

CY2021 year-to-date price performance

Commodity	YTD- 8 Jan			
Soymeal	+2.38%			
Wheat	-0.40%			
Soybeans	+5%			
Soy oil	+3%			
Corn	+2.7%			
Canola	+35.2%			
USD	+0.17%			
Ethanol	-2.7%			
VIX	-4.3%			

Closes – Friday, 8 January 2021

Commodity	Close	Change	Low	High
CH21	496.25	+2.25	492.50	499.50
CK21	497.50	+2	494	501
WH21	638.75	-3.5	634	649.50
WK21	640.75	-2.5	635	650
KWH21	594.75	-3.75	587.25	601.75
KWK21	599.25	-3.75	592	606
SH21	1374.75	+19.5	1348.50	1386
SK21	1371.25	+17.5	1347	1382.75
SMH21	439.60	+7.40	430	442.80
SMK21	435.80	+5.30	428.20	439.40
BOH21	4359	-20	4343	4418
BOK21	4322	-6	4289	4360

CoT report – week ending 5 January – big surprise is what is happening with the funds' soybean position as it's running counter to prices / expectations. As of 5 January, funds were sellers of 20K soy futures – not net buyers, with a net long = 159K. Even more “interesting / weird / odd / “pick a word” – is that funds have been sold 41K since mid-November vs a rally of +200 / bu in soybeans – with this rally being rather relentless! Peak long soy futures = 231K – and that was 3 months ago.

USDA January data dump – Jan WASDE, final U.S. soy + corn production numbers + 1 Dec quarterly stocks (more important for corn on the feed side followed by wheat vs what is a fairly transparent soy usage figures)

World freight summary (USGC) - Ocean freight traders finally woke up from the holidays and decided it was time to be optimistic and move things higher. Most of the excitement has been in the paper markets with physical markets following as best they can. As has been common in these markets, the first three days of the week exhibited the greatest amount of enthusiasm before running into selling pressure at week's end.

January 2021 daily hire rates for Panamax vessels moved up to \$12,400/day. Forward positions for calendar 2021 traded at \$11,300/day leaving us with a slightly inverted market.

U.S. production – corn & soy (mil bu or bu / acre)

	Average	Lo	Hi	Dec	LY
Corn					
Prod	14470	14319	14997	14507	13620
Yield	175.3	173.8	178.2	175.8	167.5
Hvstd area	82.54	82	84.2	82.53	81.34
Soybeans					
Prod	4158	4084	4260	4170	3552
Yield	50.5	49.4	51.7	50.7	47.4
Hvstd area	82.305	82	82.7	82.289	74.939

1 Dec U.S. grain stocks

	Average	Lo	Hi	1 Dec 2019
Corn	11951	11590	12305	11327
Soy	2920	2775	3215	3252
Wheat	1695	1585	1827	1841

U.S. ending stocks (mil bu)

	Average	Lo	Hi	Dec WASDE	LY
Corn	1621	1392	2042	1702	1995
Soy	136	100	206	175	523
Wheat	857	837	900	862	1028

World ending stocks (MMT)

	Average	Lo	Hi	Dec WASDE	LY
Corn	283.5	269	288	289	303.4
Soy	82.6	75	85	85.6	95.5
Wheat	315.6	310	318.4	316.5	300.6

U.S. winter wheat seeding (mil acre)

	Average	Lo	Hi	LY
All winter	31.528	32.5	30.395	30.415
HRW	22.14	22.9	21.352	21.362
SRW	5.884	5.441	6.26	5.564
White	3.514	3.4	3.7	3.489

South American production (MMT)

	Average	Lo	Hi	Dec	LY
Brazil					
Corn	107.6	102	110	110	102
Soy	130.8	123	133	133	126
Argentina					
Corn	47.4	45	49.2	49	51
Soy	48.5	46	50.5	50	48.8

CoT report – week ending 5 January – managed fund long of the main 5 ag contracts – new record high as of 5 January

	Producer/Merchant		Swap Dealers		Managed Money			
	Net Position	Weekly Change	Net Position	Weekly Change	Net Position	Weekly Change	Record Long	Record Short
GRAINS								
Corn	-761,554	-46,522	247,894	8,104	349,888	17,843	429,189	-322,215
Wheat	-106,822	-13,589	80,670	2,381	25,210	11,850	80,827	-162,327
Soybeans	-313,963	22,284	79,647	-13,018	175,827	-20,680	253,889	-168,835
KC Wheat	-99,476	-760	42,916	2,002	-54,457	-1,103	73,111	-58,866
MN Wheat	-20,524	-5,019	3,192	-55	7,748	3,815	18,610	-25,401
Soybean Oil	-242,770	-209	85,863	-2,513	112,617	-72	126,543	-109,950
Soybean Meal	-200,507	7,899	68,158	-1,568	84,594	-4,893	133,549	-77,112
Canola	-51,697	5,589	369	305	53,278	-2,937	62,046	-74,195

- **Corn – continue on the buy side** – funds bot 17.8K (+66.3K LW, -19.3K 2W, -1K 3W, -17K 4W) with a long = +349.9K (+332K LW, +250.3K 2W, +269.6K 3W, +270.6K 4W). Record long = 429.2K. Open interest +135.5K to = 2,379,202 Commercial short = 761.1K (-714.4K LW) – up 46.6K
- **Soybeans – on the sell side** sold 20.7K (+7.1K LW, +4.6K 2W, -9K 3W, -9.1K 4W) – this was the surprise in this week's CoT report. The position now 175.8K (+196.5K LW, +190.2K 2W). Record long = 253.9K. Open interest was up 64.9K = 1282647 contracts
- **Soymeal – minor selling** funds sold 4.9K (+6.1K LW, +14.6K 2W, -7.7K 3W, -749 contracts 4W) –for a net long = 84.6K (+89.5K LW, +77.2K 2W, +62.6K 3W, +70.4K 4W). Record long = 133.5K. Open interest was up 5.6K = 486,734 contracts.
- **Soy oil – minor selling of 72 contracts** (+11.7K LW, +8.7K 2W, -15.7K 3W, -626 contracts 4W) = 112.9K (+113K LW, +97.7K 2W, +89K 3W, +104.7K 4W). Record fund length = 126.5K. Open interest was up 14K to = 571,571
- **Chicago wheat – buy side** – funds bot 11.9K (+7.1K LW, +12.4K 2W, -1.3K 3W, -19.7K 4W) to add to a long = 25.2K (+13.4K LW, +6.7K 2W, -5.7K 3W, -4.4K 4W). Record fund long = 80.8K. Short = -162.3K. Open interest was up 45.2K = 522,434 contracts
- **Kansas wheat – minor selling** – sold 1.1K (+4K LW, +7.8K 2W, +268 contracts 3W, -3.9K 4W) for a net long = +54.5K (+55.6K LW, +52.6K 2W, +44.8K 3W, +44.5K 4W). Record long = 73.1K. Short = -58.9K. Open interest +6.8K to = 238K
- **Minneapolis wheat – buy side** – funds bot 3.8K (+1.5K LW, +851 contracts 2W, -2.2K 3W, -1.1K 4W) = +7.7K (+3.9K LW, +3.4K 2W, +2.5K 3W, +4.8K 4W). Record long = 18.6K. Record short = -25.4K. Open interest +6.3K = 82.3K contracts

Baltic index – increased 11% to 1,448

SOYBEANS

On the week – SH up 63.75¢ (+46.5¢ LW, +40.5¢ 2W, +59.5¢ 3W, -2.5¢ 4W). SMH up \$10.20 (+\$15.30 LW, +8.80 2W, +25.20 3W, -\$10.80 4W). BOH up 119 points (+127 points LW, +146 points 2W, +183 points 3W, -17 points 4W). Market continues with its relentless bid and v. wide trade ranges / volatility to start CY2021. Since August – the market has gone from 865 to now +1374.75 (pretty much in the course of just over 4 months). Now all eyes are on Tuesday's U.S. ending stocks number and the general world soybean balance sheet. It's an absolute crapshoot – but clearly the market is leaning / continues to lean v. heavily to one side.

- For CY2020, SH20 started = 956.25 (2 January). Expired = 846.75
- CY2021 starts the week with a ton of volatility, mass price / trade ranges and new highs in soybeans and soy oil while SM continues to fail vs that 445-440 zone
- Brazil farmer selling – estimated at 58% (Safras) vs 38.6% on average and 43% LY. Based on 130MMT – implied 75.4MMT has been sold – impressive! The focus will now be what the yields are for the 2020-21 crop + more selling / hedging of next year's crop given record prices for the Brazilian farmer.
- CONAB will be out Tuesday AM with its latest take on the Brazil soy + corn crops
- U.S. estimates for Jan WASDE - average yield = 50.5 bu / acre (50.7 bu / acre previous). Production = 4158 mil bu (4170 mil bu previous). Ending stocks = 139 mil bu (105 - 166 mil bu range) vs 175 mil bu in December. No change to view: a moot point in Brazil soy production holds closer to 129-130MMT than not and Argentina has an average crop (as plenty of 2019-2020 soybeans that can still be crushed as demanded by world SM and BO importers)
- USDA January reports out on Tuesday – will be curious on what happens with the final U.S. soy production number. Wouldn't be surprised to see actually a larger U.S. soy crop in this report. South America will be fine-tuned. Maybe a 1-2MMT cut overall or 1-2 day reduction to the world's soy supply cushion
- Board crush smashed to start the CY and made new lows this past week. Note last time – the U.S. ending stocks was "this small" – board crush went to zero / negative. So yah – there's that.
- Cash market in Brazil talked up to about 10-12MMT of cash length looking for homes with the front

months breaking down this week (a minor bounce in premiums late last week with China back to buy +10 cargoes of Brazil March-May biz)

- If South America production – led by Brazil – is even average, the world will continue to move nicely forward and it will be up to the U.S. to figure out the U.S. balance sheet (just like it was up to Brazil to sort out its past few months and had little impact on the world cash markets)
- Brazil December soy exports = 274KMT (1.47MMT Nov, 3.27MMT December) – lowest monthly total since November 2014
- China U.S. soy ownership – feature has been more cancellations of nearby shipment and what we saw late this week, was some replacement of that ownership for August 2021 shipment (USDA flashed
- Argentina back online at the ports. Farmers will do a “don’t sell anything” strike 11-13 January
- Inverse hits new highs SN21 forward to close out the CY (nears -200 for SX21-SN21 and failed vs that -100 SU21-SQ21 inverse this past week)
- U.S. soy export sales hit a MY low for the week ending 31 December
- U.S. soy product export sales - nothing to write home about. Soy oil is now 39.3% complete and up 14.7% vs LY. While soymeal sales show no life / confirmation of any swing biz coming to the U.S. on the back of the Argentine strike. SM bookings now 47% complete
- New crop U.S. biz – China the principal bid with 2021-2022 sales = 381KMT with unknown = 452KMT (majority being China). Total = 891.6KMT
- China domestic spot SM sales start the year off strong – much to the relief of crushers
- China crushers focused on Brazil ownership and slowly starting to pick up a few new crop U.S. cargoes – again: buying job of China crushers is 2MMT / week (give / take) – but use as rule of thumb to keep the sales in perspective given the massive buying job of the world’s largest soybean importer
- China December soy imports – estimated = 9.5MMT. January imports = 7-7.5MMT
- Longer-term (as in next year) – with record corn & soy prices for Brazil farmers, more pasture land is being converted in greater Dourados area. *“Brazil has 450 mil acres of pasture it could be transformed in farmland easily.”*
- U.S. 2021-2022 soy plantings – should be at least 6-7 mil acres larger vs this year

- **Question: world soybean export trade:** if China owns about 36.5MMT of U.S. soybeans (combined known = 32.8MMT + portion of unknown = 5.15MMT) as of 31 December (record program = 36.1MMT in 2016-17) – not only is this double the ENTIRE MY2019-2020 import program (16.4MMT) – but it sets up a very serious question: if there is NO GROWTH forecast for the ROW soybean imports + China imports only increase 1.5MMT vs last year + Brazil’s exports cut 7MMT vs LY + Brazil’s crop is even close to 129MMT – just how long will Brazil’s export tail be? Not only that – but look at U.S. prevent plantings: as of now = 10.2 mil acres (19.6 mil acres LY) vs 1.6 mil acres in 2018. All crops planted area = 255.6 million acres – up 7.6 mil acres vs last year – but still down 8.4 mil acres vs 2018. KEY POINT – the U.S. has more land to be put into production for 2021-22 (as does Brazil at record soy + corn prices). Likewise, what does domestic demand look like for those countries that had benefited from China meat import demand as it gets ever closer to rebuilding its swine herd.
- **World soy supply cushion** = 84.5 days (98.3 days) - down 13.8 days. Daily consumption = 1.01MMT vs 971.5KMT / day. China soy imports = 100MMT (+1.5MMT vs LY). ROW imports are forecast to contract -585KMT vs LY
- **Oil share** – 33.15% (March) – sitting about mid-range. Palm oil the driver for all edible oils. U.S. soy oil stocks will likely rise in the January WASDE. Continues to be a very stable storage tank / ending stocks over the past 4-5 years



- **Board crush** – inverse in board crush steepens. New lows for May board crush forward. BEWARE!

Month	8 Jan	31 Dec	24 Dec	18 Dec	7 Dec	4 Dec
Mar	71.86	100	99	104	91.7	99
May	62.93	81.45	85.6	90.4	88	91.35
July	66.06	75.74				

March board crush = 71.86 (100 LW) (Peak = 116.58)

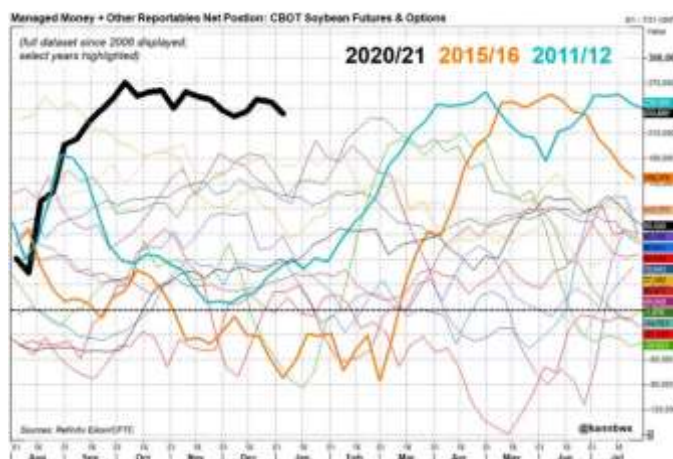


May board crush – new lows = 62.93 (81.45 LW)



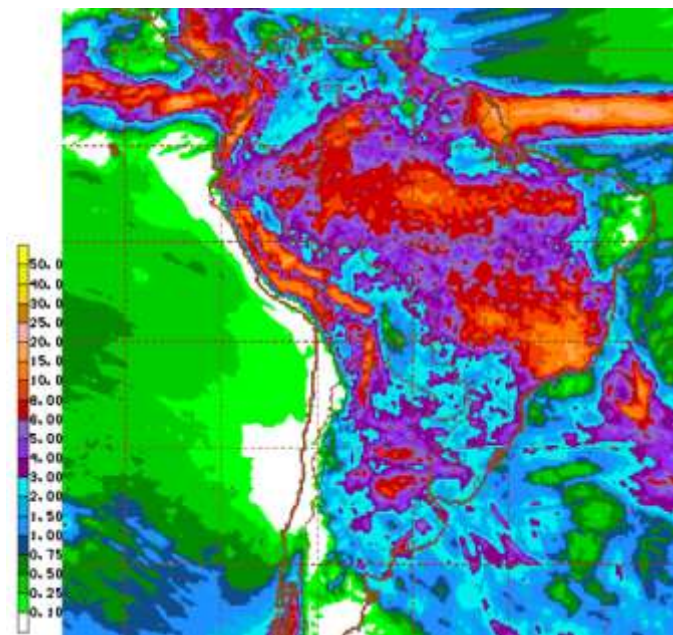
- **BOTTOM-LINE: THE MATH QUESTION:** China U.S. ownership estimated = 36.2MMT (vs 16.3MMT in all of 2019-2020. Record = 36.1MMT). China shifted 20MMT of its demand to U.S. vs LY. (2) China soy imports +1.5MMT vs LY (3) 20MMT more by the U.S. to China less 1.5MMT of import growth = 18.5MMT (4) ROW imports down 585KMT (5) Brazil exports down 7MMT = (6) still “missing” ~11MMT with that increase by the U.S. to China – points toward a VERY long export tail ex-Brazil if its production remains on track for a 133MMT crop
- **Soybean fund position** – this was the surprise in Friday afternoon’s report with funds on the sell side in decent volume of 20.7K to take that long = 175.8K. Fund position in soybeans continues to baffle the bean counters – as it again way overestimates the fund position in soybeans as that segment of the

market continues to take profits. Of note – is the fund position is at record long levels for this time of the year.



WATCH FACTORS

- **February outlook for South America:** looking normal for Argentina, Uruguay, Paraguay and southern Brazil. Odds favor drier than normal central & NE Brazil. This as La Nina quickly shifts to neutral ENSO
- **Argentina has rains up to 3-6” dialed in mid-January**



- **1 Dec quarterly stocks** = 2920 mil bu (3252 mil bu on 1 December 2019)
- **Average U.S. soy production estimate** = 4158 mil bu vs 4170 mil bu as the latest

- **Average U.S. ending stocks** = 140 mil bu (3.8MMT) vs 175 mil bu (4.76MMT) in December
- **Average world ending stocks** = 82.7MMT vs 85.6MMT in December
- **Average Argentina soy production** = 48.4MMT vs 50MMT previous
- **Average Brazil soy production** = 131.4MMT vs 133MMT previous
- **U.S. soybean export sales** – shift will start from old crop sales to new crop sales as confidence grows in Brazil's production prospects (and with it, more & more farmer selling – not only for remainder of 2021 ownership but more & more 2022 biz)
- **U.S. crushers** - majority of soy plants dropped soybean basis on Monday. Ownership estimated - eastern thru mid-February and western crushers have ownership thru 5-10 February. Board crush hit hard. Board crush margins during the last U.S. "tight" ending stocks - went to nearly zero and negative in some cases. Duly noted. Commercial conundrum - you have short hedges on, the board is rallying and premiums are defensive / weakening. Good times, good times.
- **U.S. November monthly crush** = 191 mil bu (6.37 mil bu / day) – lower than expected and at the lower end of the trade range. A new record. Sept-Nov (Q1) = 559 mil bu – up 6.6% vs 524 mil bu. Dec-Aug crush will need to be = 1636 mil bu (1640 mil bu done Dec-Aug LY). Next look at U.S. crush for December will be out on 15 January with the latest NOPA report
- **China known U.S. soybean ownership** = 32.79MMT vs 11.17MMT LY – up 21.6MMT (+21.3MMT LW, 20.86MMT 2W, +21.6MMT 3W, 20.5MMT 4W) or (86.4% of this year's gains vs LY)
- **World (w/out China) soy import demand (ROW)** is forecast to decline 585KMT vs LY and China growth is now "only" 1.5MMT (100MMT vs 98.5MMT) → so if ROW is not increasing soy imports this year and China has bought more than double it did all of last year – who is out there to buy the Brazil soy crop Q2 forward?
- **U.S. soy export summary** - exceeded "need" export pace - now +76.2% vs LY and are 64.2% complete. Reminder Sept-Jan exports typically account for 60-68% of the U.S. export program (35.9-40.7MMT). So with 1 month left for that period - exports now = 38.45MMT
- **U.S. soy exports (details)** = 1.3MMT (2.2MMT LW) - this week LY = 1.04MMT. China = 817.6KMT (60.8%). Gulf = 934.4KMT (71.9%). PNW = 249.9KMT (19.2%). Interior = 108.2KMT (8.3%). **MYTD = 38.45MMT (36.48MMT LW, 34.7MMT 2W, 32.08MMT 3W, 29.42MMT 4W) vs 21.82MMT LY – up 76.2% (+75.4% LW, +75.3% 2W, +71.6% 3W, +69.3% 4W)**. USDA forecasts 2020-21 exports = 59.87MMT vs 45.62MMT LY – up 31.2% (64.2% complete)
- **U.S. weekly "need" export pace** = 558KMT / week to hit USDA's current forecast
- **U.S. soybean export sales** = 37KMT. China had cancellations of 346.8KMT. New crop = 79.8KMT (China). Exports = 1.86MMT
- **U.S. weekly "need" sales pace** = 6 mil bu / 163KMT to hit USDA's forecast. Soybean needs to average = 162KMT / week.
- **U.S. soy export bookings (details)** = 54.77MMT vs 29.77MMT LY- **up 25MMT (25.43MMT LW, 25.1MMT 2W, 25.4MMT 3W, 25.9MMT 4W)** (USDA forecast exports = 57.83MMT / 94.7% complete)
 1. China = 32.79MMT vs 11.17MMT LY – up 21.6MMT (+21.3MMT LW, 20.86MMT 2W, +21.6MMT 3W, 20.5MMT 4W) or (86.4% of this year's gains vs LY)
 2. Unknown = 5.15MMT vs 2.75MMT LY – up 2.4MMT (+3.1MMT LW, 3.47MMT 2W, 3.96MMT 3W, 4.96MMT 4W) (9.4% of this year's gains vs LY)
 3. Europe = 2.72MMT vs 2.88MMT LY – down 5.5% or 160KMT (-6.3% or 170KMT LW, -6.5% or 170KMT 2W, -9.9% or 230KMT 3W)
 4. Mexico = 3.43MMT vs 2.85MMT LY – up 20% or 580KMT (+20% or 570KMT LW, +19% 2W, +21% 3W)
- **Argentina** – soy plantings there basically wrapped up (94% complete late last week). BAGE called the crop

27% good-excellent (42% LW). 56% fair (51% LW). Very poor-poor @ 17% (7% LW).

- **Argentine farmer selling:** Farmer selling for soybeans - for the 2019-2020 crop - estimated at 66% (48.8MMT crop or 32MMT of that sold) with new crop (plantings just wrapped up) at a mere 5% vs 17% this time LY.
- **China soy complex snapshot** - soy meal pricing continues to be the improved demand feature to start CY2021 for the soy complex with much of it deferred (+450KMT). SM stocks remain robust at 850KMT – up 50% vs this time LY. China Yuan back to 2-year highs vs USD - as it crossed the 6.5 Rmb:USD for the first time since June 2018 (graph below). Weekly crush = 1.71MMT - lower than expected and lower than the same week LY = 1.88MMT. COVID concerns remain / growing on more reported cases. Lunar New Year 11-17 February. In-port soy stocks remain +8MMT. Crush margins - look much better for Brazil origination vs U.S. origination (by \$20-30/MT spread March forward). March margins at +40/MT has private crushers back in the market this week for Brazil ownership. 2-4 cargoes of new crop PNW biz as China starts to build its book there with Sino the buyer (for reserves).
- **Brazil snapshot** - ongoing weakness of Real vs USD (Brazilian farmer - muito obrigado!!) - that's the real story here when discussing the USD / global ag production revolution-evolution - it's not necessarily its (USD) outright performance. Rather, it's the price relationship vs the Real (soybeans, S products, corn) or Ruble-USD (wheat). Rains continue to grace both Brazil and Argentina. Soy basis - showed a modest recovery-bounce of +5-10 on Thursday. Some of the weaker board - and then there's been the China biz that's been done this week. Soy meal steady. Soy oil - not much going on but the bid / offer spread is narrowing. Rains continue to be hit / miss across the majority of the growing region and will continue into mid-January. Better rain than what we saw in the U.S. during August. Call the market average on production right around 130MMT for the 2021-2022. CONAB out on Tuesday AM with its latest. With these numbers - it becomes a bigger crap shoot / question whether USDA changes its 133MMT production forecast in the Jan reports next week. Export line-up: soybeans = 1.04MMT (nothing loaded). Soy meal = 753KMT (183KMT loaded)

- **Brazil Real-USD** – Real weakened vs USD to start the new CY



Europe oilseed imports – 1 July – 31 December

Type	Imports	Y/Y	MYTD 2019	MYTD 2018
Soy	7385.5	+7%	6905.6	7259.9
Rapeseed	3534	-6%	3775.7	2383.2
Sun	635.2	+50%	422.3	269.2

- U.S. soy = 3.02MMT (40.8% total)
- Brazil soy = 2.87MMT (38.9% total)
- Canada = 1.08MMT (14.7% total)
- Ukraine = 164.8KMT (2.2% total)
- Serbia = 87.3KMT (1.2% total)

SU21-SQ21 = -93.75 (-97.75 LW, -90 2W, -64.5 3W)

(-881.9% of FC). Will want to see the dramatic shift from U.S. soy export origination to Brazil / others in SOAM. Brazil farmer very well sold. And again – a lot of this biz (export) has been sold (premiums to soybean importers). Remember: Brazil crush = 45.5MMT. That's it.



SX21-SN21 = -196.25 (-185.75 LW, -174 2W, -138 3W)

Full carry -479%.

MA 50d = -127.50. 100d = -86.5. 200d = -47



Daily SH21 chart = 1374.75 (1311 LW, 1264.50 2W)

MA: 50d = 1187.25 100d = 1094.25 200d = 981

SH20 started the year = 956.20. Expired = 846.75



Daily price chart – soybeans



Weekly price chart – soybeans



Monthly price chart – soybeans



SOYMEAL – SMH21 up \$10.20 (+\$15.30 LW, +8.80 2W, \$25.20 3W, -\$5.20 4W) on the week

- Fund length as of 5 January – light selling as soy meal made new highs yet again this week (although much of the price action was focused on soybeans and soy oil – while crush made new lows / smashed to start the CY). Fund long = 84.6K (-4.9K vs LW). Commercial short in soy meal = -200.6K (down 7.7K)
- Europe SM imports continue to be a laggard – down 7% (vs forecast of +2.5%) – with the improved crush margins, soybean imports have been on the rise. This has allowed Europe to get to the start of new crop ex-Brazil and pick up some more Brazil SM. Likewise, COVID + ASF has hit. China's pig herd / pork production recovery also hitting import demand for European pork
- Europe bird flu - reportedly France culled 600,000 birds due to the disease
- U.S. soy meal export biz – no confirmation of switches / demand shifts to U.S. in any large scale vs South American origination
- Weekly “need” sales pace = 162KMT
- New crop soy meal premiums in SOAM are on the defensive

- U.S. spot hog profitability has gone from \$15/head in mid-Oct to nearly -\$40/head currently. Problematic.
- China has SM stocks +50% vs this time LY – am sure there will be some made available into export grid... esp. as board crush continues to make new lows

Europe protein meal imports – 1 July – 31 Dec

Type	Imports	Y/Y	MYTD 2019	MYTD 2018
Soymeal	9084.8	-7%	9741.1	8931.6
Rapeseed	211.8	+7%	198.5	295
Sun	1224.8	-14%	1430.7	1358

- Brazil SM = 3.99MMT (43.9% total)
- Argentina SM = 3.78MMT (41.6% total)
- Paraguay SM = 424.1KMT (4.7% total)
- U.S. SM = 165KMT (1.8% total)
- Russia SM = 159KMT (1.8%)

No change to view: Look for inverse to continue to narrow and ultimately move to a carry in the months ahead – especially with record soy production + record farmer sales in Brazil. This combined with reduced import demand coming from China as its swine herd rebuilds, will bring more SM supplies for export ex-the world's 2nd largest exporter

Synopsis: Growing demand questions that are not finding answers. European SM imports still down 7% vs LY vs USDA forecast of +2.5%. Brazil remains the principal supplier there followed by Argentina. Both those countries continue to capture a fair amount of the biz that is out there for new crop. Brazil SM program for old crop has actually been much bigger / better than anticipated given what was perceived as a shortage of soybeans. Suggests the market has underestimated the 2019-2020 Brazil soy crop. And now a record crop will be hitting the pipeline in the days and weeks ahead. China has some soymeal the export grid as does India. U.S. domestic demand remains its driver with FOB markets trying to take advantage of the Argentina strike but finding very little business. All in all – with as much “chatter” about soymeal tightness – there really hasn't been much / if any swing biz come to the U.S.

U.S. soymeal export sales = 124.1KMT. No "rumored" biz has been confirmed or any major shift to U.S. soymeal. Exports = 280KMT

U.S. soymeal export bookings = 5.95MMT vs 5.61MMT – **up 6% or 340KMT (+5.2% or 290KMT LW, +5.6% or 310KMT 2W)**. USDA forecasts exports = 12.7MMT – basically flat vs LY (46.9% complete). Europe has 305.9KMT on the books (116.5KMT o/s) vs 74.3KMT LY (231.6KMT) while unknown = 246KMT vs 52.2KMT LY (+193.8KMT). These 2 buyers account for all the gains (plus some) in U.S. export biz MYTD vs LY

Soymeal curve: SMN-SMQ or SMQ-SMU portion of the curve really sticks out now -> especially if Argentina has an average crop and Brazil is back in the world SM and BO export grid (due to slower / not as robust soybean exports with USDA export forecast -7MMT vs LY). China SM pricing were light all thru December (a lot of that biz has already been priced – and a good portion has been done for Jan-May vs the biz Brazil soy export book that has already been executed (occurred Apr-June during the first “round” of COVID concerns / would there be logistical issues in Brazil / food supply threatened / etc)

Daily SMH21 = 439.60 (429.40 LW, 414.10 2W)

MA: 50d = 393.70 100d = 363.20 200d = 329.20

SMH20 started CY2020 = 305.60. Expired = 295.90



SMK21 / SMH21 = -3.80 (-6 LW, -3.30 2W, -2.70 3W)



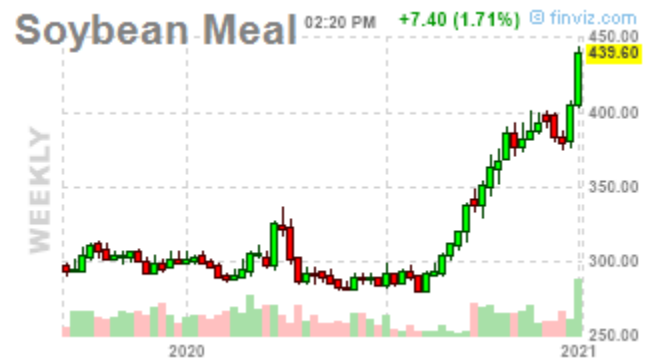
SMU21/SMQ21 = -20.60 (-21 LW, -21.40 2W, -15.40 3W)



Daily price chart – soymeal



Weekly price chart – soymeal



Monthly price chart – soymeal



SOYOIL – BOH up 127 points (+146 points LW, +183 points 2W, -17 points 3W, -2 points 4W).

Malaysia palm oil stocks / balance sheet – out on 11 January (next Monday) with Dec stocks estimated = 1.22MMT vs 1.57MMT November – and down over 50% vs end December = 2.26MMT last year. If / as realized – would be the smallest ending stocks number since June 2007. Production estimated = 1.33MMT with exports estimated = 1.5MMT. Malaysia to push back / delay the nationwide rollout of B20 to early 2022 sighting economic concerns / need to recover from COVID

Indonesia biodiesel – given decade high prices for palm oil, GAPKI will now ask the government to reformulate the biodiesel blending rates or revise the export tax levy if palm oil prices remain “up here”

U.S. soy oil stocks November report = 2118 mil lbs – well above the average estimates. Oil yield = 11.55 lbs / bu (11.45 lbs / bu Nov 2019). Oct-Nov average now = 11.58 vs 11.47 LY. Stocks came in above even the upper end of estimates. The 2118 mil lbs (vs 1880 mil lbs Nov 2019) – is now the highest in 8 years for the month.

U.S. biodiesel production (October) = 160 mil gallons (159 mil gallons Sept, 144 mil gallons Oct 2019). Soy oil use = 723 mil lbs (737 mil lbs Sept, 558 mil lbs Oct 2019). It accounted for 62% of all feedstock used to produce biodiesel (61% Sept, 51% Oct 2019). CY2020 YTD = 1508 mil gallons (1465 mil gallons CYTD 2019) – up 43 mil lbs or 2.9%

Europe edible oil imports – 1 July – 31 Dec

Type	Imports	Y/Y	MYTD 2019	MYTD 2018
Soy	272	+1%	268.8	222.4
Rapeseed	149.7	-11%	167.9	167.3
Sun	876.5	-16%	1047.8	655.2
Palm	3015.9	+10%	2746.2	3443.2

BOH21 = 4359 (4240 LW, 4113 2W, 3967 3W)

MA: 50d = 3813 100d = 3571 200d = 3237



U.S. soy oil export sales = 3.5KMT. Exports = 11.1KMT

U.S. soy oil export sales bookings = 491.2KMT vs 428.3KMT LY – **up 14.7% (+14.5% LW, -1% 2W, +4% 3W, +10% 4W)**. USDA forecasts exports = 1.25MMT – down 3.1% vs LY (39.3% complete)

BOZ21-BON21 spread – continues of interest as the inverse sits towards the lower end of its inverse. Once the market has a handle on Argentina's crop / palm oil price flows – would look for the inverse to come under pressure as the most bullish scenario for the edible oils is Q1 CY2021 (again – eerily similar to last year... with COVID economy still a headwind)

BO21-BON21 = -261 (-201 LW, -215 2W, -148 3W)

MA: 50d = -170 100d = -119. 200d = -50



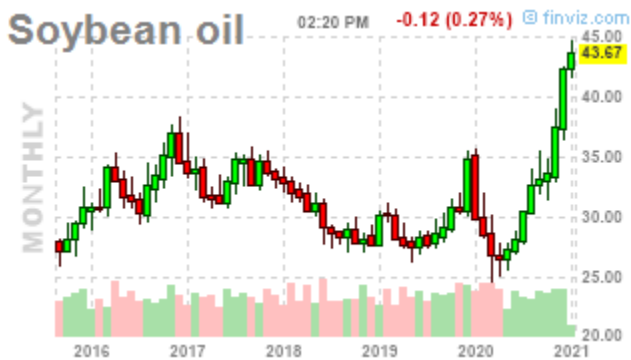
Daily price chart – soy oil



Weekly price chart – soy oil



Monthly price chart – soy oil



WHEAT – WH closed down 1.75¢ (+13.5¢ LW, +18.75¢ 2W, -6.25¢ 3W, +39¢ 4W) on the week and KWH down 8.75¢ (+14.5¢ LW, +19.75¢ 2W, -12¢ 3W, +38.5¢ 4W).

WATCH FACTORS

- **Looking back at the start of CY2020** – WH started the year = 560.25 and WH20 expired = 514.75. KWH started 486 and closed 431.25. The KWH20-WH20 spread started 2020 at -75¢ (Chicago prem to KW) and expired = -83.5.
- **USDA January reports** – the world wheat balance sheet will simply be fine-tuned. Again – it is in supply-build mode overall and Australia will be more than happy to take any and all export biz from Russia / Black Sea as exports will be limited / constrained mid-February thru remainder MY 2020-21. Europe's wheat exports might actually end up higher than forecast, with its MYTD exports (1 July – 31 December) only down 15% (vs -18% in the last report). Argentina production + exports will be cut a bit. But again, nothing major. The U.S. balance sheet – no major changes expected. Will view the U.S. 1 Dec quarterly stocks with interest – as it relates to the feed number for the U.S. – but all in all, we are still looking at a STU of +40%.
- **Average U.S. estimates for the Jan WASDE** = 859 mil bu (837 - 900 mil bu) vs 862 mil bu LY.
- **World wheat stocks estimates:** 315.4MMT average (310 - 318.4MMT range) vs 316.5MMT in December
- **Bottom-line for wheat** – needs to price itself as a feed and any & all food demand-reserve building for remainder of MY2020-21
- **World wheat supply cushion** builds 3.2 days = 91.5 days (88.3 days LY). More upside to Australian production and exports. Daily wheat consumption (w/out China) = 1.69MMT / day. U.S. will store 15.1% of the world (w/out China) wheat reserves and its own STU at just over 40%
- **Fund position** – as of 5 January, fund money poured back into Chicago with minor buying in Minneapolis and light selling in KW. Funds are +25.2K long in Chicago. +54.5K in Kansas and +7.7K long in MW
- **Black Sea wheat values** – inverse slowly breaks down. March closed the week @ 273.50 – 274.50 (273.25). July @ 239-240 (239)
- **Argentina wheat harvest** – call it all but wrapped up with BAGE production = 17MMT on better than expected yields to close out this year's campaign
- **Ukraine wheat exports** = 12.5MMT or 71.4% of the implied 17.5MMT wheat export quota for this year (ends 30 June vs USDA ending 31 May)
- **Ukraine winter wheat ratings** – Ukraine Economy Minister rates 90% in good-satisfactory condition. Winter wheat area = 6.1 mil ha / 15.1 mil acres
- **EU wheat export MYTD** = 12.86MMT – down 15% (-18% LW) (15.1MMT LYTD)
 - Algeria = 2.58MMT (20.1%)
 - China = 1.52MMT (11.8%)
 - Saudi Arabia = 1.39MMT (10.8%)
 - Nigeria = 968.8KMT (7.5%)
 - Morocco = 760.1KMT (+5.9%)
- **French December wheat exports** = 797KMT (877KMT November). China = 271.3KMT (34%). Algeria = 213.3KMT (26.8%). Pakistan = 66KMT (8.3%)
- **U.S. wheat export sales** = 275.3KMT. Taiwan (82.3KMT). China (55.4KMT). Exports = 418.7KMT
- **U.S. weekly "need" sales pace** = 11.1 mil bu / 302KMT to hit USDA's current forecast
- **U.S. wheat sales bookings (details)** = 20.84MMT (20.56MMT LW) vs 18.93MMT – **up 10% or 1.9MMT (+9.1% or 1.71MMT LW)** - export forecast = 26.81MMT vs 26.28MMT LY – up 2% vs LY (77.7%)

1. HRW = 7.12MMT (7.1MMT LW) vs 6.94MMT LY – up 2.6% or 180KMT (+2.7% or 190KMT LW)
2. SRW = 1.58MMT (1.57MMT LW) vs 2.1MMT LY – down 24.8% or 520KMT (-24.9% or 520KMT LW)
3. HRS = 5.98MMT (5.78MMT LW) vs 5.3MMT LY – up 12.8% or 680KMT (+9.3% or 490KMT LW)
4. SWW = 5.57MMT (5.52MMT LW) vs 3.78MMT LY – up 47.4% or 1.79MMT (+1.75MMT or 46.4% LW)
5. Durum = 589.7KMT (590.3KMT LW) vs 810.5KMT LY – down 220.8KMT or 27.2% (-200.1KMT or 25.3% LW)

- **China U.S. wheat ownership** = 2.39MMT vs 194.1KMT LY – up ~2.2MMT on the year (and accounts for all of this year's gains plus some of 1.9MMT as of 31 December). HRW = 1.13MMT (all exported – there are no o/s sales). SRW = 173.9KMT (all exported). HRS = 565.8KMT (177.4MT o/s sales). SWW = 521KMT (520KMT in o/s sales) vs 131.1KMT LY
- **U.S. export summary** – did not hit the weekly need pace and now down >1% vs LY (same as LW) and are 56% complete
- **U.S. weekly “need” export pace** = 505KMT / week
- **U.S. wheat export details** = 325KMT (407KMT) – this week LY = 420.7KMT. HRS = 74.6KMT (23%). HRW = 126.1KMT (38.8%). SRW = 12.6KMT (3.9%). SWW = 111.7KMT (34.3%). Gulf = 15.9KMT (4.8%). PNW = 280.7KMT (86.3%). Interior = 28.4KMT (8.7%). China = 126.4KMT (ex-PNW). **MYTD = 14.86MMT (14.43MMT LW, 14.13MMT 2W, 13.73MMT 3W, 13.47MMT 4W) vs 14.91MMT – down >1% (down >1% LW, down >1% 2W, +1% 3W, +3.1% 4W).** USDA forecast exports = 26.81 mil bu / 26.54MMT – up 1% vs 2019-2020. MY started 1 June (56% complete)
- **U.S. farmer selling** - Broad farmer selling following significant momentum in the futures market pressured Gulf and Pacific Northwest (PNW) export basis for nearby delivery
- **U.S. winter wheat weather (USW)** - moderate drought conditions were removed for southeast Oklahoma while a widespread area of Texas received

above normal precipitation, but the panhandle remained dry. Drought conditions remain largely unchanged for the Plains, but the southern U.S. and Midwest received as much as 200 percent of normal rain. Southeastern Kansas saw some improvement following heavy rain. Eastern North Dakota saw improvements to soil moisture while in the northwest severe drought conditions expanded. Growing regions in western states continued to be dry.

WH21 daily chart = 638.75 (640.50 LW, 627 2W)

MA: 50d = 608.25 100d = 591.50 200d = 563.50

WH20 started CY2020 = 560.25. Expired = 514.75



KWH21 daily chart = 594.75 (603.50 LW, 589 2W)

MA: 50d = 567.25 100d = 538.50 200d = 511.25

A look back: KWH20 went off the board = 431.25



Chicago-Kansas wheat – trading water after it slipped thru its 50d MA to start the year. Potential Argentina wheat export restrictions / ban viewed as supportive for remainder U.S. HRW MY2020-21 (next 5 months). WASDE U.S. wheat balance sheet continue to be friendly towards U.S HRW while SRW will remain at / near similar levels vs LY – and not viewed as competitive to the majority of world importers (SRW).

KWH21-WH21 = -44 (-37 LW, -38 2W, -39 3W)

MA: 50d = -40.75 100d = -53.25 200d = -52.50



CH-WH spread – within a hint of the 2020 high = 141.25 on 6 July. No change to views on this spread (favor corn vs wheat) – little change expected in the world + U.S. wheat balance sheets vs potentially significant changes for the U.S. corn balance sheet (smaller production) and world corn production (smaller Brazil + Argentina and possible a bit of a fine-tune for Ukraine, currently = 29.5MMT)

+CH / -WH = -142.5 (-156.5 LW, -176 2W, -170.75 3W)

MA: 50d = -173.50 100d = -182.50 200d = -183.75



CH-KWH spread = -98.50 (-119.50 LW, -138 2W)

MA 50d = 132.75 100d = 129.50 200d = 131.50



Board spreads – KW spread widened a touch to start the new CY. WK-WN inverse remains – needs to be monitored as don't see any reason for the W curves to be inverted given the current fundamental landscape. Bottom-line: futures market still not paying much to store anything (doesn't matter if it's wheat, corn, soy, soymeal or soy oil). Again – the spreads in KW really not paying much either with the K-N spread looking actually quite narrow (esp. if the northern hemisphere winter wheat plantings are as big as what is being discussed for Black Sea, Europe and the U.S.) – will keep my eye on that one for a more “low risk” (whatever that means in this environment) bear-spread (+KWN / -KWK)

KWN-KWK spread = 3.25 (1 LW, 1.5 2W, 2.25 3W)

(FC: 22.8%)



Daily price chart – wheat



Weekly price chart – wheat



Monthly price chart – wheat



CORN – CH up 12.25¢ (+33¢ LW, +13.75¢ 2W, +14¢ 3W, -13.25¢ 4W) on the week to start the new year. Working hard vs that 500 zone and has so far failed. Funds are uber-long and we now await the 12 January reports that will set the tone for the remainder of January. Argentina weather key on the supply side. Brazil *safrinha* will depend on soy harvest pace. New crop Ukraine trading this past week. U.S. export biz competitive thru May. New highs in the back end inverse

- CY2020 – CH20 started = 391.50 and expired = 370.75
- Average U.S. estimates for the Jan WASDE - average yield = 175.3 bu / acre (175.8 bu / acre). Production = 14470 mil bu (14507 mil bu). Ending stocks = 1599 mil bu (1400 - 1782 mil bu) vs 1702 mil bu in December
- World corn ending stocks estimates: 283.5MMT (269 - 288MMT) vs ~289MMT December
- Jan WASDE hot-takes: market looks for a 1-2 bu / acre cut to U.S. corn yield for the final U.S. corn production number. Implies production reduction = 82.5 - 165 mil bu (2.1 = 4.2MMT). World consumes 2.4MMT of corn every day (without China). So call it a loss of about 1 day to 2 days coming out of the U.S. balance sheet as it relates to the global (w/out China) landscape. Not sure if USDA does anything to its Brazil estimate with the *safrinha* crop being key there - and that's not in the ground yet. However, clearly there is risk to the downside with this. Same goes for Argentina - would look for a 2MMT cut to that. But again - that's about 1 day in the supply cushion.
- U.S. export sales – they were okay. No change to view – U.S. needs all and any biz that comes its way for Q1
- U.S. exports have not hit the weekly “need” export pace MYTD
- U.S. domestic demand a problem – ethanol margins stink as does livestock profitability U.S. feed demand is forecast to already contract 3.23MMT vs LY (feed accounts for 38.4% of use while ethanol is 34% -- while exports are a mere 17.9% of use... but they are the most visual demand component of the 3 engines).
- Fund long massive – as of 5 January = 349.9K (record = 429.2K)
- New highs in CU21-CN21 inverse. Inverse widens for CZ23-CZ21
- Argentina government could possibly reverse its export restrictions for Jan-Feb – this as values have been trending weaker there (both domestic and new crop premiums).
- Brazil Jan corn exports estimated = 2MMT (double Jan 2020).
- Argentina – market seems to be more in a 47-48MMT type range even as plantings are right on track vs last year and the 5-year average. USDA = 49MMT (-1MMT in the Dec WASDE). Long time between now and March-April as that harvest window is very wide for the country. On average – Argentina exports 70% of its production.

No change to my overall view on corn – I want to like it. I like it / own it versus wheat. That is clear. But by itself – I do think that the U.S. holding so much of the world (w/out China) corn stocks / supply cushion. So until there are more dangers to South American production) – it's hard to not accept the reality of the market and that is, that there is a ton of money that has made its way into the corn market vs demand headwinds that are glaringly apparent for the U.S. domestic balance sheet

Yearly corn spreads – this inverse becomes a more compelling argument to look to do a 2-year / 3-year swap for world corn importers. Especially if China is going to be in the world corn market in the years ahead. Likewise, I readily acknowledge that on paper, the world corn supply cushion is far-more compelling to bullish arguments than wheat or corn or any of the others.

- CZ21 = 440.50
- CZ22 = 407.25
- CZ23 = 409

CZ23-CZ21 spread = -31.5 (-30 LW, -24.75 2W, -20 3W)

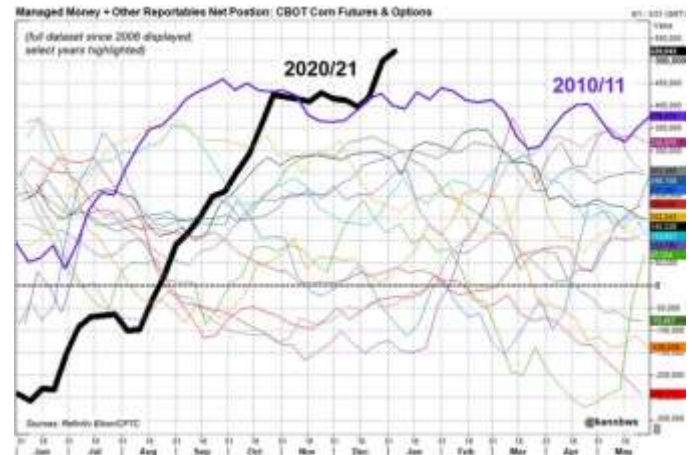


Reminder – the world w/out China – consumes 2.39MMT / day

U.S. ending stocks = 43.2MMT - holds 44.4% of the world's (w/out China) stocks (vs 43.2% in the Nov WASDE) - still at multi-year highs if one looks over the past 2 decades. Looking ahead to the January WASDE --> shows final corn production has been smaller than November for 6 of the past 7 years

World supply cushion = 41 days - loses 3 days vs LY - lowest level since 2010-11 (38.9 days). World consumption = 2.39MMT / day (2.34MMT / day LY). World feed demand cut another 800KMT in the Dec WASDE --> now +1.8% or 9.6MMT vs LY

Corn fund position – as of 5 January – a new record long for this time of the year with funds buying +17.8K to take that length = 349.9K (record = 429.2K).



CH21 daily chart = 496.25 (484 LW, 451 2W, 437.50 3W)

MA: 50d = 434.50 100d = 409 200d = 379.75

CH20 started CY2020 = 391.50. Expired = 370.75



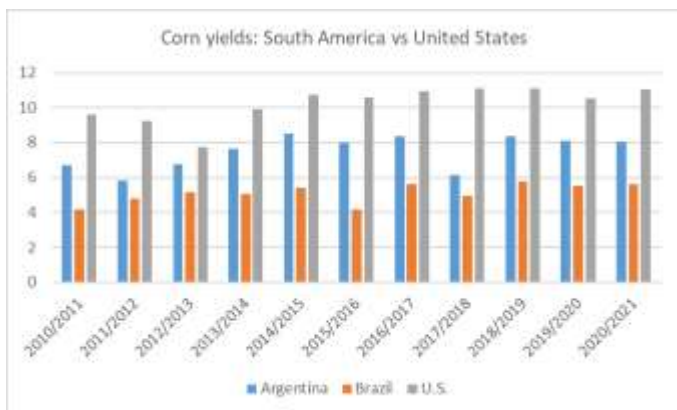
Spread: +CU21/-CN21 = -38.25 (-33.75 LW, -20.25 2W)

FC = -282.1%

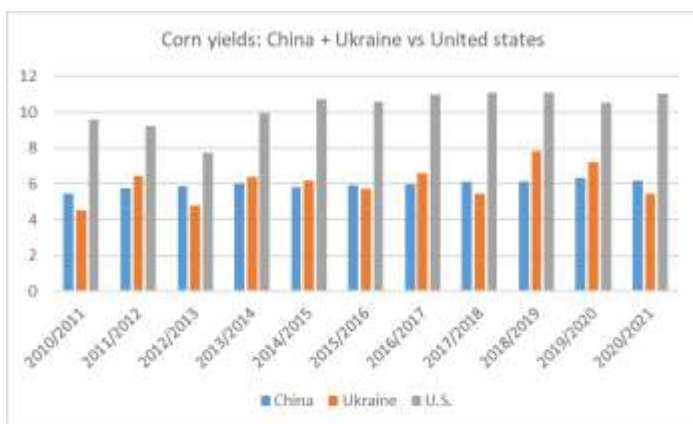


WATCH FACTORS

- **Argentina corn plantings** – 83.5% complete. Market mixed. No bids to speak of. Call it unchanged on the offer side with negotiations / conversations ongoing between the Fernandez Administration and the ag sector (export-led) on reopening export registrations
- **Argentina December corn exports** = 900KMT
- **Argentina corn farmer selling** - farmers strike against the Argentine government due to suspension of export licenses for Jan and Feb. 2019-20 corn sales = 76% of the crop - that would leave 24% that has not been sold. 2019-2020 crop = 51MMT (less a 2.9MMT forecasted ending stocks) - suggests that 11.5MMT of corn is sitting there with the domestic market sharply lower after the government's move. Looking at 2021-2022 sales (the crop that has been planted / planting being wrapped up) - that's estimated at a low 17% farmer sold. Big jump in new crop export registrations here to start the new CY -- fear of higher corn export taxes reportedly as the driver there.
- **Brazil corn export line-up** = 1.08MMT (893KMT loaded). CONAB production = 103.1MMT (+1MMT vs previous)
- **Brazil December corn exports** = 5MMT (4.89MMT Nov, 4.16MMT Dec 2019) – 2nd highest December total on record (6.26MMT December 2015)
- **China corn imports demand** – USDA at 16.5MMT. I remain content at 20MMT for MY2020-21 (ends 31 August). China has been buying new crop Ukraine + safrinha corn ex-Brazil (Sept - Dec) for the past few weeks (or at least seems the primary bid for both). When discussing China - think there are two things to keep in mind (1) the spread between wheat-corn prices - basically at parity, and (2) there is an off-ramp for China's government in its quest for food security, and that would be the ethanol segment / sector of its corn use. For 2020-21 - FSI is = 87MMT or 30.5% of domestic demand (this compares = 28.2MMT in 2000). Feed demand = 198.5MMT (92MMT in 2000) or 69.5% of domestic demand. Likewise, domestic Chinese corn prices aren't necessarily a "bad" thing as long as the government can thread the needle on food price inflation. Higher prices paid helps the rural economy and China's government is well aware of the challenges it faces in spurring more economic growth in those areas / number of persons. To be frank - China corn import demand has to come to some relief given (1) ethanol growth engine for the U.S. has now stalled out / contracting / mature industry and (2) world corn production + exports continue to expand -- and there is clear upside yield potential for the majority of corn producers if one compares to U.S. corn yields.
- **China corn port stocks** = 4.9MMT (2.3MMT LY) - big, big build continues
- **South American corn yields vs U.S. corn yields:** in 2019-2020, Brazil = 5.51MT / ha (orange). Argentina = 8.09MT / ha (blue). U.S. = 10.5MT / ha (+90.5% higher vs Brazil and 29.8% higher vs Argentina).
 - Brazil harvested area has been increasing nearly every year over the past decade (and is likely to continue). But even using the 19.5 mil ha for this year – let's say over the next 5-10 years, Brazil yields trend towards the U.S. Using 10MT / ha – that would be 4.5MT / ha higher yield or 87.75MMT in production gains w/out bringing more land into production.
 - Looking at Argentina – that land is largely steady at just over 6 mil ha. Of any of the major corn exporters – Argentina is the closest to the U.S. Using a 2MT / ha gain over the next 5-10 years, would translate into 12MMT more of corn production for the country. Graph next page.



- **Ukraine + China corn yields vs U.S. yields.** Same exercise as U.S. vs South America. Using 2020-21 corn yields given the finality (more / less) of these 3 countries for this year. Ukraine = 5.46MT / ha. China = 6.2MT/ha. United States = 11MMT / ha (so basically double that of Ukraine and +77.4% higher than China)



- China's harvested area in 2020 = 42 mil ha. So if you increase the yield by 1MT / ha = implies production increase of 42MMT (using technology and not adding / bringing more area into production)
- If Ukraine trends towards U.S. corn yields – let's say 10MT / ha over the next 5-10 years: implies 27MMT higher production (w/out bringing any more land into production)
- **U.S. corn export sales** = 748.9KMT (Japan and unknown). Exports = 1.03MMT
- **U.S. weekly "need" sales pace** = 25.7 mil bu / 653KMT to hit USDA's current forecast. Again - reminder: U.S. actual export pace has not hit the weekly "need" pace MYTD. This becomes the more

critical / vital element if the U.S. is to hit USDA's forecast

- **U.S. corn export bookings (details)** = 43.94MMT (43.2MMT LW, 42.23MMT 2W) vs 18.52MMT – **up 25.4MMT (24.85MMT LW, 24.4MMT 2W, 24.4MMT 3W)** vs LY (USDA forecast exports = 67.3MMT / 65.3% complete)
 1. China = 11.68MMT (11.59MMT LW, 11.56MMT 2W, 11.32MMT 3W) vs 59.8KMT LY – up 11.62MMT (11.53MMT LW) (accounts for 45.7% of the gains vs LY)
 2. Japan = 5.53MMT (5.35MMT LW) vs 2.86MMT LY – up 2.67MMT (2.55MMT LW) (12.5% of the gains)
 3. Mexico = 9.82MMT vs 8.94MMT LY – up 9.8% or 880KMT (+8.1% or 730KMT LW)
 4. Unknown = 7.59MMT vs 1.44MMT LY – up 6.15MMT (+6.1MMT LW, +5.84MMT 2W) (24.5% of the gains vs LY) – portion of this will be China directed
- **U.S. sorghum export bookings** = 5.09MMT vs 1.11MMT – up 3.98MMT vs LY. China = 4.16MMT 403KMT LY) and accounts for 94.4% of this year's gain MYTD
- **U.S. corn export summary** – broken record: has not hit the weekly "need" pace MYTD (4 months off MY). Exports are up 73.4% and are 22.2% complete
- **U.S. corn export details** = 912.8KMT (1.26MMT) – this week LY = 550.9KMT. Gulf = 557KMT (61%). PNW = 204.8KMT (22.4%). Interior = 114.3KMT (12.5%). China = 281.8KMT (30.9%). **MYTD = 14.91MMT (13.73MMT LW, 12.73MMT 2W, 11.93MMT 3W, 11.03MMT 4W) vs 8.6MMT LY – up 73.4% (+69.5% LW, +67.5% 2W, +64.8% 3W, +68.6% 4W).** USDA forecasts 2020-21 exports = 67.31MMT vs 45.17MMT LY – up 49% (22.2% complete)
- **U.S. weekly "need" export pace** = 1.42MMT / week
- **U.S DDG summary (USGC)** – CY2020 DDG exports = 10.12MMT – up 1% vs CY2019. U.S. DDGS values are up \$5/MT this week as production rates slow while domestic demand remains strong. Strong rallies in corn, soybean, and soymeal markets have offered outside support for DDGS values as well. Kansas City Soymeal prices are up \$6.50/MT this week at

\$487.50. The DDGS/soymeal ratio currently sits at 0.45, equal with the prior week and above the three-year average of 0.42. The DDGS/cash corn ratio is 117% this week, steady with the prior week and above the three-year average of 109 percent.

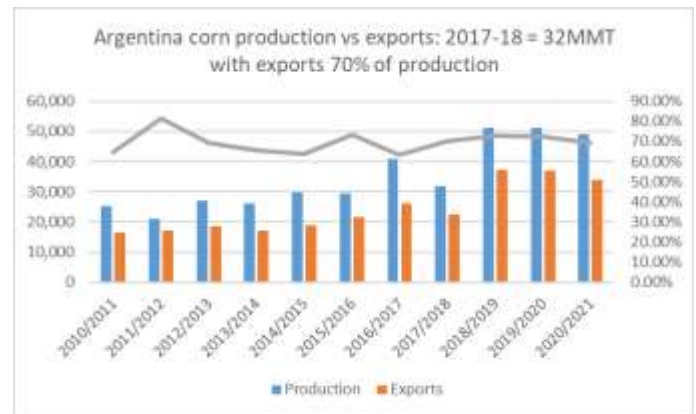
Brokers and merchandisers report that the DDGS export market has been “thin and illiquid” this week amid the CBOT rally and post-holiday trading lulls. Despite thin trade, offers are sharply higher following the broader commodity rally. Barge CIF NOLA rates are up \$23/MT for spot shipment while FOB Gulf offers are \$30/MT higher for January shipment at \$302/MT. U.S. rail rates are \$12/MT higher while 40-foot containers to southeast Asia are up \$7/MT at \$335 for January-March shipment.

- **U.S. ethanol production** = 935K bpd (934 mil LW) - down 12% vs same week LY. Below "need" daily grind (946K bpd) to hit USDA's corn use forecast = 5050 mil bu. More plants shutting down and margins v. poor. U.S. gas demand is light / weak (-8.5% vs same week LY, and is down 11.7% vs last year over the past month).
- **U.S. ethanol stock** = 978 mil gallons (987 mi LW) - first decline in 10 weeks but still holds a new record for this same week. Glug-glug-glug. Implied ethanol off-take is down 13.2% vs last year.
- **U.S. 2020 ethanol exports** = 1.23 mil gallons – down 9%

EU corn imports MYTD (1 July – 31 Dec) = 8.43MMT – down 24% vs 11.08MMT LY.

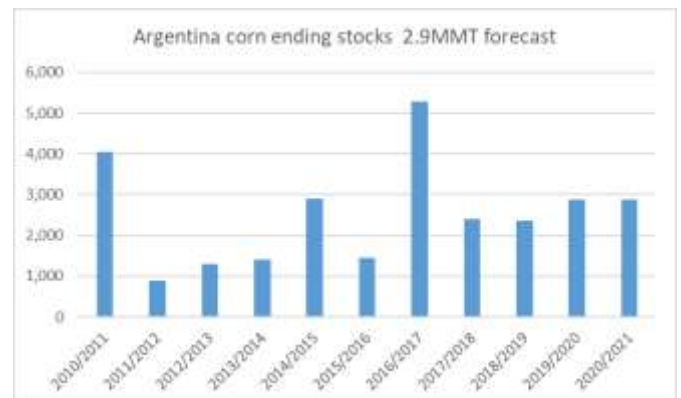
- Brazil = 4.36MMT (51.7%)
- Ukraine = 2.35MMT (28%)
- Serbia = 930.3KMT (11%)
- Canada = 328.5KMT (3.9%)
- Argentina = 224.2KMT (2.7%)

Argentina corn production in the last drought – was in 2017-18, when it produced 32MMT (vs 41MMT the previous year and 51MMT the following year, 2018-19). During that drought year, Argentina exported 70% of its production (chart 1).



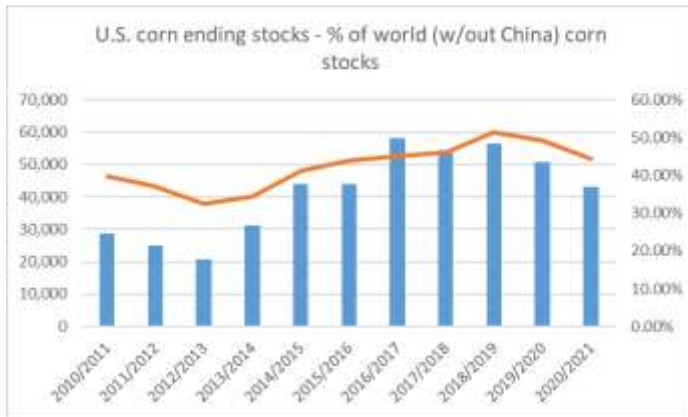
It is currently forecast to export 69.4% of its production. Domestic production this year is forecast = 15MMT (vs 12.4MMT in 2017-18). Argentina’s corn ending stocks have ranged 2 – 2.5MMT since 2017-18 (chart 2). Using the +2.6MMT increase in domestic demand and an ending stocks likely close to 1.5MMT (similar to 2015-16) vs 2.9MMT. Suggests about 1.2MMT in “swing” for the domestic balance sheet.

As such – I think a 69% export as a percent of production is reasonable for the Argentina 2020-21 corn balance sheet. Ergo – if production is closer to 47MMT vs 49MMT, exports are likely closer to 32.5MMT (34MMT currently) and on it goes.



Meanwhile, to double-check what was happening in the U.S. during the last Argentina drought (given its role in storing a large percent of non-China corn stocks for world corn importers + its own domestic market) – we find the following: in 2017-18, U.S. ending stocks = 54.4MMT or 46% of the world’s (w/out China) corn stocks vs this year’s current forecast = 43.2MMT (44.4%). So on a percent basis – the U.S. role in 2020-21 is v. similar to 2017-18. It also goes w/ out saying that China’s U.S. corn import demand of +11MMT vs nil in 2017-18 has also altered U.S. and world corn ending stocks (+16.5MMT in

total per USDA, and 20MMT import program per me from various buyers including U.S., Ukraine and Brazil)



Daily corn price chart



Weekly corn + ethanol + RBOB price charts



Disclosure: Past performance is not necessarily indicative of future performance. Trade recommendations and profit/loss calculations may not include commissions and fees. Please consult your broker for details based on your trading arrangement and commission setup. The risk of loss in trading futures contracts or commodity options can be substantial, and therefore investors should understand the risks involved in taking leveraged positions and must assume responsibility for the risks associated with such investments and for their results.

You should carefully consider whether such trading is suitable for you in light of your circumstances and financial resources.