

# AgReview

November 2020

Volume 32, No. 10

World Perspectives, Inc.

**COVID Spike and Ethanol Outlook**

**Long-Term Forecast Challenges**

**Oilseed Highlights**

**China In-Country Analysis**

**Global Impacts of Election**

**Fiscal Policy and the Federal Budget**

**Biden Trade Agenda**



## **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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- *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.*

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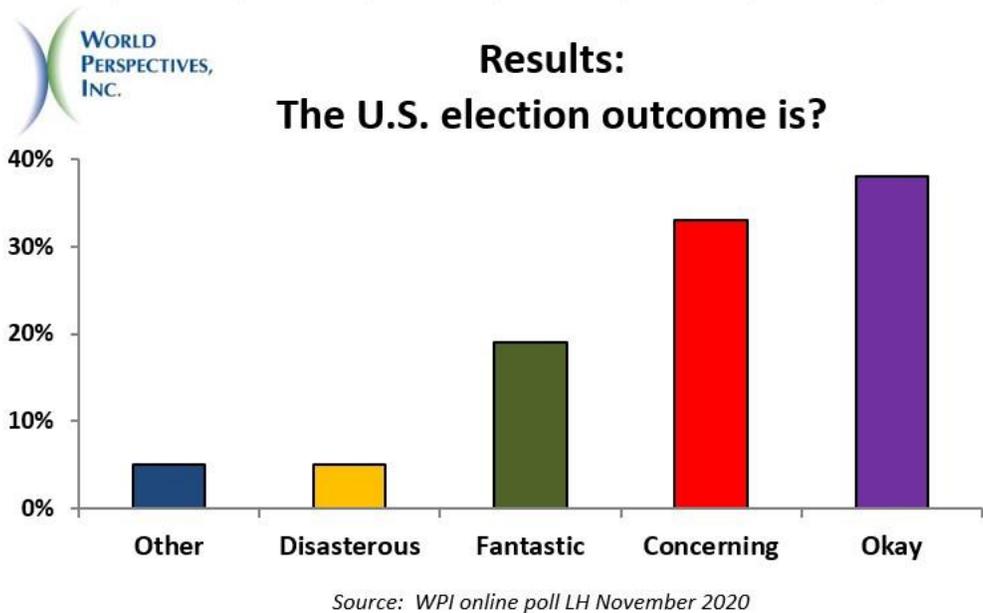
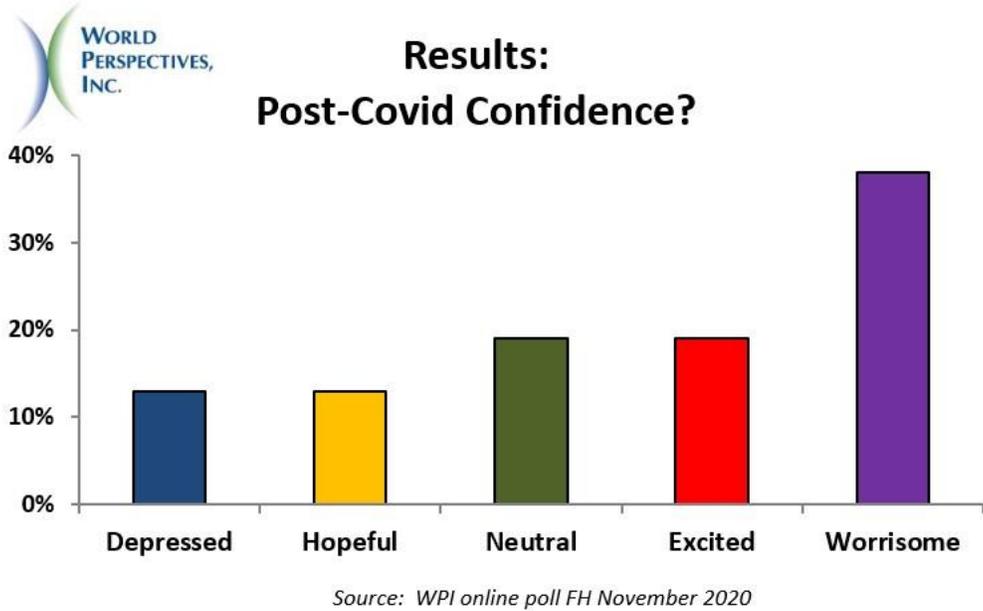
# CONTENTS

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<b>WPI POLLING .....</b>	<b>v</b>
<b>FROM THE WPI TEAM.....</b>	<b>1</b>
<b>WPI MARKET ANALYSIS .....</b>	<b>2</b>
COVID Spikes and Ethanol Outlook .....	2
Long-Term Forecast Challenges.....	2
Oilseed Highlights.....	3
<b>WPI INTERNATIONAL ANALYSIS .....</b>	<b>5</b>
China In-Country Analysis .....	5
European Market Analysis.....	9
<b>WPI POLICY ANALYSIS.....</b>	<b>13</b>
Global Impacts of Election .....	13
Fiscal Policy and the Federal Budget.....	13
Biden Trade Agenda .....	14

# WPI POLLING

Below are the results of two recent WPI polls. Visit [www.worldperspectives.com](http://www.worldperspectives.com) to cast your vote in our current survey.



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# FROM THE WPI TEAM

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## **Next Up: Joe Biden**

*By Gary Blumenthal*

This edition of *Ag Review* includes a lot of analysis of the U.S. election and the upcoming presidency of Joe Biden. There will be impacts, both local and global. There will be adjustments to U.S. trade and agricultural policies. But President-Elect Biden also faces constraints, both due to fiscal limits and presumably from divided power in the U.S. Congress. There will be less drama than experienced under President Trump, but elections have consequences and WPI's analysts are particularly good at tying together the politics and policies impacting the agriculture sector.

Because the market is bigger than we and thee, *Ag Review* is not limited solely to the political. This issue provides important coverage of changes to China's livestock, a sector so important to demand that it has global impacts. COVID remains the single greatest influence on the world in generations. This month we cover its reverberations in the energy market and consequently its dramatic impact on corn demand. Soybeans have less than a third of the financial value of rice and even lags maize and wheat, yet it influences the market above its weight class and this issue highlights some of the reasons why.

Finally, we talk about long-range forecasting, both its value and its flaws. It is safe to say that if

*Ag Review* hits your email account, you have a strong interest in the types of insights in this edition. We provide these professional analyses with pride of purpose, but acknowledgment that there can be contrary views. We welcome your feedback.

Happy holidays and happy reading.

Gary

# WPI MARKET ANALYSIS

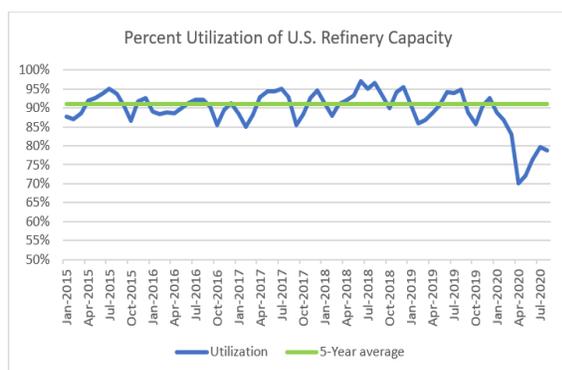
## COVID Spike and Ethanol Outlook

By Dave Juday

The final required volume obligations (RVOs) for 2021 biofuel blending mandates are due in 17 days. This is a statutory requirement, although it has been missed more than met since 2007 when it was implemented). However, not only has it not been issued, but the proposed rule has also yet to be published by EPA, even though it was completed in May.

In the meantime, unthinkable back in April and May, corn prices are above \$4.00/bushel, and gasoline prices are down 20 percent as of last week, and gasoline supplies in the U.S. are down 6 percent from last week. Moreover, with the COVID spike, lockdowns are being reimplemented across the country, starting with New York today and Chicago on Monday at 6 AM. These will extend into the Thanksgiving holiday, which is the busiest travel weekend of the year.

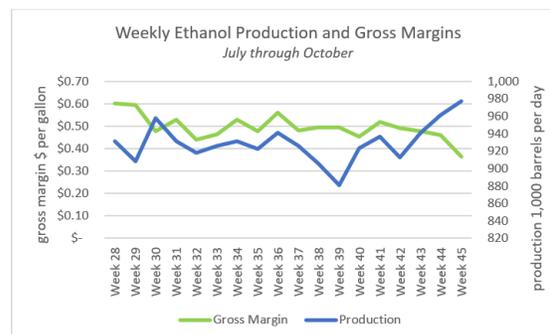
Meanwhile, refinery inputs are well below their five-year average. As of 30 October, refinery inputs were 14 million barrels per day, 13 percent lower than the average for this time of year. That is down from the seasonal peak of mid-August of about 15.3 million barrels per day.



Source: EIA, WPI

The only region of the country where refinery operations are up above the five-year average is in the Midwest, where farm equipment and truck demand are up based on the corn and soybean harvest. The biggest drop in refinery operations is in the northeast where Philadelphia Energy Solutions, the largest refinery in the region, closed this summer.

Back to the COVID outlook, potential lower gas demand moving forward for 30 to 60 days, and higher corn prices have already squeezed margins, and with an unsettled demand and the RFS situation, the outlook is uncertain.



Source: EIA, USDA, WPI

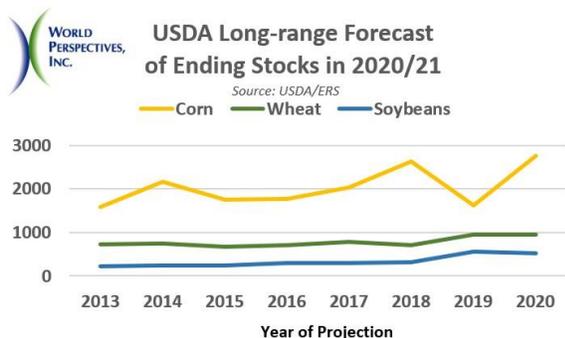
## Long-Term Forecast Challenges

By Gary Blumenthal

USDA's Office of the Chief Economist issues annually a long-term projection of its expectations for the major crops. Its latest forecast was released today. The advantage to such projections is that their accuracy is highly dubious and so the recriminations are few, at the same time the effort at accuracy should improve over time based on more data points and refinements to the algorithms.

Looking at the forecast for ending stocks for corn, wheat, and soybeans in MY 2020/21, the estimate

for corn is more volatile over time than those made for wheat and soybeans. Estimates for 2020/21 made back in 2013 were likely colored by the supply shortages just experienced in 2009, whereas estimates made in 2018 and 2019 were seen through the lens of more recent growth in stocks. This inherent problem with very long-term estimations is why there is a limit to long-dated deferred futures contracts.



## Oilseed Highlights: U.S. Sales; South American Weather; Burned Land Legislation

By John Baize

### U.S. Soy Export Sales Highlights

Last week was a good one for U.S. soybean export sales and exports even though new sales were a marketing year low. Yet, the new sales exceeded the upper estimate of analysts queried by Reuters.

Net export sales of soybeans in the week ending 12 November totaled 1,387,700 MT, all for export in 2020/21. That was 18 percent below the past four-week average. The top sales were for China (1,060,800 MT). That included 528,000 MT switched from unknown destinations and new sales of 532,800 MT. The other top sales were for Mexico (155,900 MT), Spain (144,700 MT), Taiwan (83,400 MT), Indonesia (77,700 MT), and Egypt (74,900 MT). These and other sales were partially offset by reductions for unknown of (436,600 MT). Soybean exports last week totaled 2,558,500 MT. The top destinations were China (1,844,900 MT), Egypt (169,900 MT), Mexico (126,700 MT), Spain (124,700

MT), Taiwan (59,700 MT), and the Netherlands (56,800 MT).

As of 12 November, total U.S. soybean export sales in 2020/21 totaled 51.318 MMT. Of that amount 22.376 MT had been exported. Sales to China totaled 28.613 MMT with 16.054 MMT of that already having been exported. No doubt a sizable share of the 10.1 MMT of unshipped sales to unknown destinations also will wind up being to China. Most likely sales to China already are well over 30 MMT including some of the sales to unknown destinations.

Net soymeal export sales last week totaled 182,100 MT. The top sales were for Mexico (63,100 MT), Venezuela (33,700 MT), Ecuador (27,800 MT), Denmark (27,500 MT), and Colombia (27,100 MT). Soymeal exports last week totaled 317,700 MT. The top destinations were Ecuador (56,500 MT), the Philippines (48,000 MT), Colombia (43,500 MT), Mexico (40,400 MT), and Venezuela (33,700 MT). Soymeal export sales to the EU are up substantially in the current marketing year at 188,400 MT. A year ago, sales totaled only 63,000 MT.

Net soyoil export sales last week were 45,100 MT. The top sales were for South Korea (25,000 MT), the Dominican Republic (19,400 MT), and Canada (2,900 MT). Only 2,900 MT of soyoil was exported last week with most going to Canada and Mexico.

### Dry Weather Continues in South America

It remains quite dry in much of Argentina as well as in Uruguay and the Brazilian states of Rio Grande do Sul and parts of Mato Grosso. Barring the almost immediate return of good rainfall across Brazil and Argentina there now is little question the South American crop will be below earlier expectations.

In Argentina fairly good rainfall has been received in the western part of the Pampas, but the east remains dry. The provinces that have the greatest problem are Cordoba, Entre Rios, eastern Santa Fe and eastern Buenos Aires. Forecasts call for continued dryness in those provinces over the

next week. Apparently, it also is very dry in Uruguay.

In Brazil, the state that is suffering the greatest drought is Rio Grande do Sul. That state experienced a severe drought in the 2019/20 growing season and now the dryness has returned. Already more than 20 municipalities have declared drought emergencies and are rationing water. Water is being trucked to rural areas for human and livestock consumption. Forecasts call for continued dryness over at least the next week as well.

It also continues to be uncharacteristically dry in parts of Mato Grosso. On Monday of this week an analyst for the consulting firm Ag Rural said because of the dryness a bumper crop in the state is out of the question. In the western part of the state farmers are having to replant soybeans. He said it is a completely atypical year. It appears the biggest problems are in the southern part of Mato Grosso.

Soybean plantings also are well behind schedule in the northern part of the state of Parana. Parana is the second most important soybean producing state after Mato Grosso.

There remains a lot of time left in the growing season, but the drought is hurting yield prospects now. In the southern hemisphere it is the equivalent of late May in the northern hemisphere. Widespread substantial rainfall is needed very soon to prevent major yield losses.

### **Record NOPA Soybean Crush in October**

The monthly crush report issued by NOPA on Tuesday indicated the association's members reported crushing 185.245 million bushels (5.042 MMT) of soybeans in October. That was the highest monthly crush rate ever exceeding the previous record of 181.374 billion bushels (4,937 MMT) set in March 2020. The October crush was up sharply from the 161.491 million bushels (4.395 MMT) crushed in September and the 175.397 million bushels (4.774 MMT) of October 2019. NOPA members reported 31 October soyoil stocks of 1.487 billion pounds (674,499 MT). That was up from 1.433 billion pounds

(650,005 MT) at the end of September. However, considering the much greater amount of soybeans processed in October it appears soyoil demand remains quite strong.

NOPA members reported exporting 945,835 ST (858,056 MT) of soymeal in October. That was down from 991,134 ST (899,151 MT) in September but up from 894,817 ST (811,773 MT) exported in October 2019.

### **Argentine's House of Deputies Approves Draft Bill on Use of Burned Land**

Argentina's House of Deputies yesterday approved a bill by a vote of 132 to 96 that restricts the use of land that has been burned. The bill restricts the use of any land that was cleared by fire for any use that is different from the land's use prior to the fire. The ban would be effective for 30 years for agricultural land.

The legislation is in response to fires across several provinces that mostly were intentionally set to clear land either to raise livestock or to plant crops like corn and soybeans. Argentina as well as Brazil are under pressure from European countries in particular to stop the deforestation of land to produce crops because of their impact on greenhouse gasses and global warming. Many companies are increasingly setting up sustainability requirements that forbid the use of commodities from deforested land.

The bill does not distinguish between fires set purposely, accidentally, or by unrelated individuals. There are strict penalties for landowners that violate the proposed law. The bill now goes to the Senate for its review and action. As might be expected the legislation is strongly opposed by most agricultural organizations.

# WPI INTERNATIONAL ANALYSIS

## China In-Country Analysis

By Global Agribusiness Partners

### Livestock

#### October Reports Show Improving Pork Supply and Price Pressures

According to the latest corporate filings for this past October, the average live hog sales prices for the top four publicly listed companies fell sharply from September.

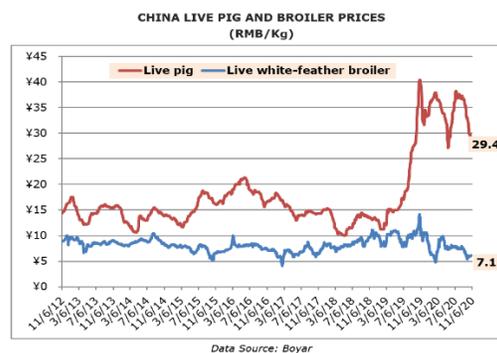
The Wens Group, Muyuan Foods, New Hope Group and Zhengbang Biotech reported monthly decreases of 17.5 percent, 11.2 percent, 17.5 percent, and 21.3 percent, respectively. The company reports noted that the improving supply of hogs was the main driver of lower sales prices. At the recent third China International Import Expo, an official from the country's Ministry of Commerce (MOFCOM) stated that the domestic meat supply has been improving steadily, reaching 80 percent of the pre-African Swine Fever (ASF) outbreak level. As noted previously, China's domestic pork output year-to-date through this past September has totaled 28.4 MMT. While that is a decline of 10.8 percent year-over-year, output in the third quarter increased by 8.3 percent from the first half of this year. MOFCOM also said that it expects meat imports to reach 9.5 MMT by the end of 2020. If trends hold, China's total meat supply should fully recover by the second quarter of 2021, provided live hog and sow inventories continue to see solid growth.

#### Live Hog Prices Reverse Slide, Poultry Prices Surge

After falling for three straight weeks, the national average live hog price had a solid uptick last week, rising by 2.7 percent. That translated into a week-on-week improvement of RMB .76/kg (\$1.11/kg) or RMB .34/lb. (\$.05/lb.). This gain also helped push up the average profit per hog, which, had also trended downward for three straight weeks until last week. The average profit

ticked up by RMB 87/head (\$13.16/head) or 4.8 percent.

By comparison, the national average live white-feather broiler price rose to its highest level since the third week in August, improving by 16.6 percent last week. That equated to a week-on-week gain of RMB 1.01/kg (\$.15/kg) or RMB .46/lb. (\$.07/lb.). The improving dynamic for poultry is further indication that the supply and demand balance with the quick-serve restaurant and institutional commissary sectors is returning to normal as China's economy and industrial output improve and the domestic poultry sector cuts back on overproduction.



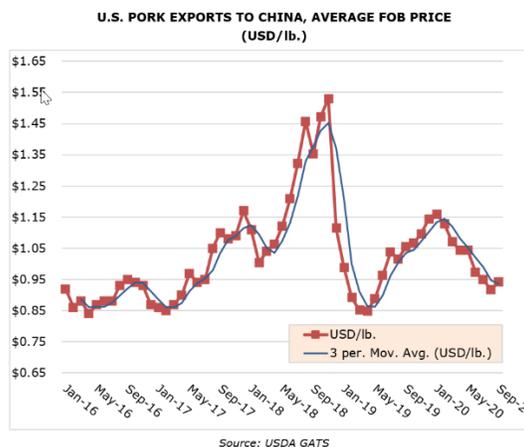
## U.S. Pork, Beef, and Poultry Exports Set Records in September

While China's total meat supply has been recovering at a steady pace, U.S. pork, beef, and poultry shippers have been one of the main beneficiaries of the shortfall. The total volume and value of U.S. pork exports to China in September set all-time highs for that month.

Meanwhile, beef exports in September set a record for that month and also marked the best month ever to China, surpassing the previous high mark that was set this past August. By comparison, the value of poultry exports to China in September reached a historic mark for that month, while the volume represented the best result for the month of September since 2009, which was the period prior to the implementation of countervailing and anti-dumping duties in 2010.

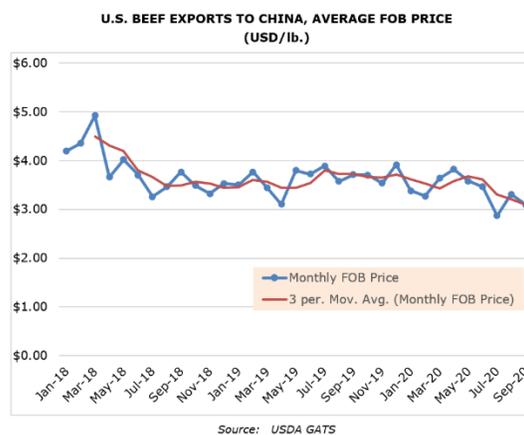
U.S. pork exports in September totaled 60,706.40 MT with an export value of \$126.24 million. That amounted to an average FOB price of \$2.08/kg or \$.94/lb. This compares to totals for August of 59,921.60 MT worth \$121.09 million and an average FOB price of \$2.02/kg or \$.92/lb. While September's totals were historic, the monthly volume and value were down by 51 percent and 46 percent, respectively, from the peak in April, which marked the best month ever for U.S. pork shipments to China.

Through the first nine months of 2020, the total volume has amounted to 837,280.50 MT with an export value of \$1.76 billion for an average FOB price of \$2.10/kg or \$.95/lb. Compared to the same period in 2019, volume is up by nearly 110 percent, while the total value and average FOB price are up by just over 143 percent and 16 percent, respectively. Moreover, the totals through the third quarter of 2020 have already surpassed the 2019 total (a record year) by 192,500 MT and nearly \$456 million.



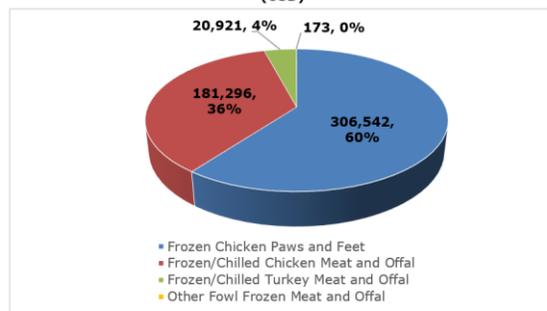
U.S. beef and beef product shipments in September amounted to 4,730.40 MT valued at \$32.32 million for an average FOB price of \$6.83/kg or \$3.10/kg. That compares to totals for August of 3,886.50 MT worth \$28.34 million for an average FOB price of \$7.29/kg or \$3.31/lb. Year-on-year, the total volume for this past September was up by 275 percent from September 2019, while the total value was up by 213 percent.

As with pork, beef, and beef product exports through the first nine months of 2020 have already surpassed last year's figures for the entire year by a wide margin. Through the first three quarters the total volume has reached 17,879.40 MT with a value of \$129.58 million for an average FOB value of \$7.25/kg or \$3.29/lb. That equates to a year-on-year increase of 160 percent in volume and 136 percent in value compared to the first nine months of 2019.



Finally, in terms of value, U.S. poultry and poultry product exports in September totaled \$73.16 million, setting a new record for that month. That translated into a monthly increase of 7 percent. With a total volume of 52,169.40 MT, total tonnage was up by 16.3 percent from August. September's figures equated to an average FOB price of \$1.40/kg or \$.64/lb. With a total volume through the first nine months of 2020 of 346,764.3 MT worth \$508.9 million, shipment tonnage is on track for its best year since 2009, while the total value could potentially surpass the 2008 record of \$721.9 million. The average FOB value through third quarter of 2020 has amounted to \$1.47/kg or \$.67/lb. Year-to-date, frozen paws and feet have accounted for 39 percent of the total shipped volume but 60 percent of the total value. That represents a departure from the 2007 - 2009 period, when U.S. shippers were accused of dumping frozen paws and feet at below market prices.

SUMMARY OF U.S. POULTRY EXPORTS TO CHINA BY CATEGORY, 2020  
(USD)



Source: USDA GATS

## Oilseeds

### Soymeal Inventory Sees Modest Decline

Improved feed demand and surging soyoil prices continued to result in crushers pushing out inventories last week. Through last Friday, 6 November, China's estimated soymeal inventory totaled 841,900 MT, a week-on-week decrease of 13,200 MT or 1.5 percent. Leading the decline were soymeal stocks in the North, the Northeast, and Guangxi, which fell by 16,000 MT or 28.5 percent, 14,000 MT or 36.8 percent, and 9,000 MT or 7.1 percent, respectively. In contrast, soymeal inventories in Shandong ticked up by 19,600 MT or 40.2 percent, while in Fujian, stocks sharply reversed course and climbed by 13,000 MT or 108.3 percent. Going back to the

same week in November of 2019, last week's estimated national soymeal inventory was up 429,800 MT or 104.3 percent.

As additional points of comparison, China's estimated soymeal inventories at the same point in November 2018, 2017, 2016, and 2015 stood at 975,500 MT, 553,100 MT, 504,700 MT, and 1.32 MMT, respectively. These figures are important as the current estimated inventories are 11.4 percent above the previous five-year average. Thus, even as China's domestic meat production continues to rebound the soaring soybean prices will eventually dent demand.

	China's Estimated Soymeal Stocks (1,000 MT)							
	Northeast	North	Shandong	East	Guangdong	Guangxi	Fujian	Total
6 November 2020	24.0	40.0	68.4	475.0	91.5	118.0	25.0	841.9
Week-on-week	-14.0	-16.0	19.6	0.6	-7.4	-9.0	13.0	-13.2
Month-on-month	6.6	-48.0	-6.1	-57.7	12.5	25.0	-30.0	-97.7
Year-on-year	14.0	34.0	49.8	223.9	52.1	57.0	-1.0	429.8

Source: CoFeed, China Grain

### Imported Soybean Stocks Climb Above 8 MMT Mark Again

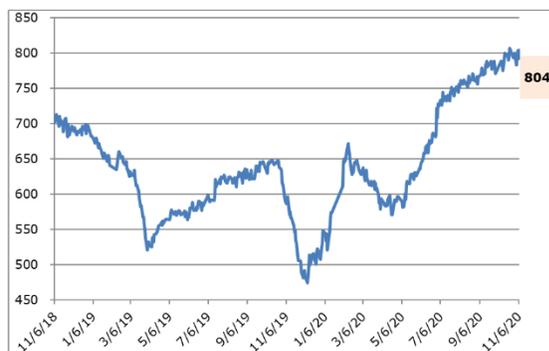
After last week's pause, new shipments from the U.S. pushed up stocks above the 8 MT threshold once again. Last week's increase at 42,800 MT or .5 percent, however, was rather modest compared to the weekly gains in September and early October. Leading the way were imported soybean inventories at the major ports in other coastal provinces. There stocks rose by 121,200 MT or 5.8 percent to just over 2.20 MMT, which raised their share of the national total to 27.4 percent from 26 percent two weeks ago. In contrast, imported stocks at the five major ports in Shandong fell by 18,800 MT or .6 percent, reducing the province's share of the national total to 37.8 percent from 38.2 percent for the previous week.

Similarly, imported soybean inventories in Jiangsu shed 66,600 MT or 3.1 percent, reducing its share of the national total to 25.6 percent from 26.6 percent for the week prior. In Guangdong, imported stocks rose by a modest 7,000 MT, leaving the province's share unchanged at 9.2 percent. On an annualized basis, China's estimated nationwide imported soybean inventory is up by more than 2.12 MMT or 35.8 percent. Going back two years, imported soybean stock are up by nearly 1 MMT.

China's Imported Soybean Stocks (1,000MT)					
	Total	Other Ports	Shandong	Guangdong	Jiangsu
6 November 2020	8,040.5	2,201.2	3,039.3	740.3	2,059.8
Week-on-week	42.8	121.2	-18.8	7.0	-66.6
Month-on-month	156.5	203.1	139.0	-79.0	-106.6
Year-on-year	2,120.9	-453.3	1,286.6	-55.6	1,343.2

Source: JCI

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

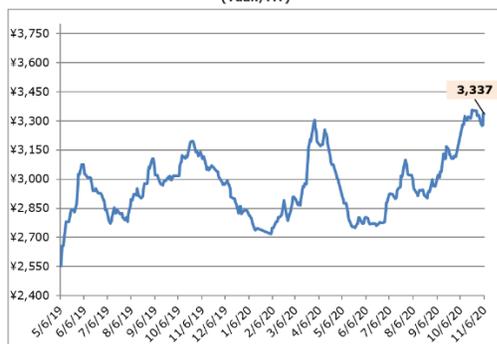


Source: JCI

## A Jump in Imported Soybean Prices Knock Back Crush Margins

The average CNF prices for U.S. and Brazilian soybeans jumped by \$19/MT and \$20/MT to \$499/MT and \$488/MT, respectively. In fact, the price increases would have been higher had China's yuan not gained in value versus the U.S. dollar by 1.3 percent last week. On the product side, the average producer's price for soymeal saw a nice increase last week, ticking up by RMB 53/MT (\$8.02/MT) or 1.6 percent. Meanwhile, the average price for soyoil shot up by RMB 234/MT (\$35.55/MT) or 3 percent. The net result for the average margin on U.S. soybeans in absence of the 25 percent penalty tariff was a week-on-week decrease of RMB 9/MT (\$1.36/MT) or 9.3 percent. The average margin on Brazil soybeans fell even further, shedding RMB 34/MT (\$5.14/MT) or 15.8 percent.

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)
6 November 2020	499	6.61	3,337	7,933	-836	-126.4
Week-on-week	19	-0.09	53	234	-32	-6.5
Month-on-month	20	-0.17	57	507	63	6.2
Year-on-year	91	-0.39	232	1,386	-203	-36.0

Source: JCI

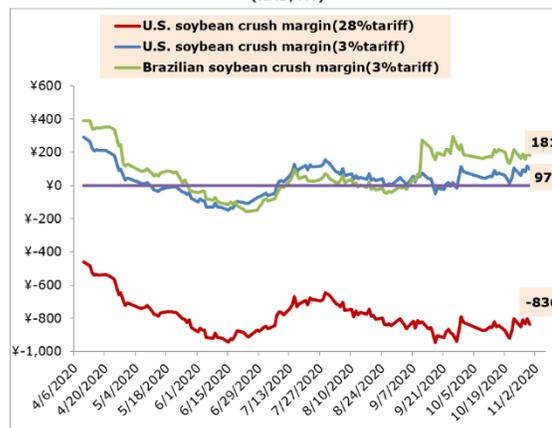
China's Imported Soybean Crush Margin on U.S. Soybeans without 3% Tariff						
	Imported Soybeans Cost & Freight	Exchange Rate	Soymeal Prices	Soybean Oil Prices	Crush Margin (Tariff-3%)	Crush Margin
	(USD/MT)	(USD/CNY)	(RMB/MT)	(RMB/MT)	(RMB/MT)	(USD/MT)
6 November 2020	499	6.61	3,337	7,933	97	14.6
Week-on-week	19	-0.09	53	234	-9	-1.2
Month-on-month	20	-0.17	57	507	78	11.8
Year-on-year	91	-0.39	232	1,386	-78	-10.3

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)
6 November 2020	488	6.61	3,337	7,933	181	27.4
Week-on-week	20	-0.09	53	234	-34	-4.7
Month-on-month	44	-0.17	57	507	-114	-16.1
Year-on-year	76	-0.39	232	1,386	40	7.2

Source: JCI

Historical Imported Soybean Crush Margin (RMB/MT)



Source: JCI

## Grains

### Domestic Corn Prices Ease Back on Stepped Up Imports

With corn imports from the U.S. and Ukraine expected to far exceed China's tariff rate quota and new arrivals of sorghum and DDGs in southern ports, prices eased back. Leading the way was the average domestic corn price in Guangdong, which gave back last week RMB 40/MT (6.05/MT) or 1.6 percent. In contrast, the average prices in Heilongjiang and Jilin were unchanged. The net effect saw the national average price inch down by RMB 8/MT (\$1.21/MT) or .3 percent.

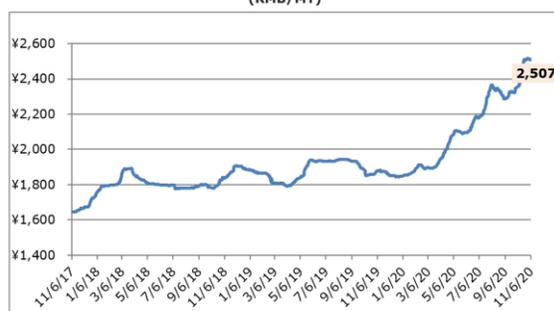
On the deep corn processing side, the recent price increases also slowed down to a degree. The average cornstarch price in Shandong improved by RMB 20/MT (\$3.03/MT) or .6 percent last week, while the corn gluten meal price was

unchanged. In Jilin, the average cornstarch and corn gluten meal prices were the same as a week ago. For ethanol producers in Shandong, the average price ticked up by RMB 50/MT (\$7.56/MT) .7 percent last week, while in Jilin, the average prices for ethanol and DDGs increased by RMB 70/MT (\$10.59/MT) or 1.1 percent and by RMB 50/MT (\$7.56/MT) or 2.2 percent, respectively.

China Corn Wholesale Price (RMB/MT)						
	Nationwide	Heilongjiang	Jilin	Liaoning	Shandong	Guangdong
6 November 2020	2,507	2,290	2,393	2,467	2,574	2,540
Week-on-week	-8	0	0	-12	-4	-40
Month-on-month	146	150	190	168	178	80
Year-on-year	628	619	640	645	627	533

Source: CNGOIC/JCI

Corn Weekly Wholesale Price (RMB/MT)



Source: CNGOIC

(RMB/MT)	Shandong				Jilin			
	Corn Price	Starch Price	Corn Gluten Meal Price	Margin	Corn Price	Starch Price	Corn Gluten Meal Price	Margin
	6 November 2020	2,570	3,220	4,440	246	2,320	3,000	4,350
Week-on-week	-20	20	0	48	-10	0	0	17
Month-on-month	180	360	180	206	170	300	250	130
Year-on-year	630	840	240	148	620	820	30	106

Source: JCCE

(RMB/MT)	Shandong				Jilin			
	Corn Price	Ethanol Price	DDGS Price	Margin	Corn Price	Ethanol Price	DDGS Price	Margin
	6 November 2020	2,600	6,820	2,500	756	2,280	6,620	2,300
Week-on-week	-20	50	0	111	-20	70	50	70
Month-on-month	160	620	100	236	220	700	250	99
Year-on-year	620	1,420	330	-147	560	1,770	600	244

Source: JCCE

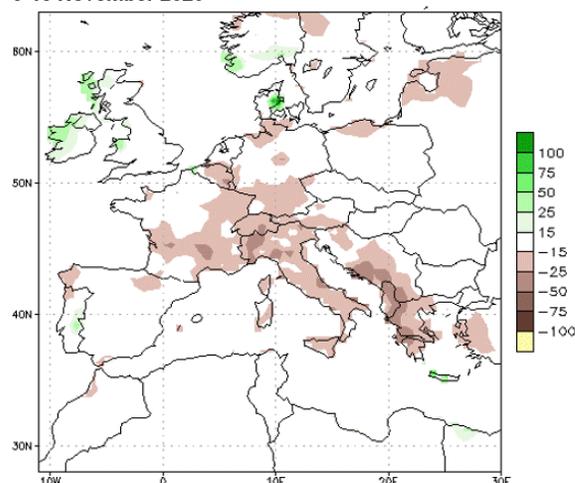
## European Market Analysis

By Matt Herrington

### Regional News

Europe remains lodged in a warmer/drier-than-average weather trend for the next two weeks. Except for the UK and parts of southeast Europe, rainfall will be scant this week and next. Eastern Europe is slated for light showers for the last half of November, but France and northern Italy remain notably dry.

### 7-Day Precipitation Anomaly Forecast for 9-15 November 2020



The recent warm/dry trend has benefitted winter crop development for most of Europe. The current forecast is concerning, however, as the possibility of drought is increasing. Southern Romania and eastern Bulgaria have received roughly 10 mm less rainfall in the past month than normal, and central France has seen a similar trend. With little rain in the forecast for the coming two weeks, drought conditions may emerge heading into December.

Russia is reportedly considering new tariff measures to restrict sunflower seed exports. The move comes as Turkey eliminated its import tariffs for sunflower seeds, which means the country likely intends to import more of the oilseed from Russia. Russian officials are looking to ensure adequate domestic supplies at prices that will not "suppress processing activity" by potentially reducing the potential export program. Last year, Russia exported 1.25 MMT of sunflower seeds and analysts expect, without government intervention, exports for 2020/21 could total 2.5 MMT. The 2020/21 Russian sunflower seed crop is forecast at 13 MMT and the country's processing sector has roughly 17 MMT of capacity.

### Milling Wheat

Global wheat prices continue to rally as CBOT and Matif futures firm ahead of the 10 November WASDE. Analysts are generally expecting USDA to tighten the global balance sheets for

corn and soybeans, with likely reductions for wheat supplies as well. That is translating to firmer wheat markets around the world, which have to date been driven by smaller supply expectations for Europe and the Black Sea.

Black Sea wheat prices are up \$2-5/MT this week with offers from Romania leading the way. European prices are up sharply (\$11/MT) this week as last week's discount to the Black Sea spurred exports and made domestic users nervous about supply availability. WPI sources say European prices are moving higher to ration exports and ensure sufficient domestic supplies. U.S. wheat offers are mixed with high-protein wheat trading steady with last week while lower-protein wheat is slightly lower.

Milling Wheat FOB Prices for November/December Shipment \$/MT				
Origin/Spec	This Week	Weekly Change	Monthly Change	Yearly Change
<i>Black Sea</i>				
Bulgaria, 11% pro.	249.00	4.00	7.00	49.50
Black Sea, 11.5% pro.	254.50	3.00	11.00	50.50
Romania, 12% pro.	257.25	4.25	19.25	50.75
Ukraine, 12% pro.	255.50	2.00	11.00	48.50
Russia, 12.5% pro.	255.50	2.00	11.00	47.50
<i>Europe</i>				
Rouen, France, 11% pro.	252.00	11.00	12.75	52.50
Germany*, 12% pro.	255.25	11.00	15.25	51.50
<i>U.S.</i>				
U.S. Gulf, SRW 10.5% pro.	268.50	-3.25	2.25	41.25
U.S. Gulf, HRW 12% pro.	277.00	0.00	3.75	49.00

Source: DTN, World Perspectives

\* FOB Baltic ports

French soft wheat exports are picking up as rising Black Sea prices make European-origin wheat more competitive. French shipments to China have been particularly robust and marketing-year-to-date French exports total 2.198 MMT. China does not typically import wheat from France, with Platts reporting that since 2017, only six vessels have shipped wheat from France to China. This year, three vessels have already been nominated for shipment to China.

EU+UK all-wheat exports for 2020/21 total 8.148 MMT, down 25 percent from the prior year. EU+UK wheat imports are up 33 percent, largely due to a 73 percent increase in durum wheat imports, which total 1.016 MMT presently.

French farmers have sown 76 percent of the expected winter wheat area, increasing the seeding pace after a slow start due to cold, wet weather in October.

Russian winter crop planting is 98.8 percent complete, according to the Ministry of Agriculture. Harvest of the 2020/21 winter wheat crop is 99.5 percent complete, with 28.9 Mha producing 87.8 MMT.

The International Grains Council (IGC) increased its forecast of global wheat production by 1 MMT to a new record of 764 MMT.

### Feed Grains

Global grain markets continue to rally with traders around the world wondering how much USDA will cut global corn supplies in the 10 November WASDE. Production issues in China, Ukraine, Europe, and Russia are expected to lower global production estimates and translate to tighter ending stocks. FOB Black Sea corn offers are up \$3-4/MT from ports in Ukraine and Romania as smaller crops in those countries have slowed farmer selling. Farmers in Ukraine are defaulting on forward contracts due to production shortfalls. The lack of availability is prompting both domestic users and exporters to raise bids to originate grain.

In Europe, corn prices are slightly higher, but gains have been tempered by fresh COVID-19 lockdowns. U.S. and Brazilian prices are slightly higher this week, but quiet demand has forced exporters to moderate increases in offers.

Feed wheat markets continue to rally alongside the milling wheat market, though feed wheat is increasingly uncompetitive versus corn offers.

European barley markets continue to be mostly driven by the feed market. In the UK, some supply tightness is driving prices higher as well. Sellers are aggressively discounting barley versus wheat to keep exports competitive. The multi-commodity rally, however, has largely pushed barley prices above values where the grain is competitive in feed rations.

Feed Grain FOB Prices for November/December Shipment \$/MT				
Commodity/Origin	This Week	Weekly Change	Monthly Change	Yearly Change
<b>Corn</b>				
Russia*	188.63	-2.00	22.00	45.03
Ukraine	234.50	3.50	26.00	67.00
Romania	237.00	3.75	28.50	70.50
Creil, France	223.25	1.75	18.75	46.50
U.S. Gulf	221.50	0.00	10.75	49.75
Santos Brazil	231.50	1.75	19.50	68.00
<b>Feed Wheat</b>				
Ukraine	245.92	3.20	5.19	58.61
Black Sea Ports	251.25	2.75	17.25	54.50
Bulgaria	243.50	3.50	7.00	49.00
<b>Barley</b>				
Feed Barley, Bulgaria	212.50	5.00	12.00	31.50
Feed Barley, Russia	218.00	1.00	12.00	30.00
Feed Barley, Ukraine	221.50	2.00	13.50	33.50
Feed Barley, France	237.25	13.00	20.75	52.00
Spring Malting; Halle, Germany	234.98	1.58	1.36	16.28
Spring Malting; Rouen, France	N/A	N/A	N/A	N/A
Winter Malting; Creil, France	226.41	3.48	9.64	44.61
Winter Malting; Rouen, France	N/A	N/A	N/A	N/A

Source: DTN, World Perspectives

\*Interior Prices

Russia's corn and barley harvests are largely finished, with 98.8 percent of the barley crop harvested. Barley production currently totals 22.1 MMT off 8.2 Mha. Russia's corn crop has been harvested from 2.3 Mha (82 percent of planted area), producing 11.9 MMT.

As WPI reported late last week, Ukraine's corn crop is expected to be much smaller this year. Analysts are currently projecting a 26-30 MMT crop, based on current disappointing yield results. Ukraine's corn yield currently averages 4.91 MT/ha with 3.8 Mah (69 percent of the planted area) harvested so far. Yields have been disappointing and have not improved as much as is typical for later in the harvest when more productive fields are harvested.

The IGC lowered its estimate of global 2020/21 corn production by 4 MMT to 1,156 MMT due to smaller crops in Ukraine and the EU.

South Africa imported 50,000 MT of white corn from the EU for the first time since March 2019.

China rejected Australia's appeal to remove the Middle Kingdom's import tariffs on Australian barley. Australia's barley harvest is now underway, and the country expects a large crop of malting-grade barley.

## Oilseeds

Global oilseed prices are mostly higher to start the week, as China's return to the soybean market after a two-week hiatus has supported prices. Soybean offers are up in Ukraine, Brazil and the U.S. as Chinese demand remains strong. The drought in Brazil is expected to delay the country's soybean harvest, which is pushing additional Chinese demand to the U.S. for spring 2021 positions. Rapeseed prices are mixed with Ukrainian offers slipping \$2/MT lower while French and German offers are \$18-25/MT higher.

Black Sea sunflower seed prices continue to rally, driven by fundamental tightness in Russian and Ukrainian balance sheets as well as support from global vegoil markets. Crops for both countries are expected to fall below year-ago levels, which is keeping farm sales minimal and is forcing processors to increase bids.

Oilseeds and Products FOB Prices for November/December Shipment \$/MT				
Commodity/Origin	This Week	Weekly Change	Monthly Change	Yearly Change
<b>Soybeans</b>				
Russia, EXW	480.88	-11.13	37.50	154.98
Ukraine, FOB Black Sea Ports	498.38	10.62	60.41	137.55
Brazil, FOB Paranagua	499.50	3.75	40.50	121.00
U.S. Gulf	464.50	19.25	18.00	102.00
<b>Rapeseed</b>				
Russia, EXW	444.50	-13.50	9.13	265.80
Ukraine, FOB Black Sea Ports	436.01	-1.69	-1.96	13.48
France, FOB Rouen	481.75	25.25	-380.50	43.50
Germany, CIF Hamburg	472.07	18.07	16.95	45.96
<b>Sunflower Seeds</b>				
Russia, EXW	418.00	-2.50	27.75	166.96
Ukraine, FOB Black Sea Ports	555.43	24.89	80.49	191.02
France, FOB St. Nazaire	523.75	23.00	59.50	158.75
<b>Vegoils</b>				
Soyoil, Dutch, FOB Rotterdam*	873.75	30.25	13.25	107.50
Soyoil, German, FOB Hamburg	981.39	15.19	-0.42	110.99
Soyoil, Argentina	881.75	52.75	62.25	189.00
Soyoil, Brazil	939.50	46.50	35.75	233.00
Sunflower oil, Russia EXW	954.75	-20.25	33.25	294.11
Sunflower oil, Ukraine, FOB Black Sea	868.25	27.50	76.25	228.50
Sunflower oil, FOB Northern Europe	1,055.25	40.50	69.25	294.75
Rapeseed Oil, Dutch, Rotterdam*	998.25	49.50	39.75	116.25
Rapeseed Oil, French, Rouen	868.00	0.00	15.00	-48.00
Rapeseed Oil, German, Hamburg	1,034.60	16.01	-0.45	23.17
RBD Palm Oil, Malaysia*	842.50	51.75	102.75	212.75
<b>Oilseed Meals</b>				
Soymeal, German, FOT Hamburg	495.43	7.38	38.82	144.51
Soymeal, French, FOB Brest	449.31	-1.78	-6.70	81.87
Rapemeal, French, FOB Bordeaux	N/A	N/A	N/A	N/A
Rapemeal, German, FOB Hamburg**	294.12	6.88	3.42	66.88
Sunflowermeal, French, FOB Bordeaux	349.99	-0.40	47.17	105.40
Sunflowermeal, FOB Black Sea Ports	291.00	20.75	38.00	84.00

Source: DTN, World Perspectives

\* For MAR/APR Shipment.

\*\* For FEB/APR Shipment.

Consultancy Strategie Grains expects 2020/21 EU+UK rapeseed imports to total 5.9 MMT, down 0.4 MMT from last year's import program. The reduction in imports is driven by the smaller premium EU prices hold to the world market this year as well as lower biodiesel demand due to COVID-19 lockdowns. Currently, EU rapeseed oil imports are up 11 percent versus 2019/20 and soyoil imports are up 9 percent. Total vegoil imports, however, are nearly equal to last year's volumes, due to a 7 percent decrease in sunflower seed imports.

Russia's rapeseed harvest is 98 percent finished with 1.4 Mha yielding 1.89 MT/ha on average, pushing production to 2.7 MMT. Similarly, the soybean harvest is 87 percent complete, with 2.4 Mha yielding 1.68 MT/ha and total production of 4.1 MMT. Finally, the sunflower seed crop is 97.6 percent complete with an average yield of 1.58 MT/ha and production of 12.9 MMT.

Ukraine's sunflower seed harvest is 96 percent complete with an average yield of 2.0 MT/ha off 6.1 Mha. Output currently totals 2.5 MMT. Ukraine has harvested 2.5 MMT of soybeans off 1.2 Mha (90 percent of planted area), putting the nation-wide average yield at 2.03 MT/ha.

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# WPI POLICY ANALYSIS

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## Global Impacts of Election; Local Impacts of Election

*By Gary Blumenthal*

**A**t this juncture, (November 4<sup>th</sup>) there is no definitive conclusion to yesterday's U.S. presidential vote, but Joe Biden has the edge. Constraining his presidency will be the likely continued control of the Senate by Republicans. There is a contrarian analysis in China that favored Mr. Trump since he fostered greater nationalistic fervor in the Middle Kingdom, encouraged the best and brightest to return home from American universities, and encouraged western governments to fight with one another. A victory by Mr. Biden will not be a loss for China, but probably not a win either since the bilateral bickering is bipartisan in the U.S.

However, there will be smiling faces in Europe. Not only will Mr. Biden be more respectful of the Europeans, but he could also re-engage the U.S. in the Paris Climate Agreement, and possibly the Joint Comprehensive Plan of Action (JCPOA) with Iran. However, that will have more rhetorical benefit than substantive impact. Fearing that neither of those agreements would be ratified by the U.S. Senate, President Barack Obama instead called them executive agreements. As such, it is unlikely that a Republican controlled Senate will change any laws or issue any finances to comply with them.

### Local Impacts of Election

Voters in Minnesota sent Representative Collin Peterson into retirement. The 15-term Democrat has been chairman of the House Agriculture Committee and one of the most capable leaders of that panel in decades. Peterson voted against impeaching President Trump in an effort to appease the largely conservative voters of the 7<sup>th</sup> District, but to no avail. His successor in leading the Agriculture Committee will be an interesting choice by the House Democratic leadership. One

possibility is Rep. David Scott, a nine-term Democrat from Georgia. Congressman Scott is African American, and Democrats have been trying to build party support in Georgia for at least the past two election cycles. He has chaired subcommittees covering commodity programs, livestock, and the futures exchanges. He received his advanced business degree from the respected Wharton School, and is consistently re-elected by huge percentages. His brother-in-law is baseball legend Hank Aaron.

Working against a Scott leadership appointment is his membership in moderate caucuses like the Blue Dog Coalition and the New Democrat Coalition. Further working against him is his high rating for bipartisanship. And finally, his designation as one of the 25 most corrupt members of Congress – he has used campaign cash to pay family members and subsidize his business interests.

## Fiscal Policy and the Federal Budget

*By Dave Juday*

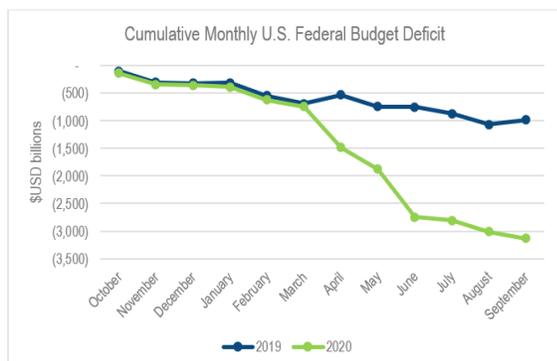
With one day left before the 2020 election, one issue hasn't received any attention, but it may be the biggest challenge facing policy makers starting in 2021: fiscal policy and the federal budget. We are now one month into the new FY 2021, and don't have a spending bill for the rest of the year (that expired in December and will have to be finalized in a lame duck session of Congress).

We don't have that fourth leg of the COVID relief support program finished either. That will either be taken up in the lame duck session, with election maneuvering cooled, or based on the

election outcome and control of the Senate, will be pushed until early 2021.

But as the economy comes off its huge 33 percent rebound in GDP growth, the bigger issue will be how to pay the bill – and balance those payments with continued economic growth. The September budget summary is in, and being the last month of the fiscal year, it has some year-end data that are not unexpected, but nonetheless startling when looked at.

The FY 2020 deficit was \$3.1 trillion, and we have COVID to credit/blame with that deficit increase which started in April. For the first six months, the FY 2020 monthly budget deficit was about 8 percent larger than the FY 2019 shortfall. But for the final six months, from April through September, the deficit in FY 2020 was eight times the deficit in the same period the previous year. By the end of the year, the federal budget deficit was three times larger than the FY 2019 shortfall of \$984 billion.



Source: U.S. Treasury, CBO, WPI

The cause of the deficit was mostly the additional COVID stimulus spending. Government receipts were down by 7 percent, federal spending was up by 47 percent from April to September.

Of interest to the trade is the balance sheet of the Exchange Stabilization Fund (ESF) used to stabilize foreign exchange without impacting the U.S. money supply. The fund holds U.S. dollars, foreign currencies, and so-called Special Drawing Rights (SDRs), which is an international reserve asset created by the International Monetary Fund. From April to September, the last half of the fiscal year, spending by the ESF

was \$31 billion; during 2019 it received inflows of \$270 million.

Based on CBO's projections, the federal deficit in 2023 (the year of the next farm bill) will be \$1.124 trillion, compared to the \$785 billion deficit in 2018 when the last farm bill was written. For context, it is worth looking at the 2018 farm bill from a budget context.

There were 11 titles; two were held constant without an increase (Credit and Rural Development) and one saw a cut in spending (Crop Insurance). Eight titles - Commodities, Conservation, Trade, Nutrition, Research, Energy, Horticulture, and Miscellaneous all received increases in spending.

A total of 39 programs had no baseline spending beyond the 2018 farm bill, i.e. essentially were to expire – 23 of them were made permanent. Typically, farm bills spend more each time, even as deficits increase. But we've never seen the federal budget deficit triple. Some tough choices may lie ahead.

## Biden Trade Agenda; Biden's Familiar Agriculture Team

By Gary Blumenthal

### Biden Trade Agenda

Speculation remains ripe over the trade policy changes that are likely under President-Elect Joe Biden. Trade is said to not be a top priority due to the ongoing economic stresses, which is somewhat contradictory given that trade is a boost for the economy. There is hope that the TransPacific Partnership (TPP) will be re-elevated, though TPP highlights the political sensitivity of trade. Rejoining the Paris climate agreement is politically easy compared to making concessions on trade.

As a Lame Duck, President Trump has little leverage over Beijing. Alternatively, Mr. Trump's eagerness to wear the black hat could make him a useful trope for the incoming Biden team. The two sides seem unlikely to work together but the more traps laid now by the Trump

White House, the larger number of “favors” the incoming president can offer to allies and China for undoing them.

### Biden’s Familiar Agriculture Team

As part of the transition process, President-Elect Joe Biden selects review teams for each major agency with the goal of understanding operations and ensuring a smooth transfer of power. They supposedly have both subject matter expertise and reflect the values and priorities of the incoming administration. Almost half of the team selected to engage with USDA (see list below) have seen prior service at USDA, mostly during the Obama reign. A review of their prior jobs and their public positions on policy issues reflect a typical background for appointees by Democrat. The policy focus is on labor, environmentalism, and human hunger.

Top picks to run USDA are not usually drawn from the review teams, though they are positioned well for some level of future appointment. Moreover, their policy focus and that of the Biden campaign must compete with the leverage held by conventional agricultural lobbyists on Capitol Hill.

Biden-Harris Agency Review Team for U.S. Department of Agriculture				
Name	Current Employment	Issues	Prior Government Service	Other Employment
Robert Bonnie	Duke University	Decarbonization; endangered species	USDA Under Secretary for Natural Resources	Environmental Defense Fund
Nick Anthis	University of California		USAID	
Sanah Baig	Good Food Institute	Against factory farms, Vegan	USDA; National Labor Relations Board	
Brooke Barron	Advisor to Maine House Speaker		Rep. Chellie Pingree (D-Maine); VP Biden; USDA Dep. Sec. Merrigan	ACLU; Farmers Union
Kumar Chandran	FoodCorps - healthy food	Child hunger	USDA	No Kid Hungry; Calif. Food Policy Advocates
Jonathan Coppess	University of Illinois		Senate Agriculture Committee; Farm Services Agency	
Andrea Delgado	Farm Workers Union			Earth Justice; Latin America Farm Workers
Debra Eschmeyer	Original Strategies - Public relations			Frontier Co-op; Once Upon a Farm (organic food)
Meryl Harrell	Southern Appalachian Wilderness Stewards		USDA	
LaQuita Honeysucker	United Food & Commercial Workers Union		US House of Representatives	
John Padalino	Bandera Electric Cooperative		USDA Rural Utilities	
Gregory Parham	Retired		USDA (career administration)	
Lisa Pino	NY Dept. of Health	Civic action	DHS	
Amy Pitelka	Barker Pitelka Law Firm			
Jeffrey Prieto	LA Community College District		USDA General Counsel; Justice Dept.	
Audrey Rowe			USDA Food & Nutrition Service	
Corey Then	Moneta Group		USDA Counsel; White House Personnel	

