lower. Some say this will be a longer-term trend under climate change.

If true, then investments in irrigation will likely have to rise. Irrigation can be insurance against failed natural precipitation, but it is not cheap. It can cost thousands of dollars per acre to install, and then there are annual operational costs.

A good business plan balances the risk of drought against the value of output. Irrigated land is only a small portion of total cropland due to rationalizing it as an insurance policy, but climate change will impact this calculation.



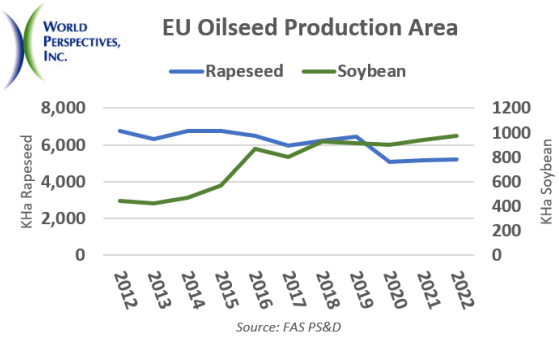
Battle of Oilseeds

By Gary Blumenthal

In the U.S. the battle for planting area is between corn and soybeans but in Europe it appears to be between rapeseed and soybeans. In recent years, the area planted to rapeseed has been declining at the same time the soybean production area has doubled. Italy is the largest soybean producer within the EU, but German output has doubled in the past five year.

The production area for soybeans in Canada has also been expanding but not at the expense of canola, which has also been enlarging. In the EU, producers receive on average a 10.5 percent price premium for rapeseed over soybeans. In Canada, the production cost of soybeans is 37 percent greater, and the marginal return over operating costs for canola is 13.4 percent better than soy.

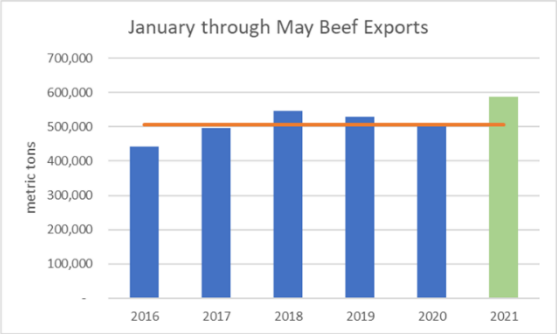
Soymeal has some feed ration advantages over canola/rapeseed, but the latter arguably delivers a better vegetable oil since it is lower in saturated fat. Yet soybean production is expanding in both Canada and the EU. One explanation is the agronomic benefit of including soybeans in the normal wheat/rapeseed (canola) rotation. Soybean plantings help reduce pest and disease risks.



U.S. Red Meat Exports Winning the Long Game

By Dave Juday

The May export data is in. Pork export volume was the third highest on record behind March 2020 and March 2021. Beef export volume set a historic record (also beating the previous high mark of March 2021), and for the third consecutive month the beef export value set a record. To date, beef exports are running 16 percent above the previous five-year average.



Source: USDA, WPI

Red meat exports have benefitted in the long game that dates back almost two decades.

Exports to Korea set a record in May at 29,403 MT, and for January to May were 121,881 MT valued at $912 million, which now makes Korea the leading value market for U.S. beef. In 2008, there were street protests about letting U.S. beef into the country after the BSE detection in 2003 – this is a major turn-around.

Exports to China were only slightly below the April total, which was the monthly record. This is a year after the Phase One trade deal which expanded access to China. The January to May year-to-date volume is 64,763 MT valued at $474.7 million – both surpassing previous annual records and running 1,200 percent ahead of 2020. U.S. beef now has a more than 4 percent import market share in China after being banned for 14 years through 2017.

Pork exports to China dropped in May, though it remains the largest market for U.S. exports. Much of the decline was from China resuming its normal pattern of buying a bigger mix of offal and small amount of muscle cuts as hog prices in China drop from ASF highs. Another pattern returning to normal, however, is Mexico – exports in May were the largest of 2021 and the year-to-date totals move Mexico to recapture its spot as the top volume market for U.S. pork.

Taiwan announced that it will delay its scheduled referendum on accepting U.S. pork and beef with ractopamine; the referendum was scheduled for August, but due to COVID concerns that public referendum and four others have been postponed until mid-December. President Tsai Ing-Wen announced last August that the ban on U.S. meat from animals fed ractopamine would be lifted, which caused protests among consumers and in the legislature (similar to the Korean situation for U.S. beef in 2008).

Under Taiwan's process, a majority of voters, with at least 25 percent turnout, must approve the lifting of the ractopamine ban. Tsai proposed the move to facilitate a broader trade agreement with the U.S., which certainly would be unwelcome by China. If the proposal passes, and if a free trade agreement is reached, the question becomes whether China would retaliate.

WPI INTERNATIONAL ANALYSIS

China In-Country Analysis
7 July 2021
By Global Agribusiness Partners

Livestock

China's Live Price Up Nearly 22 Percent

According to the National Development and Reform Commission (NDRC), the first state procurement of frozen pork for reserves for MY 2021 took place today. The total purchased was 20,000 MT or approximately 13 percent of the country's average daily domestic pork output.

As previously reported, China's central government released a work plan last month to improve the mechanism for adjusting pork reserves in an effort to stabilize the market. The plan detailed multiple measures to avoid dramatic price fluctuations and supply and demand imbalances. State purchasing for pork reserves will occur at the national and local levels and will commence when an index comparing the ratio of the average pork price to a composite average of grain prices drops below 5 to 1. Last month, the index fell to 4.9 to 1.

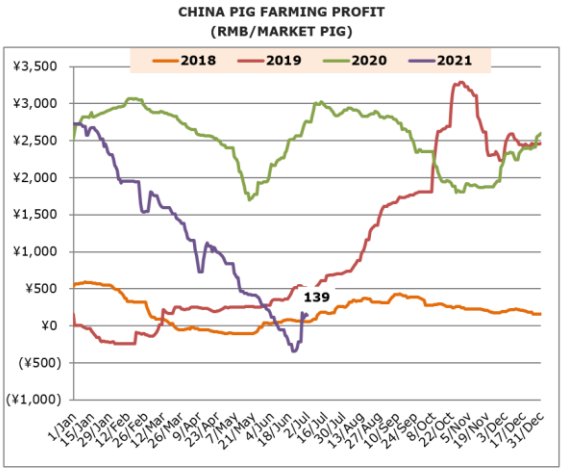
While the state procurement amount is not significant, it sent a strong signal to the market and caused the pork price to turn around sharply last week. The national average price reflected the momentum reported regionally two weeks ago and climbed by 21.6 percent or RMB 2.94/kg ($.45/kg) or RMB 1.33/lb. ($.21/lb.). The sharp rebound in the live hog price buoyed the average operating profit, as the average return per live pig jumped by RMB 352/head ($54.40/head) to end last week in positive territory.

Major Hog Producers See Market Share Increase
Muyuan Foodstuffs, the country's leading hog producers, announced its performance for June this week. The company reported total sales of nearly 3.5 million head. For the first half of 2021, Muyuan's live hog sales are up 148.8 percent from a year ago to 17.5 million head. Market estimates suggest Muyuan's live hog production accounts for about 6 percent of China's total domestic output. The top eleven publicly listed companies have seen their live hog output rise by 96.5 percent during the first six months of 2021 compared to the same period for 2020, amounting to about 12 percent of total domestic hog production.

White Feather Broilers See Modest Recovery
After two straight weeks of declines, the national average white feather broiler price bounced back by 1 percent. That translated into a weekly gain of RMB .08/kg ($.01/kg) or RMB .04/lb. ($.006/lb.). The rise in domestic pork prices certainly has helped domestic chicken prices, particularly as the popular summer months for outdoor cooking come into full swing. Nonetheless, import competition has remained brisk.

U.S. poultry exports in May totaled 37,256.50 MT worth $73.18 million for an average FOB price of $.89/lb. Although the tonnage for last month was down 38.2 percent from a year ago, May's volume was up 8.4 percent from April. Equally important, the average FOB price was up last month by $.03/lb. This suggests that China's poultry producers, at least for the white feather variety, are facing significant competition on the quality front, particularly when it comes to products like frozen feet and paws, turkey, and chicken wings and leg quarters.

Data Source: Boyar



Data Source: Boyar

Oilseeds

Soymeal Inventory Growth Slows

Data for China's soybean inventory finally became current last week. The estimated national total at 1.14 MMT was up just 7,500 MT or .8 percent from the previous week but up 86,600 MT or 8.2 percent from two weeks ago. Trends were quite mixed at the regional level as stocks were up in three regions, down in three, and unchanged in one. The largest weekly decrease occurred in the east where inventories fell by 35,400 MT or 6.9 percent. Driving the overall increase were gains in the north, Fujian, and Guangxi, where stocks rose by 16,800 MT or 19 percent, 15,500 MT or 44.7 percent, and 14,900 MT or 13.7 percent, respectively. Going back to the same week in July 2020, last week's total was up by 171,600 MT or 17.8 percent.

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

	Northeast	North	Shandong	East	Guangdong	Guangxi	Fujian	Total
2 July 2021	93.9	105.3	148.6	480.1	134.9	123.4	50.2	1,136.3
Week-on-week	-2.7	16.8	-1.5	-35.4	0.0	14.9	15.5	7.5
Month-on-month	55.0	67.8	65.3	56.9	-8.5	55.9	11.3	303.8
Year-on-year	5.9	56.6	52.6	29.5	51.5	-27.6	3.2	171.6

Source: CoFeed, China Grain

Imported Soybean Inventory Continues to Grow, Up 1.2 Percent

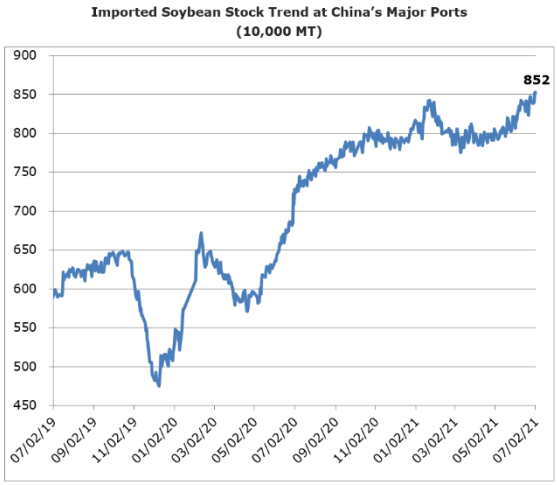
Led by the continued steady growth in imported soybean stocks at the four major ports in Guangdong, China's national total climbed by 105,100 MT to surpass 8.5 MMT. A surge in new shipment arrivals from Brazil combined with a reduction in utilization capacity by the major crushers has pushed imported soybean inventories to new heights. In Guangdong, stocks continued to climb, jumping up by 94,000 MT or 7.6 percent, raising the province's share to 15.5 percent of the national total. At the other major seaports, inventories increased by 74,100 MT or 3.4 percent, pushing up their share of the national total to 26.6 percent. In contrast, imported soybean stocks at the major ports in Shandong and Jiangsu fell by 13,000 MT or .5 percent and 50,000 MT or 2.3 percent, respectively.

Looking ahead with more soybean shipments slated to arrive in July and August, the outlook is for continued growth in soybean and soymeal stocks. Crushers will increase utilization rates to manage inventories, but without costs improvements for meat producers, it is hard to see how price growth can be sustained. Soymeal inventories should see steady growth to the 1.6 or even 1.7 MMT level by the end of July.

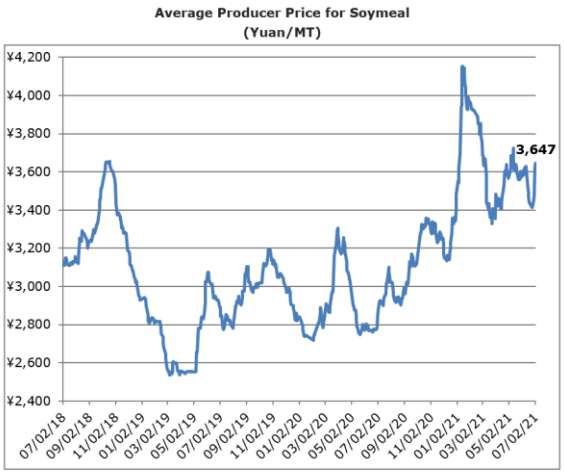
China's Imported Soybean Stocks (1,000MT)

	Total	Other Ports	Shandong	Guangdong	Jiangsu
2 July 2021	8,516.2	2,269.5	2,814.7	1,324.0	2,108.1
Week-on-week	105.1	74.1	-13.0	94.0	-50.0
Month-on-month	282.9	125.7	-85.0	317.7	-75.5
Year-on-year	1,238.1	-258.8	394.2	351.8	751.0

Source: JCI



Source: JCI



Source: China Grain

Crush Margins Tank as Imported Soybean Prices Soar

For the second straight week, the average landed prices for U.S. and Brazilian soybeans ticked up. Last week, saw a more significant uptick as the average CNF price for U.S. soybeans rose by $42/MT or 7.1 percent, while for Brazilian beans the average CNF price increased by $58/MT or 10.2 percent. On the product side, lower utilization rates resulted in nice gains for both soymeal and soyoil. The average producer's price for soymeal surged ahead by RMB 233/MT ($36.01/MT) or 6.8 percent, while the average producer's price for soyoil posted a solid gain of RMB 211/MT ($32.61/MT) or 2.4 percent. The net result saw the average crush margin on U.S. soybeans sans the 25 percent penalty tariff fall deeper into the red by RMB 92/MT ($14.22/MT). By comparison, the average loss on Brazilian soybeans widened last week by RMB 212/MT ($32.77).

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)
2 July 2021	634	6.47	3,647	9,173	-1,525	-235.6
Week-on-week	42	0.00	233	211	-168	-26.1
Month-on-month	10	0.06	63	-569	-207	-29.9
Year-on-year	231	-0.59	768	3,270	-613	-106.4

Source: JCI

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

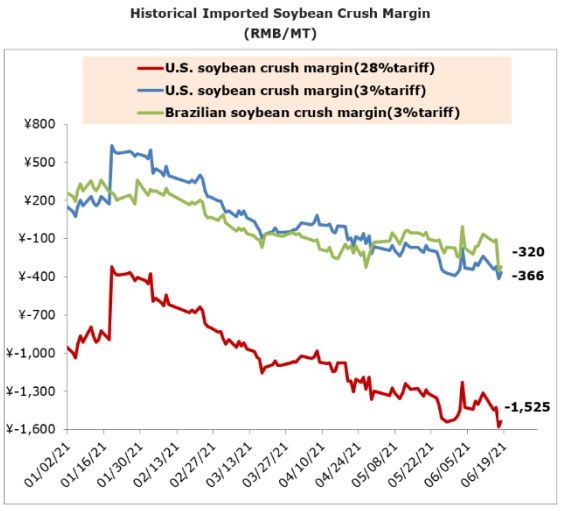
	Imported Soybeans Cost & Freight	Exchange Rate	Soymeal Prices	Soybean Oil Prices	Crush Margin *(Tariff-3%)*	Crush Margin
	(USD/MT)	(USD/CNY)	(RMB/MT)	(RMB/MT)	(RMB/MT)	(USD/MT)
2 July 2021	634	6.47	3,647	9,173	-366	-56.5
Week-on-week	42	0.00	233	211	-92	-14.2
Month-on-month	10	0.06	63	-569	-177	-27.1
Year-on-year	231	-0.59	768	3,270	-257	-41.1

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)
2 July 2021	628	6.47	3,647	9,173	-320	-49.5
Week-on-week	58	0.00	233	211	-212	-32.8
Month-on-month	15	0.06	63	-569	-214	-32.9
Year-on-year	219	-0.59	768	3,270	-163	-27.2

Source: JCI



Source: JCI

Grains

Domestic Corn Price Falls in the South Again

With the U.S. exporting more than 3.4 MMT of corn in May to China, domestic prices in Guangdong and to a lesser extent in Shandong are facing significant pressure. Meanwhile, the average cash price in the Northeast reached its lowest level in four months last week. The average price in Guangdong fell by RMB 40/MT ($6.18/MT) or 1.4 percent, while in Shandong it was down by RMB 16/MT ($2.47/MT) or .5 percent. The net result saw the national average price tick down by RMB 4/MT ($0.62/MT) or .1 percent.

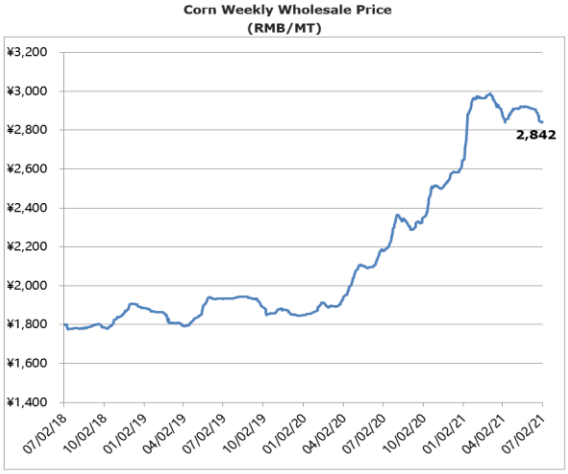
On the processing side, trends were mixed for starch processors in Shandong and Jilin. In Shandong, the average cornstarch price fell by RMB 20/MT ($3.09/MT) or .6 percent, while the corn gluten meal price held steady. The operating margin in Shandong improved by RMB 29/MT ($4.48/MT) but remained in negative territory. In Jilin, the cornstarch price was unchanged, but the average corn gluten meal price fell by RMB 60/MT ($9.27/MT) or 1.2 percent. This pushed down the operating loss in Jilin even further.

For ethanol producers, the average utilization rates have fallen well below 50 percent with demand somewhat depressed. Prices in Shandong were unchanged, but the operating margin improved by RMB 128/MT ($19.78/MT) to end the week just below breakeven. In Jilin, the average ethanol price fell by RMB 50/MT ($7.73/MT) or .7 percent, while the average DDGS price dropped by RMB 100/MT ($15.46/MT) or 4.3 percent as feed mills are not inclined to ramp up inventories anytime soon.

China Corn Wholesale Price (RMB/MT)

	Nationwide	Heilongjiang	Jilin	Liaoning	Shandong	Guangdong
2 July 2021	2,842	2,680	2,670	2,728	2,896	2,820
Week-on-week	-4	0	0	15	-16	-40
Month-on-month	-71	-35	-87	-80	-46	-150
Year-on-year	662	735	713	609	644	550

Source: CNGOIC/JCI



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
2 July 2021	2,950	3,380	5,040	-104	2,740	3,150	4,980	-188
Week-on-week	-40	-20	0	29	0	0	-60	-23
Month-on-month	-70	-120	60	-52	0	-150	0	-203
Year-on-year	630	660	780	-40	930	600	680	-580

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
2 July 2021	2,920	6,850	2,650	-5	2,610	6,700	2,250	250
Week-on-week	-40	0	0	123	0	-50	-100	-19
Month-on-month	-50	0	-30	121	80	-50	-200	-143
Year-on-year	600	930	450	-377	680	1,080	500	-153

Source: JCCE

Mercosur Regional Analysis
19 July 2021

By WPI Staff

Corn

Brazil

The Brazilian corn production estimates look poor indeed. The combination of intense drought and recent frost/freeze events caused huge, irreversible damage to the crop. The most optimistic estimate right now is a total crop of 93 MMT (of which 67 MMT is attributed to the safrinha crop) and the most pessimistic is 83 MMT (with 57 MMT of safrinha production). The range in export estimates is similarly wide between 19 and 25 MMT.

Brazil's harvest is moving slowly and is well behind the normal pace. Only 15 percent is harvested so far, so it's too early to make definitive conclusions about yields and crop size.

As the harvest moves faster, the market will get a better assessment of production potential.

In the meantime, local Brazilian prices are on fire, and WPI sources heard trades with prices above $300/MT. Local users are having significant difficulty procuring corn as internal logistics are expensive and the crop must travel a long way across the country. For many end-users, it is cheaper and easier to import foreign corn than procure domestic supplies.

So far, there are rumors that Brazil has already purchased 2 MMT from Argentina in addition to what they bought from Paraguay (which will be imported by truck). The Paraguayan crop also suffered from the most recent frost/freeze event, which apparently prompted Brazilian importers to buy Argentine corn as well. Depending on the final size of the Brazilian crop, the country could import 5 MMT of corn, almost all of which would come from Argentina.

Argentina

Argentina's corn has been the cheapest origin all year, but premiums remain under pressure despite that fact. Premiums have held large upside potential for several months now, but harvest pressure, exporters' long position (that kept increasing), strong farmer selling, and low river drafts (which forced vessels to load smaller volumes) have pressured exporters to be aggressive with offers to catch demand.

Premiums finally rebounded last week with the greatest rally in spot (August and September) positions. The combination of more international interest developing, combined with Brazilian offers jumping more than 40 cents to 115U, allowed Argentine exporters to increase their offers. August and September shipment offers rose from 5-8U last week to 40U this week with demand at 25U. Panamax vessel offers jumped 40 cents higher, ending at 85U with bids at 65U for August/September and bid 65Z versus offered at 95Z for October.

As the moisture content of the corn starts to decrease, the harvest progress increases. Last week's progress totaled 6.5 percent of planted area, which is the fastest pace in some time. Yields are strong and if the trend continues the total crop could exceed 48 MMT. Truck arrivals at ports increased and averaged 3,800 trucks daily last week (110,000 MT/day). Farmers sold more than 2 MMT of corn during June and, so far, Argentina has loaded 1.9 MMT of corn in July. The month will probably end with 4 MMT of corn loaded for export. The vessel lineup is 3.2 MMT right now and it's interesting to see that 35 percent of the lineup is for south ports, due to the low Parana River draft.

As WPI has noted in recent reports, corn offered from south ports is more expensive than Upriver ports due to tight supplies and this year's exceptional demand. This has caused some buyers to investigate competing vessels in Brazil, rather than from Argentina's south ports.

Wheat

The Buenos Aires Grain Exchange reported 96 percent of the Argentine wheat crop is planted after last week's 5 percent weekly progress. Despite some areas needing rain, nearly 60 percent of the crop is in good/excellent condition.

Argentine Wheat Crop Conditions and Soil Moisture Ratings 19 July 2021

	Crop Conditions		
	Good/Ex.	Fair	Poor/Very Poor
This Week	59%	39%	2%
Last Week	57%	41%	2%
Last Year	22%	59%	19%
	Soil Moisture Conditions		
	Wet	Optimal/Favorable	Poor/Dry
This Week	71%	27%	2%
Last Week	70%	28%	2%
Last Year	41%	59%	0%

Source: Buenos Aires Grain Exchange

Farmers have already sold 14 MMT of old crop wheat and nearly 4.1 MMT of the new crop. New crop sales are up roughly 25 percent from this time last year. Despite the strong farmer selling, the FAS and FOB markets continue to slowly trend sideways. If conditions remain favorably, farmers should keep selling and sell more volume than last year as current prices offer strong production margins. These margins are even

better if one considered the economics of a wheat/late soybeans double crop rotation. Farmers have a great opportunity to start fixing margins and earn strong profits this year.

Soybeans

The soybean markets were finally active again last week with Chinese crushers, led by Sinograin, purchasing several cargoes from South America. Sinograin bought an August CNF cargo at 246Q of Argentine/Uruguayan origin soybeans at the beginning of the week. After that, CBOT futures were wildly volatile, and the August/November spread traded to a 73-cent inverse. By the end of the week, another cargo traded for the same shipment at 216Q.

Brazil

In Brazil, August shipments traded at 305X CNF China with September positions ranging from 317-320X. September soybeans are still competitive against U.S., which is offered 340X for that position. For October until February, however, the U.S. is more competitive, but Brazil might chase the market and drop its basis levels to chase demand. For now, however, Brazilian exporters are focused on September shipments where demand is present, and they can be competitive.

As they did last week, ocean freight rates and markets deserve special attention. Last week was the first in several weeks where markets traded lower and WPI sources say that trend should continue this week. Rates from Santos, Brazil to China settled at $62/MT for spot positions last week, down $10 from the prior week, and $43/MT for new crop positions (down $11/MT from the prior week).

China's buying last week was driven more by necessity than crush margins. Old crop margins are still exceptionally low, reported at $10/MT gross for the most recent purchases and now even below that. Nevertheless, WPI looks for China to keep buying at least 1 MMT more for August and 3 MMT for September from South America. Farmers are not selling in Brazil and commercials are not in a hurry to sell. China will have to push those soybeans into the export channel by offering higher prices. Farmer selling in Brazil reached 80 percent of the current crop and 19 percent for the new crop.

So far this month, Brazil's exports have been running normally and total 4.9 MMT. WPI looks for total July exports of 8.5 MMT. FOB Paranagua closed Friday at 84Q for August, 132X for September and 148X for October, with cargoes offered at similar levels FOB.

There was some activity in Brazil's new crop soybean market, with China buying February and March positions due to positive crush margins. There are even some very early positions offered in Brazil, like 10-January/10-February (will surely have a February BL) offered at 220H CNF while full-February is offered 180H and March traded ranges from 143-145H.

New crop Paranagua paper closed with offers at 38H for February, 8H for March, and 4K for April. New crop cargoes were offered at a premium of 15 cents over Paranagua paper.

Argentina

In Argentina, the Parana River water level is making logistics complicated, and the near-term outlook looks even worse. Last week, Argentine corn traded at a premium of $34/MT in Bahia Blanca vs Upriver ports. Due to the low draft, Panamax size vessels are loading smaller volume Upriver and are forced to increase intakes in Necochea or Bahia Blanca ports, which have deep drafts for this size of vessels.

In other related news, last week the Argentine government reduced the biodiesel mandate from 10 to 5 percent. On the contrary, Brazilian government increased its biodiesel mandate from 10 to 12 percent, following last April's reductions from 13 to 12 percent.

Argentine exports for January-May were $14.250 billion versus a five-year average of $9.882 billion and this income is crucial for the weak economy. The Central Bank obligates exporters to bring export income into the country via the official exchange rate and liquidates those sales back to exporters at approximately 96 pesos per U.S. dollar, while the free, unofficial exchange rates is currently 176 pesos per U.S. dollar.

WPI POLICY ANALYSIS

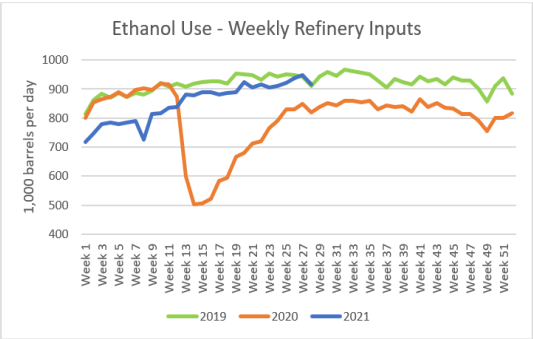
E15 Legislation Proposed

By Dave Juday

As we previously reported (6 July), the U.S. Court of Appeals for the DC Circuit struck down the Trump Administration EPA's decision to provide a waiver for year-round E15 sales, and we noted that "biofuels groups have said that "every legal, regulatory and legislative option" would be pursued." As of now, the legislative route is being charted first.

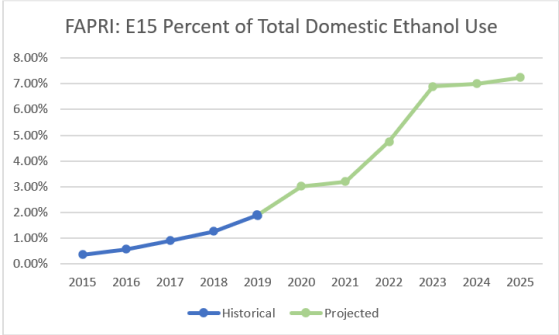
A legislative change to the Clean Air Act has been introduced - The Year-Round Fuel Choice Act. It's a bipartisan bill in both the Senate and the House sponsored by Senators Deb Fischer (R-Nebraska) and Amy Klobuchar (D-Minnesota) and Representatives Adrian Smith (R-Nebraska) and Angie Craig (D-Minnesota).

Last year was the largest annual decrease in U.S. fossil fuel consumption in both absolute and percentage terms since at least 1949. It was driven by the 15 percent decline in transportation fuel. Jet fuel dropped 38 percent, diesel fuel 7 percent, and motor gasoline was down 13 percent which lead to a similar decrease in ethanol use. So far this year, ethanol use is still down 6.5 percent from the same period in 2019, and total fuel use is not projected to recover until after 2023.



Source: EIA, WPI

In March, the 10-year outlook from the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri estimated that E15/mid-level blend ethanol hit its record high in 2020 at 385 million gallons, which would make it the largest volume and percent of overall ethanol use on record. The outlook also forecast E15 to nearly triple in the coming five-years to 1.024 billion gallons, an increase of 270 percent. But without the ability to blend E15 during the high driving season from 1 June to 15 September, that outlook is cloudy.



Source: FAPRI, WPI

Just a back of the envelope SWAG, the E15 waiver in 2019 generated about 50 million gallons marginal use of ethanol. With FAPRI's forecast of growth over the next five years, the proposed E15 legislation would support about 330 million gallons of marginal ethanol use through higher blends over 2021 to 2025, when the five-year total use forecast is about 684 million gallons lower than actual use over the five-year 2015-2019 period.

EO "Attempts" Competitive Ag Economy

By Gary Blumenthal

Much of the Biden Administration's agriculture agenda was furthered today by an Executive Order (EO) issued from the White House while Secretary Vilsack was in Council Bluffs, Iowa, to tout the plan. The order to Promote Competition

in the American Economy is a broad reaching effort with 72 specific initiatives across a dozen federal agencies. Amongst initiatives are several related to agriculture and livestock.

The main target is business concentration in feed, seed, fertilizer and of course meat and poultry. One of the highlighted claims in the White House press release is that the order will:

Empower family farmers and increase their incomes by strengthening the Department of Agriculture's tools to stop the abusive practices of some meat processors.

The order directs the Department of Justice (DOJ) and Federal Trade Commission (FTC) to "enforce the antitrust laws vigorously," including challenging "prior bad mergers that past Administrations did not previously challenge." The DOJ and the FTC are to focus on agriculture, as well as labor, pharmaceuticals, hospitals, insurance, and big tech. A new White House Competition Council will be created to shepherd the order. Notably, the spirit of the order is not just to enforce anti-trust, but to "spark" competition.

USDA will issue new rules under the Packers and Stockyards Act (PSA) to prohibit a new poultry grower tournament pricing system rule and eliminate the need for livestock producers to demonstrate harm to competition when bringing action under the PSA. Both of these were proposed under the Obama Administration, and both withdrawn under the Trump Administration. Moreover, the "no need to prove harm" provision has been struck down by various courts. USDA will also issue a rule to "provide greater clarity to strengthen enforcement of unfair and deceptive practices, undue preferences, and unjust prejudices." Stay tuned. Finally, USDA will issue a new rule on meat labeling that will limit what can be labelled as "Product of USA."

While in Council Bluffs, Secretary Vilsack announced $500 million in American Rescue Plan funds to expand meat and poultry processing capacity. No further details were released. The biggest constraint to full capacity processing is not infrastructure but labor. After several years of expanding, the hog herd is headed down so any expansion in processing will be excess capacity. There have already been several private company announcements about expanding beef sector packing capacity that collectively will add 5,000-plus head slaughter per day. Fabrication is not cheap so the government's $500 million spread among three species will not buy very much.

Other ag related regulations and efforts not coming out of USDA are:

- FTC to limit tractor manufacturers from restricting farmers' ability to use independent repair shops or conduct their own repair and maintenance.
- Federal Maritime Commission to ensure vigorous enforcement against shippers over-charging for U.S. exports.

The First Shot; Bad Shot

By Gary Blumenthal

The First Shot

U.S. President Joe Biden and Chinese President Xi Jinping faced off today in a virtual meeting of the Asia Pacific Economic Council (APEC) but there was a behind the scenes trade fight going on in Geneva. The U.S. asked the WTO to approve retaliatory measures against China, claiming the Middle Kingdom has failed to comply with a dispute settlement case that found its management of agricultural tariff rate quotas were violative of its obligations. In response, Beijing requested a compliance panel to review the matter, hoping to kick the problem down the road. A former U.S. agricultural trade negotiator called it "the first shot at China by the new USTR." It could help the Biden Administration on Capitol Hill where some Republicans this week voted against two USTR nominees over what they perceive as a lack of helpful trade policy activity.

Bad Shot

Food prices are rising this year, the Biden Administration has hauled out the anticorporate rhetoric and activist groups are digging out the talking points they have used repeatedly through

the years with little effect. They called it an "investigation" by activist groups like Food and Water Watch and Family Farm Action, but it is filled with the same misleading research of decades past. They claim that the food system is controlled by a handful of companies that make all the money and that consumer choice is an "illusion." Updating their rhetoric to fit the progressive times, they claim that a handful of individuals, "mostly white men," make the money and dictate to farms. Then there is the lament that farmers only receive 15 percent of what is spent at the grocery store.

Current supply chain and labor shortage issues aside, USDA data show that the food consumer price index has been about as flat as it can be over the past two decades. In fact, labor costs have been the fastest rising category in the food sector for several years. Annual surveys for years have revealed overwhelming satisfaction with the food system by consumers. The agrifood sector cannot compare with health care and housing when it comes to taking an increasing share of personal income. This witch hunt will end like all the previous ones, a bad shot in broad daylight.


WORLD PERSPECTIVES
AT THE NEXUS OF POLICY & MARKETS