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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.

What do our clients say about our services?

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

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

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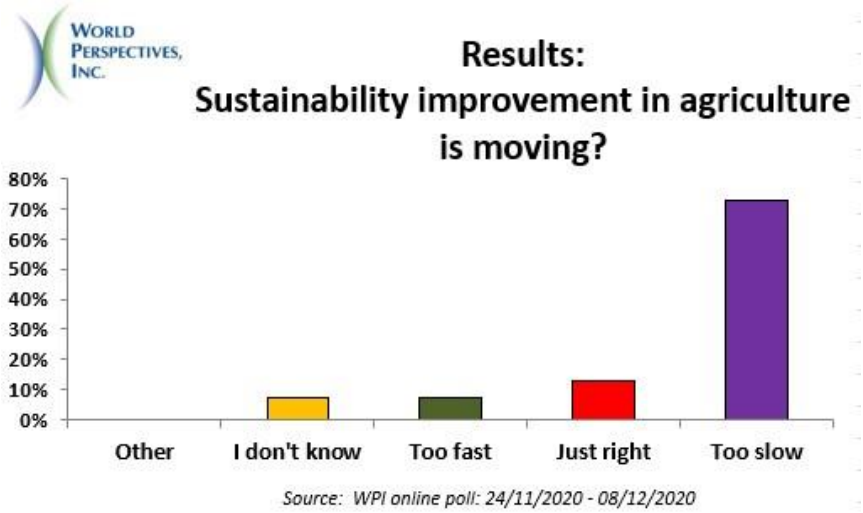
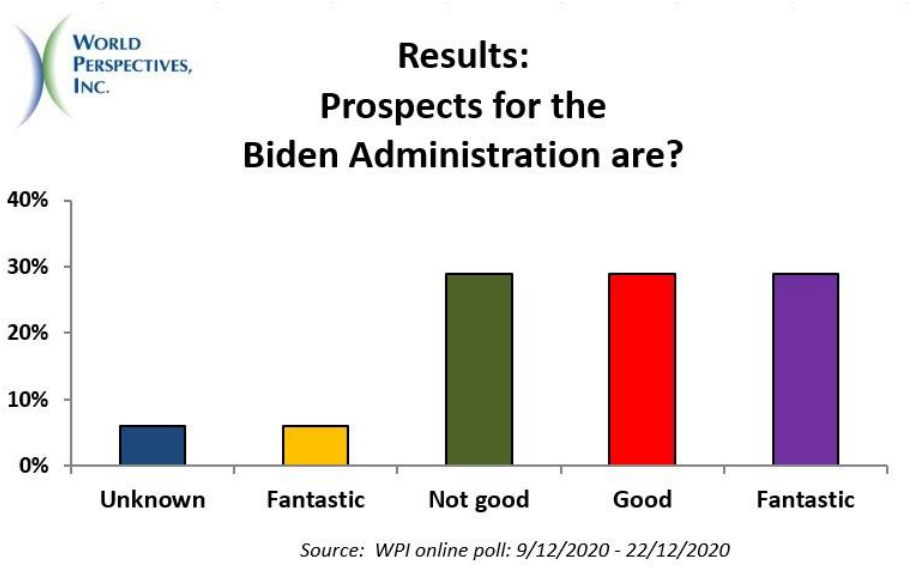
WPI POLLING

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

Lessons from 2020

By Gary Blumenthal

As we close out this memorable year with this edition of *Ag Review*, its content reminds us not just of the negatives, but the positives as well.

It was the year of COVID-19, but vaccines, economic relief packages, and breakthroughs in science evidence a recovery that is at hand. Food supply chains bent but they did not break. Biofuels were damaged but see stronger demand in 2021. Russia emerged once again as the world's breadbasket, but its dominance is limited by soil-moisture management. China was, is and will be ever-present in our food, economic, and geopolitical calculations.

The lessons from 2020 can sound trite but that does not make them wrong. Do not make too many assumptions. Be flexible, be careful. More important are how this year's lessons should inform our 2021:

Be grateful as it could be worse. Friends have lost their jobs, friends have died.

Be confident as news stories can overstate things. Shortages are temporary - they are caused by hording not food system market failures.

Focus on what unites us and avoid hyper-partisan people – issues are more complicated than Facebook experts imply.

Eat healthy and be active.

From the analysts at World Perspectives, Inc., we thank you for your readership and we wish you the best in the year to come.

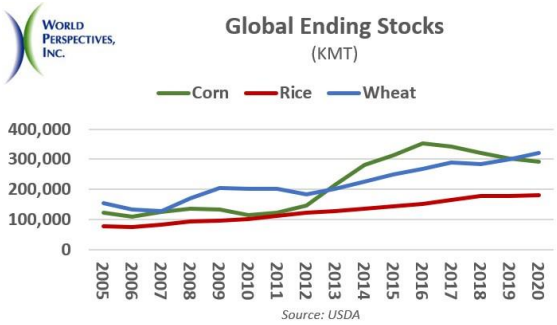
WPI MARKET ANALYSIS

Food Security Fraud

By Gary Blumenthal

Yet another book is being written about the need for a strategic food reserve, this one by an organization with the "unbiased" name of "ACTION for Food Reserves." It asserts the usual warning that "Two bad harvests in a row could mean famine for the world." To the author's point, food surpluses are also burdensome since they impose lower incomes on producers. But as WPI's Bob Kohlmeyer often notes, governments have historically had troubles managing reserves and reserves can be price depressing as well. It is the reason that even adept government managers like the Chinese have been shedding surpluses.

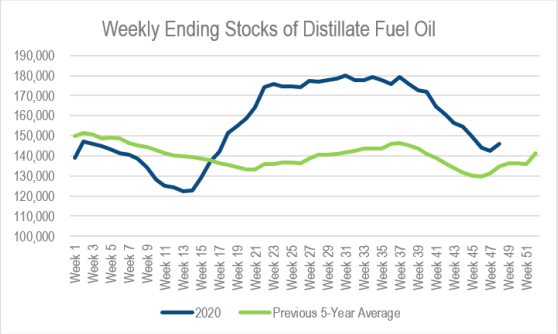
The 2007/08 food security scare was mostly the latter, a scare rather than a true crisis. It was compounded as usual by dramatic news stories and politicians seeking to horde supplies. Since then, the world's population has increased by 13.7 percent, but global surplus stocks of wheat, corn and rice have grown by 132 percent.



Diesel Market Slowly Returning to Balance

By Dave Juday

According to the U.S. Energy Information Administration, at the end of November, U.S. distillate inventories fell to 145.8 million barrels, which was back within the previous five-year (2015–19) range for the first time since 8 May. Diesel demand dropped to its low the most in June and fuel inventories started to build. By late July, inventory reached 180 million barrels, just 3 percent lower than the historic record of December 1982.



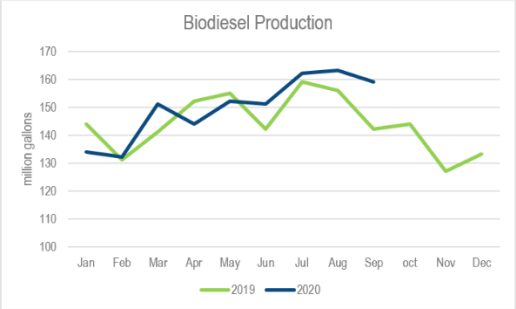
Source: EIA, WPI

Distillate inventories started the year near the bottom of the five-year range and briefly fell lower than the range in March and April. From late May through mid-September, inventories remained above 174 million barrels. Since mid-September, inventories have been declining and are now within the five-year average range.

U.S. demand for distillate from trucking and railroads has been generally increasing since it reached an annual low in May (based on the rolling four-week average). In late November, demand hit 4.2 million barrels per day similar to the previous five-year average for this time of year. Additionally, refineries have been making less distillate fuel. Gross inputs into refineries measured 14.2 million barrels per day as of 20 November, or 14 percent lower than the previous five-year average for this time of year.

Biodiesel production through Q3 has recovered and is actually running ahead of Q3 2019 and for the first nine months of the year, biodiesel production is up 1.9 percent over 2019. Exports

have helped clear this production. Year to date, exports are up 24 percent in volume, but only 0.6 percent in value.



Source: EIA, WPI

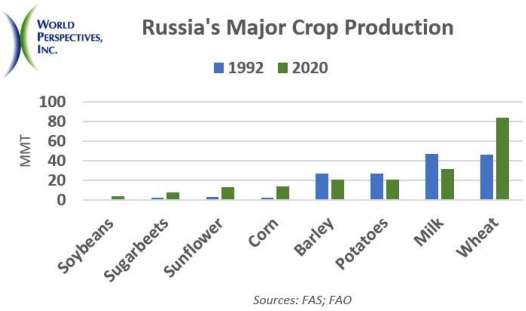
Russia's Exportable Crop Story

By Gary Blumenthal

Moscow's introduction of export constraints on major commodities is only part of the story of the return of the world's breadbasket. The changes that have occurred since the collapse of the Soviet Union continue to reverberate across the country. Between 1992 and 1998, Russian cereals production fell by 57 percent. It is now 30 percent greater than its 1992 level. However, not all commodities have come back.

Wheat production is up 82 percent from 1992. But Russia's famous potato production is down 41 percent, and milk and barley production have declined. The export restrictions are supposedly to ensure food security but severe food insecurity in Russia is just 0.79 percent. There are plenty of calories and obesity has climbed to 23 percent, but protein supply has flattened or declined and female anemia at reproductive ages is stubbornly higher than in western Europe or the U.S.

Russia has never had many soybeans to export. China made a big show to import some soybeans from Russia to imply that they were developing alternative suppliers to the U.S. But with just 4.3 MMT of production, Russia is not a soybean supplier but instead a much larger producer of sunflowers. Even large export markets with sophisticated information systems occasionally find it necessary to import. Brazilians lament having exported too many soybeans earlier this year and now having to reimport them at higher cost. Export restrictions signal some lack of reliability, but buyers will flock back whenever Russia is again the lowest cost supplier.



WPI INTERNATIONAL ANALYSIS

China In-Country Analysis

By Global Agribusiness Partners

Macroeconomic Trends

Food Prices in in November Decline YOY

For the first time since January 2018, average monthly food prices in China were down on an annualized basis according to the National Bureau of Statistics. The strong recovery in the country's live hog and breeding sow inventory with African Swine Fever (ASF) being held at bay pushed down pork prices at the retail level by 12.5 percent this past November compared to November 2019. Record imports of beef, chicken, and pork have also aided in reducing the burden on consumers who for half of 2019 and most of 2020 saw record levels of food inflation. Overall, food prices fell last month by 2 percent from one-year ago.

Other notable decreases included eggs, which declined by 17.1 percent. Meanwhile, fresh fruit prices, which suffered during the pandemic and for most of this year, picked up by 3.6 percent. Average prices for fresh vegetables, cooking oil, and dairy products also ticked up last month by 8.6 percent, 3.1 percent, and 1.5 percent.

Interestingly, the decline in food prices in November also brought down China's inflation rate and pushed it into negative territory, as the country's Consumer Price Index (CPI) fell by .6 percent from the previous month. Producer prices saw a relatively modest gain as the Producer Price Index (PPI) was up by just .6 percent. On an annualized basis, producer prices continued to decline falling by 1.5 percent in November compared to November 2019.

The exception to these trends seems to be in agriculture where speculation and some harvest challenges are pushing domestic corn prices to new heights. Soyoil also continues to remain near record highs, while pork prices have shown new energy in early December. With China recording a trade surplus of $75.4 billion in November and a year-on-year GDP growth rate of 4.9 percent for the third quarter, the country is humming. As 2020 closes, the scorecard on Trump's trade war is looking more and more like his popular vote deficit – gradually worse.

Livestock

Sales Data from Top Hog Producers Reflect a Changing Landscape

This past Monday, several major publicly listed integrated hog producers reported their monthly sales. The data from Muyuan Foods Company and Wens Foodstuff Group, the country's top two firms, reveal some interesting trends and how fortunes are playing out in the era of ASF and the COVID-19 pandemic.

Wens Foodstuffs, China's largest hog company in terms of herd size, said its sales in November totaled 838,000 head, a year-on-year increase of 2.3 percent. By comparison, Muyuan Foods, which has become the country's leading hog producer based on annual output, announced the company had sold nearly 2.08 million head, an uptick of 176.4 percent from November 2019 totals. While Wens Group said back in September that it plans to invest RMB 6.2 billion ($948 million) to build more hog pens by summer 2023, Muyuan, as reported by the rural economy blog, Dim Sums, is constructing what the firm believes will be the world's largest hog farm with a projected annual output of 2.1 million head.

Interestingly, as Dim Sums notes, this project located in Nangyang, China in Henan Province,

is coming at the expense of traditional cropland. A December 2019 change in policy by China's ministries of Natural Resources and Agriculture and Rural Affairs significantly removed previous restrictions on building livestock operations and manure pits on traditional village cropland. Consequently, Muyuan has been able to work local officials in Henan and offer relatively meager buyouts to subsistence farmers as it seeks to complete this massive new facility.

With the country's meat shortage in 2019 and 2020, the central government's previous notion of creating rural harmony by supporting smallholder producers has been replaced here in 2020 by pressures to feed the country's growing middle class and large urban centers.

Live Hog Prices Continue to Recover in Early December

Monday's reports from Muyuan and Wens also reveal the decrease in live hog prices that transpired in November. Muyuan's sales figures for last month indicated an average price of RMB 26.32/kg ($3.94/kg) or RMB 11.94/lb. ($1.79/lb.), a decrease of 4.8 percent from October. For Wens Group, the average sales price for November amounted to RMB 29.14/kg ($4.36/kg) or RMB 13.22/lb. ($1.98/lb.), for a monthly decline of nearly 16.9 percent.

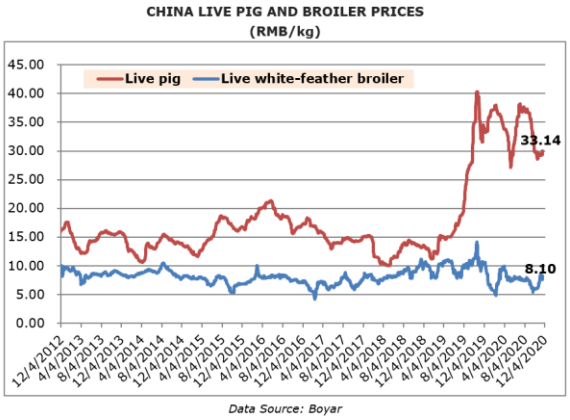
The arrival of winter weather in the northeast coupled with a drop in meat imports due to problems with products arriving contaminated with COVID-19 has led to a rally over the past three weeks. Last week saw the average price jump by RMB 3.10/kg ($.47/kg) or RMB 1.41/lb. ($.22/lb.), a one-week gain of 10.3 percent. Since mid-November, the national live pig price has climbed by 13.5 percent putting hog prices back in the range where they stood a year ago. The sharp increase in the average price last week pushed up the average profit per market pig by RMB 369/head ($56.42/head) or 18.9 percent.

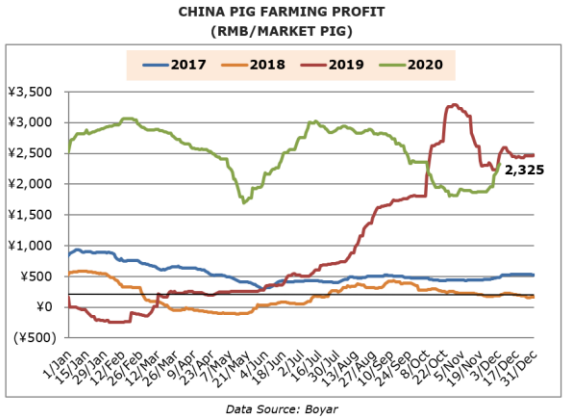
Looking ahead, financial securities firms covering the livestock sector said this week they expect the average live hog price to add RMB 2.9 to 4/kg ($.44 to .61/kg) or RMB 1.32 to 1.81/lb. ($.20 to .28/lb.) in December. While the recovery in domestic hog and sow inventories has been strong and steady in 2020, total output is still projected to fall below 2019 totals. Through the first three quarters, a total of 360 million head have been slaughtered, and our research suggests another 150 million head will be added in the fourth quarter. That would bring the 2020 total to 510 million head, 34 million head less than 2019 output.

White Feather Broiler Prices Slide Again

For the second consecutive week, China's national average white feather broiler price trended downward. Unlike two weeks ago, last week's decrease of RMB .14/kg ($.02/kg) or 1.7 percent was significantly larger. According to Rabobank, production of white feather broilers projects to be up year-on-year in 2020, while imports from Brazil, Thailand, and the U.S. continue to stream in.

While the quick-serve restaurant sector has seen demand steadily recover in 2020, competition has pushed operators to engage in price discounting through the offer of value meals and other incentives. Thus, with ample supplies in the marketplace poultry prices will likely level off for the balance of the year.





Oilseeds

Soymeal Inventory Falls by More Than 9 Percent

For the second week in a row, China's national soymeal inventory saw a substantial decrease. Through last Friday, the estimated nationwide total amounted to 838,900 MT, a drop of 85,500 MT or 9.2 percent from the previous week. Regionally, soymeal inventories fell in nearly every region save the North, which was up by 4,300 MT or 9 percent. Leading the decline were the East, Northeast, and Guangxi, which saw their respective stocks contract by 56,000 MT or 11.4 percent, 16,300 MT or 31.2 percent, and 10,000 MT or 9.1 percent. Compared with the same week in 2019, last week's estimated national soymeal inventory was up by 416,000 higher or 98.4 percent.

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

	Northeast	North	Shandong	East	Guangdong	Guangxi	Fujian	Total
4 December 2020	35.8	52.2	69.6	435.4	110.9	100.0	35.0	838.9
Week-on-week	-16.3	4.3	-1.4	-56.0	-4.6	-10.0	-1.5	-85.5
Month-on-month	-2.2	-3.8	20.8	-39.0	12.0	-27.0	23.0	-16.2
Year-on-year	34.8	50.2	40.9	185.7	65.9	9.0	29.5	416.0

Source: CoFeed, China Grain

Imported Soybean Stock Sees Modest Decrease

Imported soybean inventories at China's major seaports moved in decidedly different directions last week, resulting in a modest decrease nationally of 9,900 MT. At the five major ports in Shandong, imported soybean inventories nearly reversed the gains from two weeks ago and shed 118,600 MT or 3.9 percent last week, reducing the province's share to 37 percent from 38.4 percent. Similarly, in Guangdong, stocks fell by 40,500 MT or 5.3 percent, pushing down the province's share to 9.2 percent from 9.7 percent two weeks ago. These decreases were offset by gains at the three major ports in Jiangsu and at the major ports in other provinces. In Jiangsu, imported soybean inventories rose by 97,800 MT or 4.6 percent, raising its share of the national total to 28.3 percent from 27 percent for the previous week. At the other major ports, stocks ticked up by 51,400 MT or 2.6 percent, pushing their share to 25.6 percent last week from 24.9 percent for week prior.

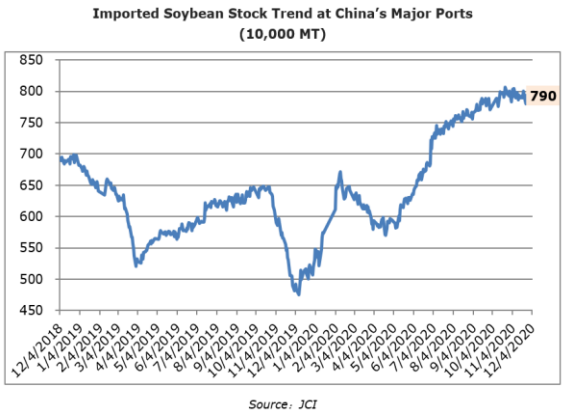
With China's imported soybean stock up by more than 3.07 MMT or 63.5 percent from a year ago, supplies appear more than sufficient to meet current feed demand. Of note, stocks at the major ports in Guangdong and outside of the big three provinces are down modestly at 2.6 percent and .7 percent, respectively. On the other hand, the increase in the past year has essentially been driven by Shandong, which is up 108 percent, and by the shift in feed production to Jiangsu, which is up year-on-year by a staggering 245.9 percent.

Looking ahead, imported stock levels will be driven by the weather outlook in South America and any potential crop impacts that would hamper Brazil from meeting its sales agreements come March and April of next year.

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

	Total	Other Ports	Shandong	Guangdong	Jiangsu
4 December 2020	7,904.2	2,020.4	2,921.0	728.1	2,234.8
Week-on-week	-9.9	51.4	-118.6	-40.5	97.8
Month-on-month	-59.0	-84.5	-218.3	115.8	128.0
Year-on-year	3,070.5	-14.7	1,516.3	-19.8	1,588.7

Source: JCI

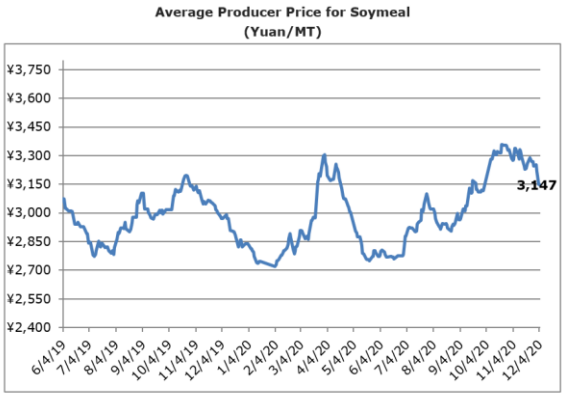


Crush Margins Improve on Lower Soybean Prices

After a steady run-up for much of November, the average CNF price of U.S. soybeans ticked down by 4.2 percent or $22/MT last week. Similarly, the average CNF price for Brazilian soybeans fell for the second week, shedding 1 percent or $5/MT. While the cost of imported soybeans has cooled here recently, China's yuan is up versus the U.S. dollar by 2.5 percent since the end of October.

On the product side, the average producer's price for soymeal contracted further last week, giving back RMB 98/MT ($14.98/MT) or 3 percent last week. The average producer's price for soyoil, however, reversed course and saw another triple-digit increase and jumped by RMB 151/MT ($23.09/MT) or 1.9 percent. The net result brought a sharp recovery in the average crush margin on U.S. soybeans ignoring the 25 percent penalty tariff.

Although still in negative territory, the average loss on U.S. soybeans diminished by RMB 144/MT ($22.02/MT) or 92.9 percent. By comparison, the average margin on Brazilian soybeans saw a solid improvement with an increase of RMB 14/MT ($2.14/MT) or 61.9 percent.



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)
4 December 2020	508	6.54	3,147	8,287	-949	-145.2
Week-on-week	-22	-0.04	-98	151	191	28.1
Month-on-month	28	-0.14	-128	696	-139	-23.9
Year-on-year	114	-0.52	177	1,824	-308	-54.2

Source: JCI

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

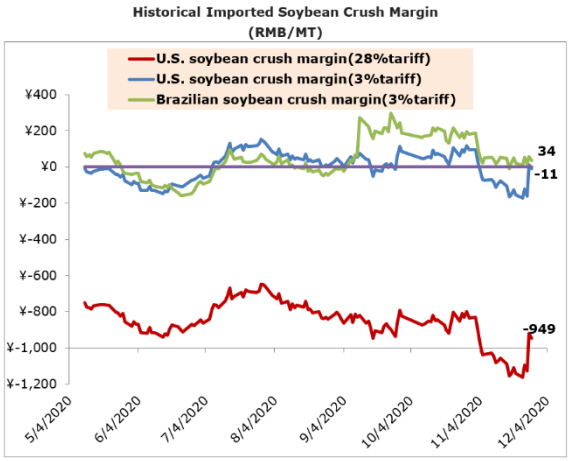
	Imported Soybeans Cost & Freight	Exchange Rate	Soymeal Prices	Soybean Oil Prices	Crush Margin (Tariff-3%)	Crush Margin
	(USD/MT)	(USD/CNY)	(RMB/MT)	(RMB/MT)	(RMB/MT)	(USD/MT)
4 December 2020	508	6.54	3,147	8,287	-11	-1.7
Week-on-week	-22	-0.04	-98	151	144	21.9
Month-on-month	28	-0.14	-128	696	-106	-16.0
Year-on-year	114	-0.52	177	1,824	-154	-22.0

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)
4 December 2020	502	6.54	3,147	8,287	34	5.2
Week-on-week	-5	-0.04	-98	151	14	2.1
Month-on-month	34	-0.14	-128	696	-154	-22.9
Year-on-year	98	-0.52	177	1,824	-27	-3.4

Source: JCI



Source: JCI

Grains

Domestic Corn Prices Surge Further Ahead, Markets Begin to Worry

Strong gains in the average domestic corn price in Guangdong and throughout the northeast last week, which all saw double-digit gains, propelled the market upward. The average price in Guangdong jumped by RMB 80/MT ($12.23/MT) or 3.1 percent, while in Liaoning and Heilongjiang, prices rose by RMB 57/MT ($8.72/MT) and RMB 50/MT ($7.64/MT) or 2.3 percent and 2.1 percent, respectively. That resulted in the national average price improving by RMB 35/MT ($5.35/MT) or 1.4 percent.

Several factors have led to the recent price surges, including a delayed harvest and problems with

corn lodging in the northeast. Snow and other inclement weather slowed the harvest in northern China by 10 to 20 days. Severe problems with lodged corn also resulted in higher harvesting costs. In addition, with increased hog and poultry production a feed gap remains. Despite these fundamental factors, however, market observers feel that longer term support for higher corn prices is reaching an apex as downstream processors are reaching their limit to pass on costs and feed prices are at a relatively high level compared to recent years. Finally, a fair amount of speculative money has also factored into the price increases in the corn market.

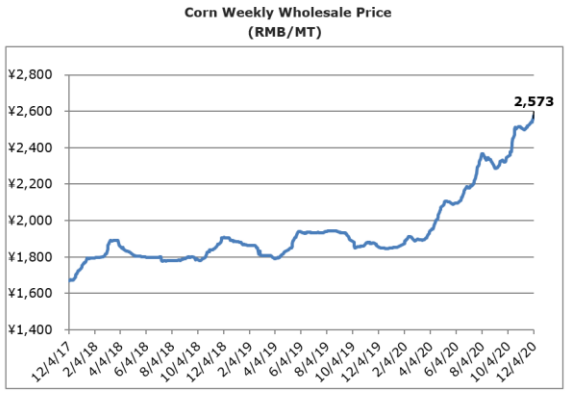
On the processing side, prices for cornstarch and corn gluten meal were unchanged in Shandong from a week ago. In Jilin, however, the average cornstarch price improved by RMB 50/MT ($7.65/MT) or 1.6 percent, while the average corn gluten meal price held steady from the previous week. For ethanol producers in Shandong and Jilin, the average DDGS prices in each province fell by RMB 50/MT ($7.65/MT) last week or 2.1 percent and 2.2 percent, respectively.

Meanwhile, the average ethanol price in Jilin increased by RMB 30/MT ($4.59/MT) or .5 percent, while in Shandong it was unchanged from the previous week. With the average ethanol prices in Shandong and Jilin up year-on-year by more than 30 percent, rumors have surfaced about stepped purchases of U.S. ethanol.

China Corn Wholesale Price (RMB/MT)

	Nationwide	Heilongjiang	Jilin	Liaoning	Shandong	Guangdong
4 December 2020	2,573	2,420	2,460	2,565	2,602	2,680
Week-on-week	35	50	43	57	22	80
Month-on-month	62	130	67	90	20	120
Year-on-year	720	795	781	793	671	687

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
4 December 2020	2,640	3,180	4,380	68	2,540	3,100	4,500	58
Week-on-week	40	0	0	-68	70	50	0	-53
Month-on-month	30	-20	-60	-103	210	100	150	-170
Year-on-year	710	730	-180	-155	870	870	180	-167

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
4 December 2020	2,670	6,850	2,300	391	2,380	6,630	2,230	418
Week-on-week	40	0	-50	-168	80	30	-50	-100
Month-on-month	30	30	-200	-242	80	10	-70	-121
Year-on-year	710	1,650	130	-368	720	1,680	650	35

Source: JCCE

European Market Analysis

By Matt Herrington

Regional News

The biggest factor in European (and global) wheat markets this week is the rumor and analysis of Russia's likely wheat export quotas and taxes. Russia's economic minister confirmed that Russia is considering a decree that would put a €25/MT ($30.40/MT) export duty on shipments under a 17.5 MMT export quota. Wheat exports above the quota could face a tax of 50 percent but not less than €100/MT and the tax/quota system has proposed to be effective from 15 February through 30 June 2021. WPI notes that rumors abound but the Russian government has not issued a confirmed statement or decree on the matter.

Notably, Russian wheat exports will likely reach 25 MMT by the end of December, and exporters will try to push out as much as possible in the next six weeks to avoid the $30/MT tax. That will likely put total Russian wheat exports at 31 MMT by mid-February, which is ¾ of USDA's 2020/21 export forecast for the country. Consequently, the proposed 17.5-MMT export quota will likely not be a binding constraint on Russian wheat exports and exporters should ship another 5-8 MMT from February through June. That puts total Russian wheat exports at 36-39 MMT, which will tighten world wheat supplies but not create a catastrophic supply shortage. In its current form, the Russian wheat export TRQ will help support world prices but will not justify a major bull market.

The UK and the EU are still trying to work out terms of "Brexit", that is, the UK's departure

from the EU. A Brexit no-trade deal means that after 1 January 2021, the UK will move to WTO terms for trade and the introduction of tariffs for both cereal imports and exports. For UK farmers, this will likely be price supportive as the UK will need to import grain, especially wheat. WPI sources note that it is unclear whether the UK will receive its share of the EU tariff rate quota (2.4 MMT annually at €12/MT) for the current season or the non-EU TRQ, which faced a €95/MT tariff.

Overall, growing conditions remains favorable for EU winter crops, though eastern Europe is suffering delays in crop development due to heavy October rains. Russian winter wheat planting is complete with a slight expansion in area. Conditions, however, are poor due to drought in the Volga and Central districts and reports of winterkill due to extreme cold with minimal (or no) snow cover for insulation.

Milling Wheat

Black Sea wheat prices are largely in line with last week's values as physical markets have been less responsive to rumors of Russia's TRQ system, awaiting a final ruling before moving to ration or stimulate demand. European and U.S. wheat prices are higher amid the backdrop of stronger demand if Russia's TRQ limits global supplies. The WASDE was mostly a neutral event for wheat markets, and the biggest market driver remains the Russian TRQ outlook.

Russian wheat exports totaled 4.2 MMT in November, putting marketing year-to-date (MYTD) totals at 21.1 MMT, up 15 percent. Conversely, Ukraine's grain exports (including wheat and other crops) total just 22.1 MMT, down 13 percent due largely to reductions in wheat and corn shipments.

Russia's wheat harvest is 99.8 percent complete (28.9 Mha harvested) with production totaling 88.1 MMT off a yield of 3.05 MT/ha.

France's 2021 wheat crop was planted on 4.73 Mha, up 12.4 percent from last year but below market expectations. The smaller than expected planted area figure helped European wheat futures firm last week. COCERAL forecast EU-27 wheat production at 127.8 MMT for 2021/22, up from 117.8 MMT in 2020 due to higher plantings in France, Germany, and the Balkans. The EU-27 corn crop was forecast at 63.0 MMT, up from 32.6 MMT in 2020. Barley production was forecast essentially unchanged from 2020 at 54.8 MMT.

The forecast for France's non-EU wheat exports for 2020/21 was revised higher to 6.95 MMT last week, though ending stocks were left unchanged at 2.5 MMT.

As noted above, the UK wheat markets face significant uncertainty from the implications of Brexit. WPI sources note that 2020/21 wheat should see stronger prices due to the poor 2020 harvest and the need to keep domestic prices at or above parity with imported values. For 2021/22, however, more bearish factors are at play. With larger winter wheat plantings having been executed, the supply situation for 2021 and forward should return to normal. That means the UK will need to export excess supplies at a time it may face higher tariffs for exports to the EU. Consequently, the 2021/22 outlook for UK farm prices is more bearish than bullish.

Milling Wheat FOB Prices for December/January Shipment $/MT

Origin/Spec	This Week	Weekly Change	Monthly Change	Yearly Change
Black Sea				
Bulgaria, 11% pro.	254.00	-2.00	2.50	43.50
Black Sea, 11.5% pro.	253.50	0.00	-2.50	44.50
Romania, 12% pro.	259.25	3.25	3.25	47.50
Ukraine, 12% pro.	254.50	0.00	-2.50	43.50
Russia, 12.5% pro.	254.50	0.00	-2.50	42.50
Europe				
Rouen, France, 11% pro.	262.25	5.75	8.00	55.25
Germany*, 12% pro.	266.25	6.50	8.25	56.00
U.S.				
U.S. Gulf, SRW 10.5% pro.	271.50	14.00	7.50	27.50
U.S. Gulf, HRW 12% pro.	275.25	13.50	2.00	49.25

Source: DTN, World Perspectives

** FOB Baltic ports*

Feed Grains

Global corn prices are mostly higher this week as demand remains strong with U.S. Gulf corn the cheapest feed grain available. The WASDE was largely uneventful for the corn markets but persistent dryness in South America is keeping values supported. An export facility in the U.S.

Gulf is reportedly close to being finished with repairs, which will aid U.S. Gulf export capacity/competitiveness starting in the New Year. WPI sources say U.S. Gulf firms are prepared to lower elevation margins to remain competitive, which could work against global values. With the 2020 Northern Hemisphere harvest all but fully wrapped up, the focus is shifting to demand, particularly from China. Chinese buyers were quiet last week, which allowed the markets to cool off for a bit and other destinations booked product.

Slow demand from malters has pressured malting barley prices for both old and new crops in the EU this week. Markets have been more active, however, in pre-Christmas trade but the tone of trade remains weak. WPI looks for prices to soften and decline following Christmas, especially for new crop barley where the market remains very quiet. COVID-19 vaccines should help stimulate Q2 2021 demand, but markets are waiting for physical purchases/demand to pick up before adjusting prices higher.

The UK feed barley market is increasingly illiquid as buyers are avoiding the market amid Brexit uncertainty. Barley remains a highly competitive feed grain on the international market, but buyers simply aren't willing to commit with political uncertainty abounding. WPI sources note that new crop barley is trading at a £15/MT discount to feed wheat in the UK.

Russia's corn harvest is all but completed, with 2.6 Mha (96.5 percent of planted area) harvested and yields of 5.45 MT/ha. Total production so far is 14.3 MMT. Similarly, Russia's barley harvest is 99.4 percent complete (8.3 Mha harvested) with yields averaging 2.69 MT/ha and production of 22.2 MMT.

Feed Grain FOB Prices for December/January Shipment $/MT

Commodity/Origin	This Week	Weekly Change	Monthly Change	Yearly Change
Corn				
Russia*	210.63	2.63	14.25	66.88
Ukraine	229.00	-2.00	-10.50	58.00
Romania	238.75	0.75	2.75	67.50
Creil, France	232.50	3.75	8.00	50.50
U.S. Gulf	219.25	4.75	-2.00	51.25
Santos Brazil	232.25	1.00	2.50	N/A
Feed Wheat				
Ukraine	251.19	2.41	-4.15	56.06
Black Sea Ports	252.00	2.50	2.00	47.50
Bulgaria	250.50	1.50	6.00	48.50
Barley				
Feed Barley, Bulgaria	218.50	1.50	6.00	31.50
Feed Barley, Russia	218.50	0.00	-0.50	31.00
Feed Barley, Ukraine	224.00	0.00	1.00	36.00
Feed Barley, France	247.25	8.50	6.50	58.25
Spring Malting; Halle, Germany	235.39	4.77	7.57	11.63
Spring Malting; Rouen, France	N/A	N/A	N/A	N/A
Winter Malting; Creil, France	250.58	-0.32	23.94	64.62
Winter Malting; Rouen, France	259.08	-1.20	42.80	63.12

Source: DTN, World Perspectives
**Interior Prices*

Oilseeds

Global oilseed markets are mixed to start the week with Brazilian soybean offers sharply lower as speculative longs lower offers to attract demand amid quiet Chinese demand. By contrast, U.S. Gulf and European/Black Sea offers for soybeans are higher this week as exporters are confident of continued Chinese business and see no reason to discount offers. Rapeseed prices are slightly higher while French and Ukrainian sunflower seed prices dip after recent strength. Vegoil prices have largely stabilized in recent weeks following their sharp rally this fall. Notably, U.S. soyoil futures remain the cheapest vegoil on the world market.
The ongoing strike by Argentine soybean crushers and port workers is supporting prices for soyoil and soymeal exports. FOB Upriver soymeal is up $1.50/MT this week while FOB Upriver soyoil is trading $8.75/MT higher.

COCERAL forecast EU-27 rapeseed production at 16.65 MMT for 2021/22, up from 15.9 MMT in 2020. The EU-27 sunflower crop was forecast at 9.8 MMT, up from 9.2 MMT in 2020. Soybean production was pegged at 3.2 MMT for 2021, up from 2.9 MMT in 2020.

Russia is considering applying a ceiling to sunflower oil prices as early as 15 December

2020. The agreement is said to be effective from tomorrow through 31 March 2021 and will set the maximum price for which a producer can sell consumer packaged sunflower oil at 95 rubles/liter. Russia has exported a record volume of sunflower seeds this year, with shipments totaling 400,000 MT through November, up 64 percent MYTD. The EU has been the largest importer, taking 57 percent of the volume, with Bulgaria importing one-quarter of Russian exports. The draw on Russian sunflower seed supplies has helped create a strong rally in sunflower seed and sunflower oil prices.

Similarly, Ukraine's sunflower seed exports total 153.68 MMT for the January-November 2020 period, double what was shipped through the same period in 2019.

Oilseeds and Products FOB Prices for December/January Shipment $/MT

Commodity/Origin	This Week	Weekly Change	Monthly Change	Yearly Change
Soybeans				
Russia, EXW	598.75	27.75	90.25	223.00
Ukraine, FOB Black Sea Ports	513.59	15.42	-26.96	150.01
Brazil, FOB Paranagua	472.25	-39.25	-32.25	101.50
U.S. Gulf	481.75	7.75	3.25	124.50
Rapeseed				
Russia, EXW	534.25	28.75	68.75	154.13
Ukraine, FOB Black Sea Ports	453.45	7.65	15.57	27.89
France, FOB Rouen	514.50	2.75	27.50	62.75
Germany, CIF Hamburg	493.54	-0.08	17.79	44.36
Sunflower Seeds				
Russia, EXW	563.13	19.50	102.63	285.88
Ukraine, FOB Black Sea Ports	634.16	-11.69	48.94	242.24
France, FOB St. Nazaire	603.00	-22.50	71.50	219.75
Vegoils				
Soyoil, Dutch, FOB Rotterdam*	981.00	10.00	58.75	171.00
Soyoil, German, FOB Hamburg	1,141.98	-20.20	35.43	208.03
Soyoil, Argentina	989.00	8.75	40.00	239.75
Soyoil, Brazil	976.75	-37.75	-8.50	210.25
Sunflower oil, Russia EXW	1,217.13	68.88	199.25	536.38
Sunflower oil, Ukraine, FOB Black Sea	937.75	1.00	29.00	253.50
Sunflower oil, FOB Northern Europe	1,160.00	-2.25	43.00	360.00
Rapeseed Oil, Dutch, Rotterdam*	1,123.25	0.50	29.50	217.00
Rapeseed Oil, French, Rouen	950.00	0.00	-19.00	34.50
Rapeseed Oil, German, Hamburg	1,196.65	4.21	36.85	173.75
RBD Palm Oil, Malaysia*	908.00	27.75	53.00	196.75
Oilseed Meals				
Soymeal, German, FOT Hamburg	479.87	-4.97	-19.85	122.97
Soymeal, French, FOB Brest	464.08	-2.00	-51.32	99.40
Rapemeal, French, FOB Bordeaux	N/A	N/A	N/A	N/A
Rapemeal, German, FOB Hamburg**	302.50	0.46	-1.06	56.23
Sunflowermeal, French, FOB Bordeaux	374.18	6.16	17.96	121.79
Sunflowermeal, FOB Black Sea Ports	305.00	-5.00	-5.25	100.00

Source: DTN, World Perspectives

** For MAR/APR Shipment.*

** For FEB/APR Shipment.*

WPI POLICY ANALYSIS

War on Agribusiness; Soy War II

By Gary Blumenthal

President-Elect Joe Biden campaigned that he would help farmers "by strengthening enforcement of the Sherman and Clayton Antitrust Acts. Now he is hiring Neera Tandem to run the powerful Office of Management and Budget. Tandem has pursued a moratorium on mergers in the agriculture sector and a statutory cap on concentration in various agriculture markets. If Donald Trump was "America First," Joe Biden stomping on American agribusiness is going to be welcomed news overseas.

Code for agribusiness concentration typically refers to the ABCDs, but these companies are no longer the dominate players they once were. They are now joined by T, M, G (Now V), the other G, N, W, O, CP, STC, UGC, etc. Even Oxfam now recognizes the diversification occurring in the industry and this does not touch upon China's state-owned giants. In the agricultural chemicals area, the largest companies are not even U.S.-based, instead finding incorporation in various European countries including Germany, The Netherlands, Switzerland, and Norway.

In farm equipment, John Deere is no doubt dominant as a U.S.-based company, but it has earned its position by delivering quality products. But if progressive American trust-busters take apart successful U.S. corporations like Deere, they would simply be inviting in larger imports from state-owned Chinese manufacturers like Dongfeng, Lovol, Changfa, or YTO.

The domestic market share of the "Big Three" U.S. automakers was over 85 percent in the 1960's and populist trust-busters of the time called for moratoriums and market share caps. Today, the majority of cars sold in America are foreign name plates and the U.S. share of global car exports is 7.4 percent.

Soy War II

President-Elect Joe Biden says he wants to "normalize" transatlantic relations, but U.S. agriculture is going to want to ensure that normalize does not mean capitulate.

French Agriculture Minister Julien Denormandie announced this week a new €100 million subsidy program intended to boost protein crop production area by 40 percent. Denormandie told Reuters, "We have one objective: regain some of our food sovereignty…Our target today is clearly soybean imports coming from the American continent." Last year, the U.S. exported $2.6 billion in soybeans to Europe but imported nearly $8 billion worth of wine, beer, and cheese.

Paying for Greener Food; GSP Reckoning; Longevity at USDA

By Gary Blumenthal

Paying for Greener Food

The drive toward conditioning food imports on sustainable farming practices is frightening developing countries and thus provoked the concern of the UN's Food and Agriculture Organization. European Member of Parliament Herbert Dorfmann (EPP-Italy) thoughtfully notes that consumers are going to have to be willing to pay the higher cost of food produced with fewer inputs per the Farm to Fork edicts. Voluntarily paying more rarely works but if Amsterdam can restrict the amount and type of holiday lights on display, presumably some governments can dictate the food that is eaten.

Perhaps not in France where Minister of Agriculture Julien Denormandie rejects greener cell-cultured meat, saying "meat comes from life, not from laboratories." Meanwhile, U.S. farm groups hope to beat their South American

competitors in the European market by touting their better environmental practices. However, European policymakers are working to stop soybean imports from either South America or the U.S., making American farm monetization goals moot.

GSP Reckoning

The Generalized System of Preferences (GSP) that offers reduced import tariff rates to developing countries expires at the end of this month. Big business and some Republican leaders want a clean extension of the authority, providing time for a thoughtful assessment of the program. President Trump uniquely sought to use the leverage of GSP's nonreciprocal tariff concessions to demand better economic practices by beneficiary countries (Turkey, India, Thailand, Ecuador, Azerbaijan, Uzbekistan, Kazakhstan, Georgia, South Africa, and Indonesia). Some on Capitol Hill now want to add more conditionality to the program. Senator Josh Hawley (R-Missouri) would suspend the program when U.S. unemployment is greater than 4 percent. House Ways & Means Trade Subcommittee Chairman Earl Blumenauer (D-Oregon) wants to add a slew of conditions including human rights, treatment of women and labor, etc. It will be difficult to put this genie back in the bottle.

Longevity at USDA

President-Elect Joe Biden has reportedly nominated Tom Vilsack to run USDA, though it is still not on the Transition's website. The Transition has been categorizing nominees as "Economy," "Health," or "National Security." The USDA portfolio involves both economy and health so it will be curious where they categorize the agency's chief. Former House Agriculture Committee Chairman Kika de la Garza used to argue that food is national security too. And Europe's CAP was said to be the glue that held the Continent together. Mr. Vilsack's return to USDA is notable but would not be a record. James "Tama Jim" Wilson was Secretary of Agriculture for sixteen years from 1897 to 1920, serving three different Republican presidents. A half dozen Cabinet officers have served for up to 12 years, usually changing agencies during their long tenures.

COVID Package Agreement

By Dave Juday

Congress reached a deal on government funding for the rest of FY 2021 ($1.4 trillion) and to provide another COVID relief package totaling $900 billion. Two of the most controversial provisions that held up the COVID package – Democrats call for funding for states and municipalities and Republicans call for business liability protection – were dropped, so this is likely to not be the last COVID package. President-Elect Biden has said that this legislation is a "start" and he will likely propose another once in office.

The agriculture provisions include:

A general allocation of $11.1875 billion to the Secretary of Agriculture to remain available until expended to "prevent, prepare for, and respond to coronavirus by providing support for agricultural producers, growers, and processors impacted by coronavirus." Note the language about processor, opening up the ability of the CCC to make payments to biofuels producers – and cotton gins.

Eligible crops include "specialty crops, non-specialty crops, dairy, livestock, and poultry, producers that supply local food systems, including farmers markets, restaurants, and schools, and growers who produce livestock or poultry under a contract for another entity." The language refers to "price trigger crops" and "flat rate crops" which essentially implies that commodities eligible for the CFAP2 program will be covered under the new bill. The rate for both categories of crops is $20 per acre for all eligible acres.

Contract poultry growers, among others who were not part of the original CFAP or CFAP2 program, are eligible. The total spending limit for contract poultry and livestock growers is $1 billion.

Livestock payments will be made to producers who had to euthanize livestock due to slaughter capacity constraints (but not to packers) prior to the passage of this legislation based on the 80 percent of the fair market value and for the cost of the de-population. Any producer who received compensation for de-population through a state, the EQIP program, or other means.

For market cattle, the payment formula is discounted to reflect CFAP payments already made.

There are also additional funds for the Dairy Market Coverage (DMC) program and a $400 million dairy product donation program for which processors can be reimbursed for donations to food banks and other feeding programs.

There is also $1.5 billion to "purchase food and agricultural products, including seafood" as well as fresh produce, dairy, and meat products, to distribute to "individuals in need, including through delivery to nonprofit or organizations that can receive, store, and distribute food items." While the language is not explicit, this sounds – from a practical sense – that this could be an extension of the Food Box distribution program. It could also be a more traditional USDA commodity donation program but extending the Food Box program for another round is the easiest implementation of this.


WORLD PERSPECTIVES
AT THE NEXUS OF POLICY & MARKETS