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World Perspectives, Inc.

Notable Changes in U.S. Agriculture Trade

Robust China Corn Imports

China In-Country Analysis

2020 Election and the Next Farm Bill

How China Could Win the U.S. Election

Brazil Punts on Ethanol TRQ



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.

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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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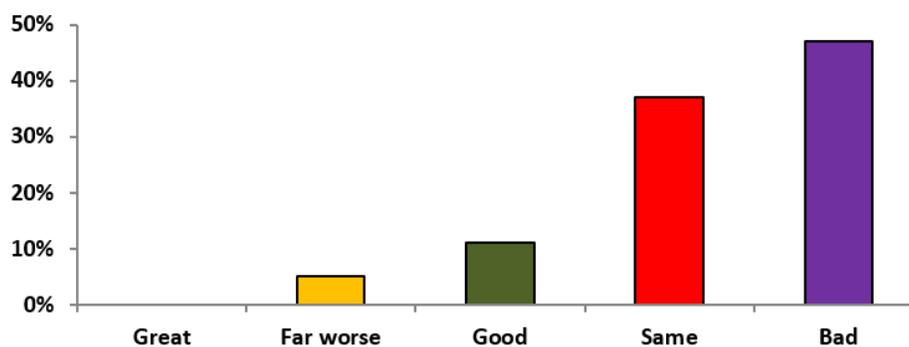
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WPI POLLING

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



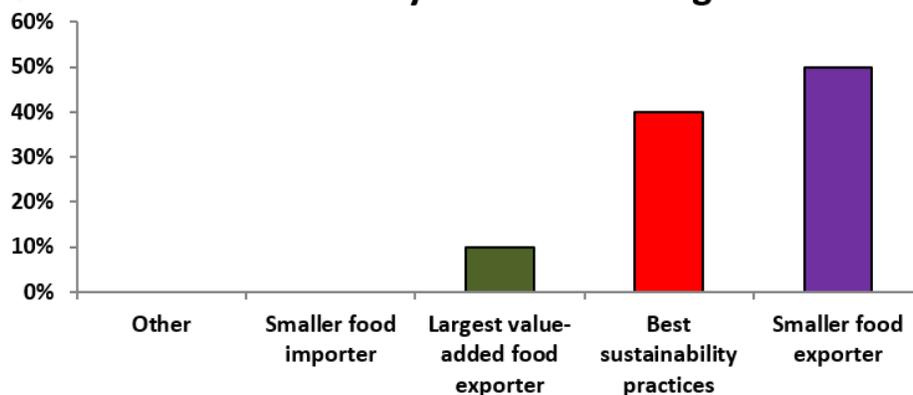
Results: U.S. - China Relations in 2030 will be?



Source: WPI online poll LH August 2020



Results: Most likely future for EU agriculture is?



Source: WPI online poll September 2020

FROM THE WPI TEAM

No End in Sight

By Gary Blumenthal

While this is called *Ag Review* our analysts tend to look forward, anything hoping to get somewhere better than 2020. This year has been like three disaster years rolled into one: the 1918 Spanish flu, the 1929 Great Depression and the 1968 clashes over civil rights. Plus, we have had a record number of hurricanes, drought, fires, and the rest of the year's calamities both natural and manmade. Looking ahead, you may wish to stop reading altogether except that what you cannot see can still hurt you!

This edition of course covers China; the good such as record corn imports, the bad - like interference in the U.S. election, and the more benign day-to-day struggles of an amazing and giant market. We throw in a dose of Brazil and its ethanol market, plus some of Europe now facing the long-term adverse impacts of climate change.

Going forward, we will still have COVID-19, and it will probably rebound. There will be a U.S. election that could end the civil unrest or exacerbate it. And there will still be geopolitical conflicts in eastern Europe, Asia Minor, the South China Sea, etc. A hit song in the early 1970's intended to soothe turbulent times was,

"I'd Like to Teach the World To Sing (In Perfect Harmony)." Our only paean looking forward at this time is that at least grain prices look to be moving higher.

Gary

WPI MARKET ANALYSIS

Notable Changes in U.S.

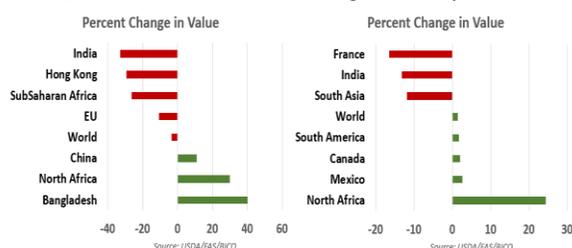
Agricultural Trade

By Gary Blumenthal

In the year of COVID, it is difficult to assign precise reasons for changes in trade flows but following are some observations about U.S. agricultural trade in the year to date:

- U.S. exports to India have taken the largest fall, but Bangladesh next door has seen the largest increase.
- A drop in exports to Hong Kong could have been exacerbated by civil unrest/freedom protests, and the drop in products to Sub-Saharan Africa might be within a usual range given its smaller volumes.
- The increase in exports to China will be claimed as Phase One agreement gains.
- U.S. agricultural imports from France have taken the greatest beating, likely due to targeting with punitive tariffs.
- Reductions in U.S. exports to India and Southeast Asia could be due to COVID and the softer economy.
- Increases overall and to South America are notable; increases to Canada and Mexico could be USMCA related.

U.S. Agricultural Exports 2020 YTD U.S. Agricultural Imports 2020 YTD



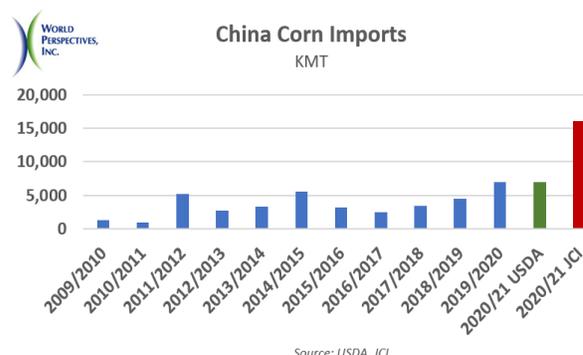
Robust China Corn Imports

By Gary Blumenthal

Some analysts have long argued that Chinese policymakers made a trade-off decision by favoring domestic corn production and soybean imports. Basically, the nation can produce anything it wants, but it cannot produce everything.

As the producer of 22 percent of all global corn and the repository for 61 percent of the world's carryover stocks, China has been all in on corn. USDA forecasts that the nation's corn imports this year will match last year's record level but China-based analysis firm JCI now says they will be 128 percent larger.

If JCI's forecast of 16 MMT of corn imports comes to fruition, China will consume roughly 9 percent of all traded corn. JCI bases its forecast on the adverse impact of multiple typhoons, damage from the Fall Armyworm, lower beginning stocks, and a 7 percent increase in feed consumption. Dalian corn futures prices are at their highest in five years.



WPI INTERNATIONAL ANALYSIS

China In-Country Analysis

2 September 2020

By Global Agribusiness Partners

Livestock

China Meat Supply Projected to Increase in Last Quarter Of 2020

With the novel coronavirus largely contained and the economy firing on all cylinders in August, China's meat supply appears on track to recover by the end of the year. Since the end of the Chinese New Year, poultry and hog production figures have risen at a steady pace. In fact, poultry supplies, particularly white feather broilers, have seemed to overshoot in the short-term, exceeding the pace of demand from school cafeterias, factory canteens, and fast-food restaurants. With the GDP for the third quarter expected to surpass the 3.2 percent mark from the second quarter, market demand is quickly returning to normal. By the end of 2020, poultry meat output is expected to reach 23 to 25 MMT. Although white feather broiler prices are feeling the pinch, the layer sector and yellow feather broiler markets remain healthy and strong.

Imports will also continue to play a critical role in closing the supply gap for the remainder of the year. According to the latest figures from China's Customs Bureau, poultry meat imports through July have totaled 830,000 MT, a doubling compared with the same period in 2019.

Meanwhile, China's imports of pork meat and pork offal through the first seven months of 2020 have totaled 2.56 MMT and 820,000 MT, respectively. The market sentiment is that pork imports will reach 4.1 MMT by the end of December, which is equivalent to 55 to 58 million head of live pigs or roughly 10 percent of China's annual domestic consumption. Lastly, state reserve auctions of frozen pork have continued to supplement the market through weekly releases.

Last week, 8,647 MT were sold at an average price of RMB 28.16/kg (\$4.09/kg) or RMB 12.77/lb. (\$1.85/lb.) bringing the combined year-to-date total to approximately 530,000 MT.

Investigation Seeks to Uncover Statistical Fraud

As reported by the agricultural and rural economy blog, Dim Sums, China's National Bureau of Statistics has been tasked with scrutinizing ag statistics at the Ministry of Agricultural and Rural Affairs (MARA). The investigation, which is being led by the statistic bureau's Deputy Director General Sheng Laiyun, began on 21 August and concludes today.

Part of the motivation for this scrutiny stems from the broad level of responsibility MARA has for reporting relevant rural socioeconomic data covering everything from feed mills to wet markets to slaughterhouses to poverty. In other cases, several news stories have identified cases of overt fraud involving MARA's pork production subsidies at the provincial level. This has included local officials in Guangzhou province, where government representatives submitted false applications for new pig farms that only existed on paper. With MARA having set expectations for China's hog recovery at such a high bar, the question remains as to how many of the "new farms" actually have hogs and sows.

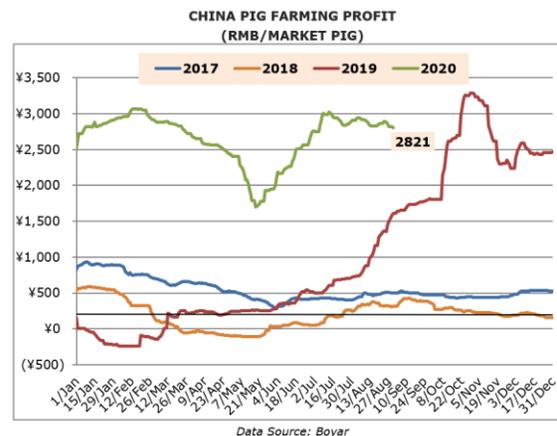
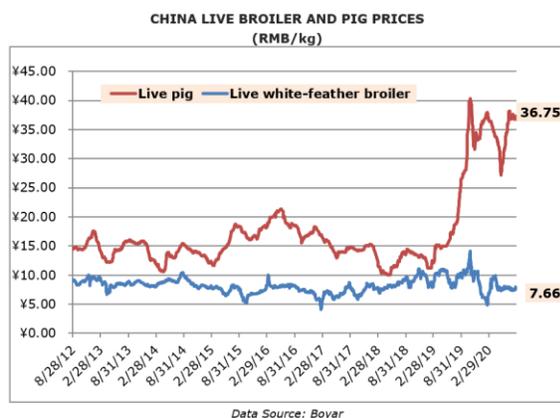
The market should watch carefully in the coming weeks and months to see if any indictments or sudden revisions appear as a result of this two-week investigation.

Live Pig and White Feather Broiler Prices Reverse Course

After a modest increase two weeks ago, the national average live hog price slid down by RMB .33/kg (\$.05/kg) or RMB .15/lb. (\$.02/lb.). Since mid-July, when hog prices reached a summer peak of more than RMB 38/kg (\$5.52/kg) or RMB 17.24/lb. (\$2.50/lb.), the price has fallen by nearly 4 percent. Similarly, the average profit per live pig fell last week by RMB 43/head (\$6.24/head).

As for white feather broilers, last week's decrease saw the nice gain from two weeks ago completely erased. With a weekly decrease of RMB .30/kg (\$.04/kg) or RMB .14/lb. (\$.02/lb.), that equates to a one week decline of 3.8 percent. As with the hog sector, the poultry sector saw a huge expansion of new farming operations in the past year. In fact, the expansion began during the second half of 2019 as many smallholder and medium-sized hog farming operations left the pork sector for broilers and ducks.

That fact and some overshooting in the face of difficult supply chains for feed and finished product distribution has led to a volatile market. Imports are also impacting domestic producers. Price volatility will likely remain through early 2021.



Oilseeds

Soymeal Inventory Continues to Build Up

China's nationwide soymeal inventory saw another solid uptick last week as crushers continued to churn through imported soybeans. While soft soymeal prices have hampered crush margins, surging soyoil prices are providing enough of an incentive to keep the mills running. Through last Friday, the estimated soymeal stock was up 61,300 MT (+5.4 percent) from the previous week to more than 1.2 MMT.

Regionally, trends were mixed with inventories rising in four regions and falling in three. Among those seeing gains, the East, Northeast, and Guangdong where stocks climbed by 39,600 MT (+7.1 percent), 20,800 MT (+29.8 percent), and 11,400 MT (+11.2 percent), respectively. On an annual basis, last week's estimated national soymeal inventory was up 470,900 MT (+64.4 percent) from a year ago. With this build up, the likelihood that a sustained rally in soybean and soybean prices should begin to diminish as October approaches.

China's Estimated Soybean Meal Stocks (1,000 MT)								
	Northeast	North	Shandong	East	Guangdong	Guangxi	Fujian	Total
28 August 2020	90.5	73.1	127.8	595.4	112.8	148.0	55.0	1,202.6
Week-on-week	20.8	4.8	-8.0	39.6	11.4	-7.0	-0.3	61.3
Month-on-month	6.1	23.9	51.7	154.1	32.8	46.0	12.9	327.5
Year-on-year	30.3	7.1	47.8	252.8	46.2	63.0	23.7	470.9

Source: CoFeed, China Grain

Imported Soybean Inventory Falls

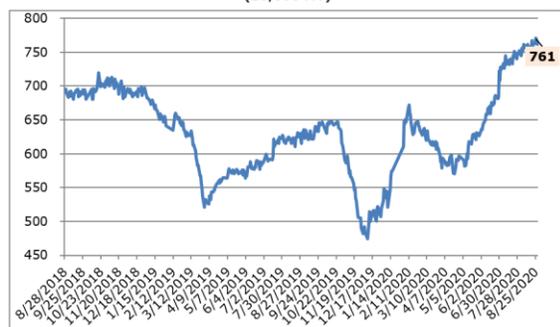
Imported soybean stocks at the three major ports in Jiangsu continued to climb steadily last week, climbing above 1.9 MMT and raising the

province's share to 25.1 percent. In stark contrast, imported stocks in Guangdong continued their long-term trend away from being a major importing province as inventories at its major ports fell by 47,000 MT (-6.1 percent) to 725,300 MT or 9.5 percent of the national total. In Shandong, imported stocks rose by 17,600 MT, less than 1 percent. Outside of the big three, inventories fell by 76,800 MT (-3.3 percent). The net result saw the nationwide imported soybean stock total fall by 12,800 MT to 7.61 MMT.

China's Imported Soybean Stocks (1,000MT)					
	Total	Other Ports	Shandong	Guangdong	Jiangsu
28 August 2020	7,614.9	2,251.9	2,728.8	725.3	1,908.9
Week-on-week	-12.8	-76.8	17.6	-47.0	93.5
Month-on-month	152.9	-331.8	324.0	-103.9	264.6
Year-on-year	1,460.3	-118.0	1,053.2	-447.1	972.2

Source: JCI

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



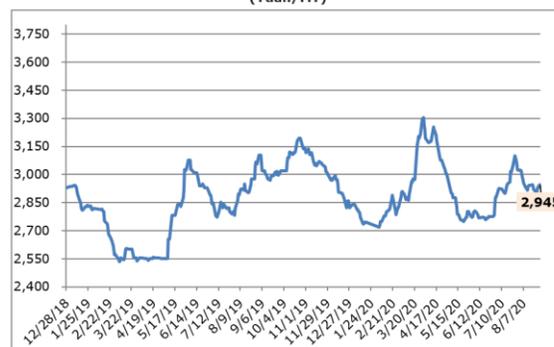
Source: JCI

Crush Margins Tank as Imported Soybean Prices Surge

The average CNF price for imported U.S. and Brazilian soybeans climbed higher last week, increasing by \$13/MT and \$14/MT to \$429/MT and \$436/MT, respectively. On the product front, the average price for soymeal ticked up RMB 30/MT (\$4.35/MT) to RMB 2,945/MT (\$427.43/MT), while soyoil returned to triple digit growth, jumping by RMB 269/MT (\$39.04/MT) to RMB 7,064/MT (\$1,025.25/MT) last week. Despite the rise in soyoil prices, the higher costs for imported soybeans continued to dent crushing margins. The average margin on U.S. soybeans sans penalty tariff fell by RMB 20/MT (\$2.90/MT) to RMB 29/MT (\$4.21/MT), while for Brazil soybeans, the average margin fell

into the red, dropping by RMB 28/MT (\$4.06/MT) to a loss of RMB 27/MT (3.91/MT).

Average Producer Price for Soymeal
(Yuan/MT)



Source: China Grain

China's Imported Soybean Crush Margin on U.S. Soybeans with 28% Tariff						
	Imported Soybeans Cost & Freight	Exchange Rate	Soymeal Prices	Soybean Oil Prices	Crush Margin (Tariff-28%)	Crush Margin
	(USD/MT)	(USD/CNY)	(RMB/MT)	(RMB/MT)	(RMB/MT)	(USD/MT)
28 August 2020	429	6.89	2,945	7,064	-806	-117.0
Week-on-week	13	-0.02	30	269	-43	-6.6
Month-on-month	18	-0.10	-130	723	-88	-14.3
Year-on-year	50	-0.20	-120	1,006	-299	-45.4

Source: JCI

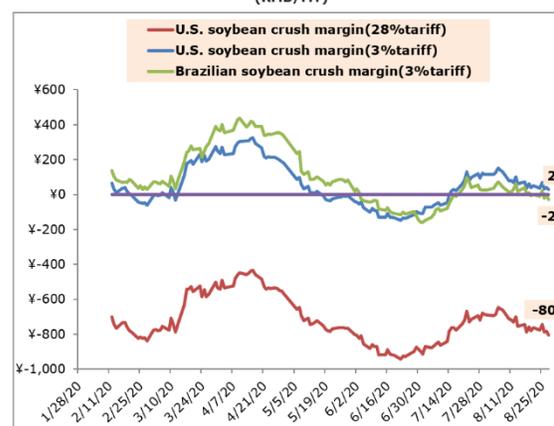
China's Imported Soybean Crush Margin on U.S. Soybeans without 25% Tariff						
	Imported Soybeans Cost & Freight	Exchange Rate	Soymeal Prices	Soybean Oil Prices	Crush Margin (Tariff-3%)	Crush Margin
	(USD/MT)	(USD/CNY)	(RMB/MT)	(RMB/MT)	(RMB/MT)	(USD/MT)
28 August 2020	429	6.89	2,945	7,064	29	4.2
Week-on-week	13	-0.02	30	269	-20	-2.9
Month-on-month	18	-0.10	-130	723	-65	-9.2
Year-on-year	50	-0.20	-120	1,006	-222	-31.3

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)
28 August 2020	436	6.89	2,945	7,064	-27	-4.0
Week-on-week	14	-0.02	30	269	-28	-4.1
Month-on-month	17	-0.10	-130	723	-56	-8.0
Year-on-year	23	-0.20	-120	1,006	2	0.2

Source: JCI

Historical Imported Soybean Crush Margin
(RMB/MT)



Source: JCI

Grains

The Domestic Corn Price Under Pressure

Last week the 14th state reserve auction took place, which brought the total turnover for the current year to 54.77 MMT. The average price last week fell as the majority of the auctioned corn was from CYs 2016 and 2018. Reports are that the quality of these years' crops has been worse than the 2015 crop, which has accounted for the majority of the auctioned tonnage with 52.77 MMT.

A combination of new corn crop entering the market and lower expectations for the quality of the auctioned corn from more recent years put significant downward price pressure in the Northeast provinces and in the Guangdong. In Heilongjiang, the average corn price fell by RMB 80/MT (\$11.61/MT) to RMB 2,090/MT (\$303.34/MT), while in Guangdong, the average price shed RMB 70/MT (\$10.16/MT) to finish at RMB 2,350/MT (\$341.07/MT). The net result saw the national average price fall by RMB 20/MT (\$2.90/MT) to RMB 2,315/MT (\$335.99/MT).

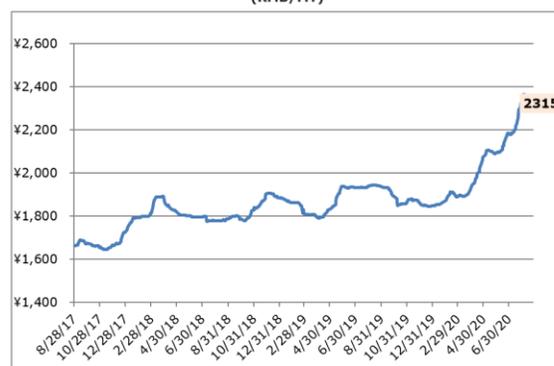
On the corn processing side, prices for cornstarch and corn gluten meal in Shandong deteriorated further, falling by RMB 40/MT (\$5.81/MT) and RMB 60/MT (\$8.71/MT), respectively. That pushed the average operating margin in Shandong further into negative territory to an average loss of RMB 141/MT (\$20.46/MT).

Meanwhile, in Jilin the average cornstarch price was down by RMB 50/MT (\$7.26/MT). For ethanol producers in Shandong, last week saw the average price for ethanol and DDGs decline by RMB 100/MT (\$14.51/MT) each. That pushed down the operating margin by RMB 196/MT (\$28.44/MT) to RMB 272/MT (\$39.48/MT).

China Corn Wholesale Price (RMB/MT)						
	Nationwide	Heilongjiang	Jilin	Liaoning	Shandong	Guangdong
28 August 2020	2,315	2,090	2,153	2,282	2,390	2,350
Week-on-week	-20	-80	-67	0	-8	-70
Month-on-month	3	55	0	-10	30	-100
Year-on-year	377	353	346	420	367	373

Source: CNGOIC/JCI

Corn Weekly Wholesale Price (RMB/MT)



Source: CNGOIC

China Cornstarch Processing Margin (RMB/MT)							
(RMB/MT)	Shandong				Jilin		
	Corn Price	Starch Price	Corn Gluten Meal Price	Margin	Corn Price	Starch Price	Corn Gluten Meal Price
28 August 2020	2,460	2,780	4,200	-141	1,810	2,700	4,400
Week-on-week	0	-40	-60	-73	0	-50	0
Month-on-month	0	0	-240	-61	0	100	0
Year-on-year	470	260	0	-276	10	350	80

Source: JCCCE

China Corn Ethanol Processing Margin (RMB/MT)							
(RMB/MT)	Shandong				Jilin		
	Corn Price	Ethanol Price	DDGS Price	Margin	Corn Price	Ethanol Price	DDGS Price
28 August 2020	2,410	6,000	2,250	272	2,080	5,800	2,090
Week-on-week	0	-100	-100	-196	0	-50	0
Month-on-month	-30	-100	-200	-182	70	-50	90
Year-on-year	410	600	-360	-907	300	900	390

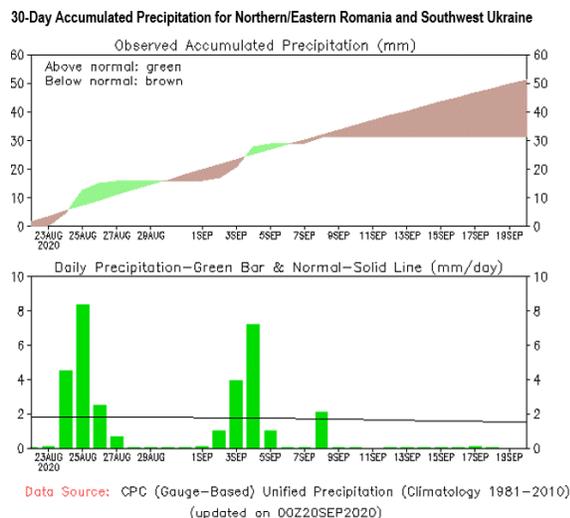
Source: JCCCE

European Market Analysis 21 September 2020

By Matt Herrington

Regional News

Most of Europe and the Black Sea remain in a rainfall deficit with drought increasingly severe in parts of southeast Europe and western/southern Ukraine. The forecast holds increasing chances for precipitation across western Europe this week and better showers into eastern Europe/Ukraine next week. Southern Russia will remain mostly dry until the first week of October, with the winter wheat planting season typically ending around mid-October. Russian farmers may have to seed plots in hopes that rains will arrive on schedule and before temperatures turn too cold.



Milling Wheat

Wheat prices continue to rally with dryness in Europe, the Black Sea, and Argentina threatening to cut the 2021 crop. U.S. weather patterns remain mostly favorable for winter wheat planting, except in areas of the PNW and western Plains (Colorado and western Kansas). While 2020 supplies look ample, the ongoing corn/soybean rally, combined with the threat of a smaller 2021 global crop, is pushing prices higher.

Russian interior prices are rising faster than FOB offers as exporters have to incentivize farm sales from regions well away from ports. Russian FOB values continue to rally as international demand remains strong and the origin is among the most competitive globally. Notably, however, last week's \$5-10/MT rally in Black Sea wheat prices has left French and German offers increasingly competitive.

Milling Wheat FOB Prices for September/October Shipment				
Origin/Spec	This Week	Weekly Change	Monthly Change	Yearly Change
<i>Black Sea</i>				
Bulgaria, 11% pro.	218.50	0.00	10.50	32.50
Black Sea, 11.5% pro.	230.50	7.50	30.50	45.50
Romania, 12% pro.	229.25	3.75	19.25	40.75
Ukraine, 12% pro.	231.50	6.50	29.50	45.50
Russia, 12.5% pro.	232.50	7.50	30.50	46.50
<i>Europe</i>				
Rouen, France, 11% pro.	231.25	3.25	11.25	45.75
Germany*, 12% pro.	232.25	5.50	13.25	40.75
<i>U.S.</i>				
U.S. Gulf, SRW 10.5% pro.	254.25	7.50	19.25	30.00
U.S. Gulf, HRW 12% pro.	258.75	7.75	29.00	28.75

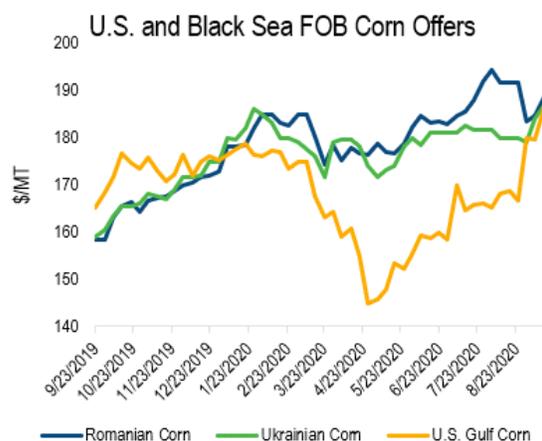
Source: DTN, World Perspectives

* FOB Baltic ports

Consultancy SovEcon increased its forecast of the 2020 Russian wheat crop to 82.6 MMT, up from prior estimates of 81.2 MMT. USDA's forecast remains at 78 MMT.

Feed Grains

Like wheat, global feed grains markets continue to follow the CBOT higher, with cash prices and offers increasing globally. Exporters are increasingly constrained by elevation capacity for fall shipment periods and offers for spot/early fall positions will become increasingly difficult to obtain. Poor yield results from Ukraine's early harvest are pushing prices higher in that country while strong export demand is keeping U.S. offers supported. After holding a steep discount through the summer, U.S. spot Gulf offers are now equal or above Black Sea corn prices.



Early results from the Ukrainian corn harvest show yields down sharply from the prior year. Yields are currently averaging 4.14 MT/ha, down from last year's 5.95 MT/ha.

EU and UK malting barley markets remain mostly unchanged amid sluggish demand from brewers and limited export interest. Scotland has reportedly harvested a surplus crop with good quality and low nitrogen, which is now finding its way into English markets. Feed barley harvest has concluded in the UK and prices were mixed last week. Early week strength in the pound sterling pushed prices lower but late-week competition for nearby positions supported feed barley price at week's end.

Feed Grain FOB Prices for September/October Shipment				
\$/MT				
Commodity/Origin	This Week	Weekly Change	Monthly Change	Yearly Change
Corn				
Russia*	170.13	0.25	-12.75	9.93
Ukraine	195.00	8.00	15.00	36.00
Romania	192.25	3.50	0.50	33.50
Creil, France	198.00	0.50	2.75	26.00
U.S. Gulf	193.50	1.25	26.75	29.50
Santos Brazil	197.25	6.00	20.25	34.75
Feed Wheat				
Ukraine	222.42	17.78	25.17	54.13
Black Sea Ports	224.50	6.00	27.00	42.50
Bulgaria	214.50	0.00	13.00	34.50
Barley				
Feed Barley, Bulgaria	191.00	0.00	9.50	17.00
Feed Barley, Russia	194.00	4.50	9.50	17.00
Feed Barley, Ukraine	197.50	3.50	12.00	20.00
Feed Barley, France	210.75	3.25	9.25	38.50
Spring Malting; Halle, Germany***	218.30	7.43	1.88	-3.14
Spring Malting; Rouen, France	N/A	N/A	N/A	N/A
Winter Malting; Creil, France***	214.77	8.65	7.79	37.95
Winter Malting; Rouen, France***	214.77	6.28	1.89	29.13

Source: DTN, World Perspectives

*Interior Prices

*** Oct-Jan. 2021 delivery

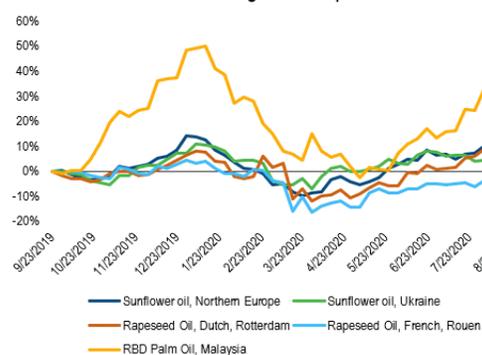
Oilseeds

Tight global vegoil and EU rapeseed supplies continue to support oilseed/product markets in Europe and around the world. Matif rapeseed futures neared €400/MT last week – nearly retracting all the COVID-19 related losses. Black Sea soybean prices rallied \$25/MT last week with disappointing yields in Ukraine helping support values. Rapeseed values rallied as well, with European values holding a \$20/MT premium to Black Sea offers.

UkrAgroConsult is reporting a 21-percent decrease in Ukrainian sunflower yields, which are averaging 1.64 MT/ha this year versus 2.08 MT/ha in 2019. Soybean yields are down similarly, averaging 1.76 MT/ha versus 2.27 MT/ha last year.

Ukraine is poised to be a major vegoil exporter to Europe this year after the near failure of the EU rapeseed crop. WPI data show Ukrainian sunflower and soybean oil prices rallying sharply this fall. Of course, the rally in Ukrainian vegoil has been far from isolated, with Malaysian palm oil up 40 percent YoY and most other oils up at least 10 percent as well.

World Vegoil Prices,
% Change from Sep. 2019



China has reportedly increased its sunflower meal imports from Ukraine by nearly 100 percent from this time last year. Ukrainian sunflower meal exports were up 9.5 percent for 2019/20, with China accounting for 40 percent of that volume.

Oilseeds and Products FOB Prices for September/October Shipment				
\$/MT				
Commodity/Origin	This Week	Weekly Change	Monthly Change	Yearly Change
Soybeans				
Russia, EXW	438.75	23.00	-17.13	85.95
Ukraine, FOB Black Sea Ports	428.04	26.17	34.71	85.13
Brazil, FOB Paranagua	447.75	8.75	48.50	88.50
U.S. Gulf	426.25	15.25	54.50	88.75
Rapeseed				
Russia, EXW	418.75	5.50	21.63	184.35
Ukraine, FOB Black Sea Ports	446.27	9.41	12.85	25.42
France, FOB Rouen	467.00	2.75	19.00	39.00
Germany, CIF Hamburg	463.04	8.39	12.81	38.88
Sunflower Seeds				
Russia, EXW	366.13	34.75	6.75	58.73
Ukraine, FOB Black Sea Ports	498.64	56.74	70.82	117.72
France, FOB St. Nazaire	474.50	24.25	60.25	115.50
Vegoils				
Soyoil, Dutch, FOB Rotterdam*	876.25	9.25	58.00	117.00
Soyoil, German, FOB Hamburg	964.92	-7.86	44.99	122.11
Soyoil, Argentina	834.25	49.50	111.25	163.25
Soyoil, Brazil	877.50	29.00	120.00	195.00
Sunflower oil, Russia EXW	819.00	13.50	28.63	113.15
Sunflower oil, Ukraine, FOB Black Sea	860.25	102.75	172.75	210.00
Sunflower oil, FOB Northern Europe	1,023.25	-26.75	194.50	243.25
Rapeseed Oil, Dutch, Rotterdam*	974.50	-6.00	26.75	79.25
Rapeseed Oil, French, Rouen	877.00	3.00	28.00	-29.50
Rapeseed Oil, German, Hamburg	1,035.52	-7.25	10.63	32.97
RBD Palm Oil, Malaysia*	767.25	26.25	88.00	238.00
Oilseed Meals				
Soymeal, German, FOT Hamburg	420.98	15.25	40.62	78.07
Soymeal, French, FOB Brest	426.56	13.13	40.31	70.16
Rapemeal, French, FOB Bordeaux	N/A	N/A	N/A	N/A
Rapemeal, German, FOB Hamburg**	294.18	27.85	48.57	78.25
Sunflowermeal, French, FOB Bordeaux	N/A	N/A	N/A	N/A
Sunflowermeal, FOB Black Sea Ports	235.25	8.25	7.50	N/A

Source: DTN, World Perspectives

* For FEB/APR Shipment.

** For DEC/JAN/21 Shipment.

WPI POLICY ANALYSIS

2020 Election and the Next Farm Bill

By Dave Juday

There are 56 days until the 2020 elections. In addition to the Presidential election, all 435 seats in the House of Representatives are up for consideration, and 33 Senate seats plus one special election in Georgia. (Due to the resignation of Senator Johnny Isakson both of Georgia's Senate seats are contested this year).

Regardless of the election outcome, there will be changes in the leadership of the Congressional agriculture committees. Senate Agriculture Committee chairman Pat Roberts (R-Kansas) and House Agriculture Committee ranking Republican Mike Conaway (R-Texas) are both retiring. If Democrats win control of the Senate, Committee Ranking Democrat Debbie Stabenow (D-Michigan) would again become chairperson as she was from 2011 to 2015. If the Republicans hold on to the majority, Senator John Boozman (R-Arkansas) would become Chairman.

In the House, Agriculture Committee, Chairman Collin Peterson (D-Minnesota) is facing Republican challenger Michelle Fishbach, a former state legislator and former Lieutenant Governor. That race is rated a toss-up. If Peterson, who was first elected 30 years ago, were to lose his seat and the Democrats hold their current majority, Representative David Scott (D-Georgia) would likely become Chairman.

On the Republican side of the aisle, behind Conaway in seniority is Representative Glenn Thompson of Pennsylvania. Notwithstanding shuffling on other committees (including the Education and Labor Committee on which he is senior), he would become the top Republican on the Agriculture Committee.

In addition to Chairman Peterson, there are five Democrats on the House Agriculture Committee (all of them freshman) whose re-election

campaigns the Cook Political Report rates as toss-ups: Abigail Spanberger (Virginia), TJ Cox (California) Anthony Brindisi (New York), Cindy Axne (Iowa), and Xochitl Torres Small (New Mexico).

On the Republican side, there is one incumbent committee member in a race rated as a toss-up, Don Bacon (Nebraska) and in the Senate, the one Agriculture Committee member in a toss-up race is Republican Joni Ernst (Iowa).

Though the 2018 farm bill does not expire until 2023, it is likely debate on the bill will start in earnest in the next Congress, especially coming out of the tariff wars, COVID-19 restrictions, and MFP and CFAP payments. After the U.S. government has spent more than \$3 trillion on COVID responses and relief, budget resources will likely be a constraint.

Likewise, the next farm bill will also be driven by the unique circumstances that agriculture has faced with COVID. There will be a lot of serious – and a fair amount of semi-serious and specious discussions – about the U.S. “food system” ranging from resiliency to safety. Critics of the current industry will leverage COVID to push previous agendas, especially regarding meat and livestock, trade, and climate change. We've already seen some of that.

Finally, after the trade tensions of 2018 and 2019, trade policy will also be front and center. As we have observed over the years, the farm bill often reacts to what has happened, and focuses little on what is likely to happen in the coming five years. The coming election will set the rosters of players who will shape the next farm bill.

How China Could Win U.S. Election

By Gary Blumenthal

Political analysis indicates that China is hoping Joe Biden wins the U.S. presidential election. His campaign says fully decoupling from China, a frequent Trump threat, is unrealistic.

While the Democrats fear Russian interference in the election due to that country's support of Trump, they might welcome some Chinese measures that would greatly undermine the President's re-election. Anti-Trumpers would consider the enemy of my enemy to be worth the intervention.

Mr. Trump's route to re-election is already fraught but his most solid base, rural America and farmers, are highly dependent on the commodity purchases that Beijing promised to President Trump. Those sales have been increasingly brisk, but sales are not shipments. In fact, much of what China has purchased in recent months would not ship until later.

Sales can be cancelled. In fact, China could cancel all the shipments, causing prices to plunge and farmers to become disenchanted with the President. They might not vote for Mr. Biden, but they could just stay home. China could even hint that they would repurchase them under a Biden government.

China needs the commodities, but by canceling the current sales, they could subsequently repurchase them at cheaper prices after the market collapses, and after the maneuver has encouraged American voters to replace the noxious Mr. Trump with a more approachable Joe Biden.

Brazil Punts on Ethanol TRQ

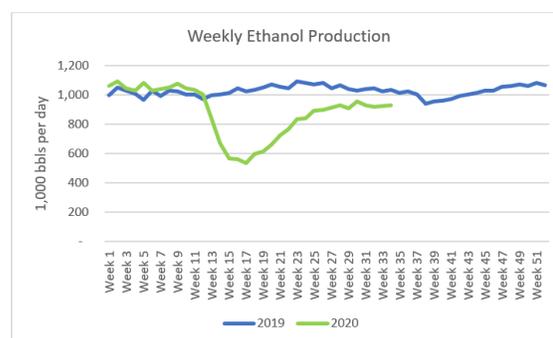
By Dave Juday

Reports from Brazil indicate that the government is leaning toward extending the TRQ for U.S. ethanol imports for 90 days (the TRQ expired yesterday). There has been no official action yet.

The expected extension is considered a compromise solution from President Bolsonaro. It helps the Trump Administration by maintaining the quota for duty free ethanol imports and it helps Bolsonaro politically as the domestic industry is calling for eliminating the tariff free quota all together and applying a 20 percent tariff instead. The U.S. industry wants total duty-free access like in 2017; the Brazilian industry wants market access to the U.S. sugar market in order to give up the TRQ. Brazil is subject to a quota for sugar exports to the U.S.

Effectively, Bolsonaro's decision is to punt the problem until after the U.S. election. Cynics might see this as a set up to new tariffs in December.

Meanwhile in the U.S., ethanol production in August was running about 90 percent of August 2019, and production to date is about 85.5 percent.



Source: EIA, WPI

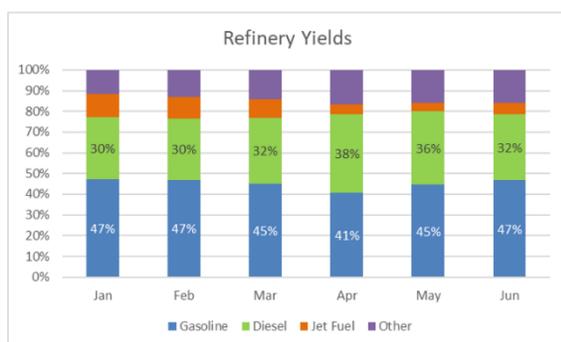
For the week ending 21 August, production was 931,000 bbls/day and demand was 854,000 bbls/day. Compared to last year, production is 89.7 percent of last year and demand is 89.4 percent of last year, moving in tandem. Inventories are about 89 percent of last year too. USDA released the July grain crushing totals today, showing that month's rebound in corn demand from ethanol production.

Biofuels Grain Crushings and Co-Production July					
	Wet Mill	Dry Mill	Total	Percent of July 2019	Percent of June 2020
Corn Use (1,000 bu)	379,379	44,991	424,370	94%	112%
Sorghum Use (1,000 cwt)			926	17%	72%

Source: USDA, WPI

DGS production was 1.86 million tons in July 2020, up 112 percent of June 2020 and 94 percent of July 2019.

The above data jibes with gasoline production trends was well. The chart below shows refinery yields – i.e. the percent of downstream product that is made from a barrel of crude. Back in April and May, not only was there less crude refined as refinery runs were down 22 and 21 percent respectively, but gasoline refinery yields were down as more diesel was made. During the COVID lockdown there were more trucks on the road than cars. Also, there was virtually no demand for jet fuel with travel restrictions and planes grounded. The percent of gasoline and jet fuel made from crude oil were the lowest in 30 years back in April.



Source: EIA, WPI

