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Global wheat Outlook – Summer 2020

Global wheat supplies continue to increase for the new marketing year with an estimated record of 773.4 mmts, 1% above 2019/20 of 764.4 mmts.

Wheat production in several key wheat-producing regions as well as increased beginning stocks has caused wheat futures to fall recently. India's wheat harvest is estimated at 107.1 mmts, up from 103.6 mmts on both expanded harvested area and higher yields. The 2020/21 wheat crop was grown during the Rabi (winter) season; it was planted November 2019 to January 2020 and harvested throughout April 2020. Vegetative growth was aided by generally cool temperatures and abundant rainfall. While not a significant exporter of wheat, in recent months India has provided some wheat for food aid internationally. India's government is also distributing staple grains, including wheat, to vulnerable populations within the country. This year's abundant supplies are expected to support both domestic consumption and augment government stocks.

Australia's production is pegged at 26 mmts, well above 2019/20 level of 15.7 mmts. For Australia, following two years of drought conditions that culminated with wide-spread wildfires at the end of 2019, rains have returned and replenished soil moisture in key wheat producing regions.

continued on page 2

In this issue:

Global wheat Outlook – Pages 1 – 3

Global Oilseeds Outlook – Pages 5- 6

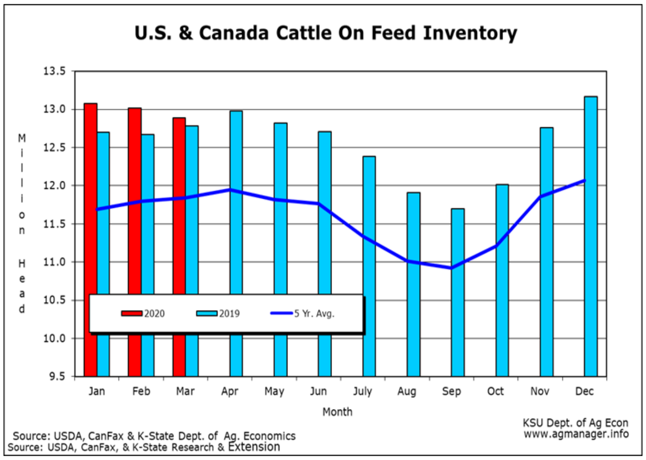
Global Canola Outlook - Page 7

U.S. Cattle on Feed

Cattle and calves on feed for the slaughter market in the United States for feedlots with capacity of 1,000 or more head totaled 11.7 million head on June 1, 2020. The inventory was slightly below June 1, 2019. This is the second highest June 1 inventory since the series began in 1996.

Placements in feedlots during May totaled 2.04 million head, 1 percent below 2019. Net placements were 1.97 million head. During May, placements of cattle and calves weighing less than 600 pounds were 375,000 head, 600-699 pounds were 305,000 head, 700-799 pounds were 485,000 head, 800-899 pounds were 532,000 head, 900-999 pounds were 235,000 head, and 1,000 pounds and greater were 105,000 head.

Marketing's of fed cattle during May totaled 1.50 million head, 28 percent below 2019. Marketing's were the lowest for May since the series began in 1996. Other disappearance totaled 66,000 head during May, 8 percent below 2019.



continued from page 1

Wheat Outlook Summer 2020

Yields have increased over last year's estimated 1.49 metric tons per hectare. Australia's production is also aided by an increase in harvested area. ***The combination of increased harvested area and improved yields lifts estimated production for Australia to 26 million metric tons, a 71 percent increase over the 2019/20 wheat harvest of 15.7 million.***

The return of soil moisture has helped to green-up pastures, reducing the need for grain (including wheat) feeding. In addition, a new tariff on Australian barley shipments to China is expected to reduce exports of this grain and to increase use of barley in feed, offsetting yet more wheat in livestock rations. ***With more of the relatively abundant 2020/21 harvest available for export, Australia's shipments, to 16 million.***

Production for both Turkey and China have also increased on improved conditions. For Turkey, a near-record yield is forecast. A Normalized Difference Vegetative Index (NDVI) time series analysis of the key winter wheat growing regions of Turkey shows that the effects of dryness during the autumn sowing period has largely been offset by a wet winter and spring. ***At 19.5 million metric tons, Turkey's projected wheat harvest is 5 percent above last year's estimate.***

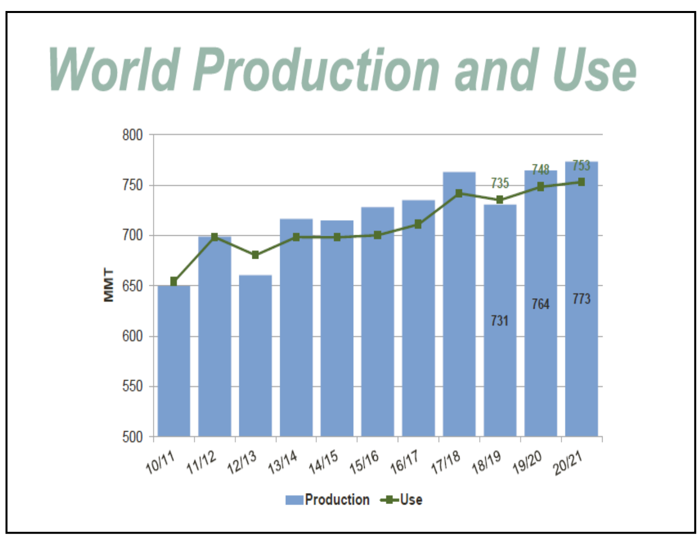
The large harvest is expected to reduce Turkey's demand for imported wheat, which was record high in 2019/20. Turkish wheat imports remains robust and, if realized, would be the second highest on record.

Offsetting production gains for the above-mentioned countries are reductions in expected wheat harvests for the European Union (EU 27+United Kingdom) and Ukraine. EU's 2020/21 wheat forecast is estimated at 141 million on low vegetation vigor in key wheat producing regions. Romania, the United Kingdom, and France have been especially affected by dryness that has contributed to a 6 percent year-to-year reduction in the forecast EU wheat yield.

On expectations of a smaller crop, EU's 2020/21 exports are trimmed to 28 million. In contrast, an abundant 2019/20 crop and competitive prices have supported a blistering export pace in recent months in old crop exports.

For Ukraine, fall planting of the 2020/21 winter wheat crop was completed under mostly dry conditions which has been succeeded by a drier-than-average spring, especially in southeastern and southwestern regions. Since early May, overall wheat conditions (measured by NDVI) in the key wheat producing regions of Odessa and Crimea have deteriorated. More recently, conditions in the key Forest Steppe Zone (northern Ukraine, where approximately 40 percent of Ukraine's wheat is produced) have begun to erode. ***Consequently, production for Ukraine is now forecast at 26.5 million tons. Based on reduced exportable supplies, exports for Ukraine are lowered to 17.5 million.***

Russia is expected to benefit from the reduced competition from Ukraine; exports for the Black Sea juggernaut have been raised to 36 million. After Russia's exports for the 2019/20 marketing year fell to 33.5 million tons following several years of world-leading wheat exports, the EU emerged as the top wheat exporter. ***On expectations of a smaller crop for both the EU and Ukraine in the new marketing year, Russia is again poised to top the world in wheat exports.***



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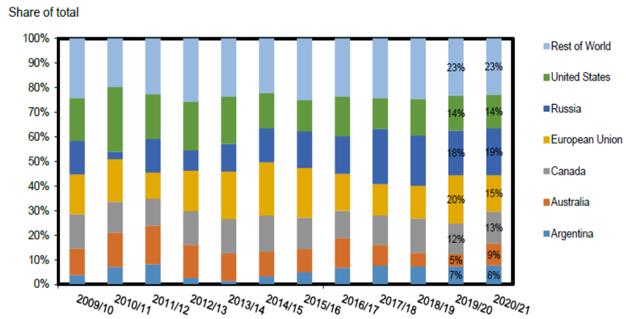
Wheat Outlook Summer 2020

Russia projected to regain position of leading global exporter of wheat in 2020/21



Sources: USDA Foreign Agricultural Service, Production, Supply, and Distribution database and ERS calculations using data from USDA, National Agricultural Statistics Service.

Global use of wheat for feed in 2020/21 is forecast at 136.47 million metric tons. At the current estimate, global wheat feeding is forecast to fall to the lowest level since 2014/15 when slightly more than 132 million metric tons of wheat were designated for feed use. Several factors contribute to reduced wheat feeding in 2020/21 with record-large global corn supplies likely exerting the greatest downward pressure. In contrast to wheat feed use, global corn feeding in the new year is up sharply. Regionally, increased use of barley in feed rations is expected to also reduce demand for wheat feeding. In Australia, where new restrictions limit export opportunities for the barley crop (for which planting is well underway), reduced export demand is expected to make significantly more barley available for feeding domestically, thus offsetting demand for feed wheat.

In the EU, demand for wheat feeding is also forecast to fall sharply as a second consecutive bumper crop of barley is expected to create abundant, competitively priced supplies. Indeed, barley feeding in the EU is projected up 2.35 million metric tons in 2020/21 compared to the year prior, while wheat feeding is projected to fall by 3 million. Following a 1.05 million metric ton increase in global barley feeding this month, the 2020/21 forecast is now set at a record-high 106.56 million tons; a sharp contrast to the near 6 million metric ton reduction in global wheat feeding year-to-year.

On a net increase in global wheat supplies—aided by increased production and beginning stocks, global carryout for the 2020/21 marketing year is forecast to be 316.09 million. If realized, global carryout will be more than 20 million metric tons greater than the previous record-high of 295.8 million for the 2019/20 marketing year. Abundant global supplies support an increase in wheat food, seed, and industrial use, up nearly 9.3 million metric tons from the 2019/20 estimate. Ample supplies and carryout of staple crops, such as wheat, have the potential to buffer the direct and indirect economic effects of the COVID-19 pandemic, particularly for food insecure nations. However, for producers, wheat prices are expected to be constrained by the dual effects of record supplies and carryout combined with very low corn prices.

US Wheat

U.S. all wheat crop combines with a 5-million-bushel increase in carryin from the previous marketing year to support a 16 million bushel increase in total U.S. wheat supplies, which is still smaller than a year prior. Total wheat supplies and exports tend to move together. Expectations for still-abundant exportable U.S. supplies and robust international demand support the export forecast of 950 million bushels, down slightly from the 2019/20 export estimate.

The June 11 Crop Production report provided the second, survey-based ***winter wheat production forecast for the 2020/21marketing year. U.S. winter wheat is production is forecast at 1.27 billion bushels, down 3.8 million bushels and about 3 percent from the 2019/20 figure***.

Expanding drought across the southern High Plains (western Kansas, southeastern Colorado, western Oklahoma, and northwestern Texas) is limiting the growth potential for 2020/21 yields. Yields in each of these major hard red winter wheat-producing States is down year-to-year and contribute to the slight decline in all winter wheat yields for 2020/21. ***At 52.1 bushels per acre is estimated for the 2019/20 marketing year. If realized, the 2020 winter wheat yield will be the third highest on record.***

continued from page 3

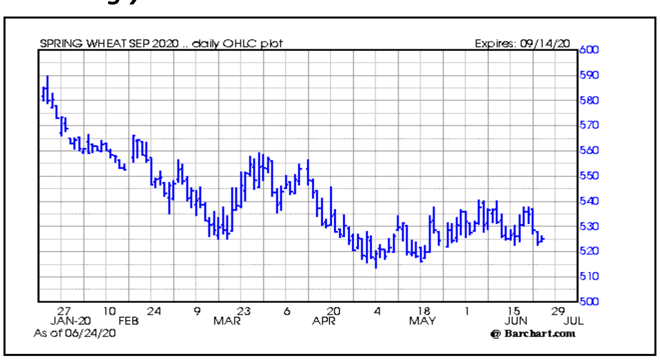
Wheat Outlook Summer 2020

Winter wheat conditions have generally fallen across the nation as evidenced by a trend of general decline in the NASS crop condition index used by USDA's Office of the Chief Economist Meteorological Team. This index assigns the highest value (4) to "excellent" conditions rating and the lowest (0) to "very poor" ratings. At the outset of the 2020 crop conditions rating season, conditions for the nascent 2020 crop were on par with those for 2019 and 2016.

However, as the season has progressed, the conditions index—which started out at near 260— has steadily fallen until reaching approximately 235 for the week ending June 8, 2020. While this is a sign that the winter crop is increasingly stressed, the conditions index remains well above comparable figures for 2018 and 2015 when the winter wheat crop was beset by widespread and persistent dry conditions.

The modest increase (less than 1 percent) in the projected 2020/21 all wheat production forecast, combines with increased carryin of 5 million bushels to lift supplies by 16 million in the new marketing year. The slight increase in supplies does not support an increase in exports, where the U.S. continues to be a residual global supplier; nor to feed and residual use as an abundant corn harvest and anemic prices will continue to incentivize use of coarse grains instead of wheat in feed rations.

Ending stocks are increased by the full amount of the supply augmentation and are raised to 925 million this month. ***On minimal balance sheet changes, the season average farm price is unchanged and remains at $4.60 for both the 2019/20 and 2020/21 marketing years.***



Canadian Durum

For 2020-21, the area seeded to durum in Canada is expected to increase by 7% from 2019-20, according to Statistics Canada's (STC) seeding intentions survey. Production is forecast to rise by 11% to 5.5 Mt as the increase in seeded area is compounded by higher trend yields and a return to normal abandonment rate. Supply is projected to fall by 5% as the higher production is more than offset by lower carry-in stocks. Exports are expected to be stable at 4.9 Mt due to the limited supply. Carry-out stocks are forecast to fall by 11% to 0.8 Mt.

World durum production is forecast to increase by 1.1 Mt from 2019-20 to 34.8 Mt, according to IGC. Supply is expected to fall by 0.8 Mt to 42.7 Mt because of lower carry-in stocks. Use is expected to fall by 0.1 Mt to 35.5 Mt, while carry-out stocks fall by 0.7 Mt to 7.2 Mt, the lowest since 2012-13. US durum production is forecast to rise by 0.09 Mt to 1.55 Mt.

The average Canadian crop year producer price for durum is forecast to be the same as for 2019-20.

Canadian Wheat

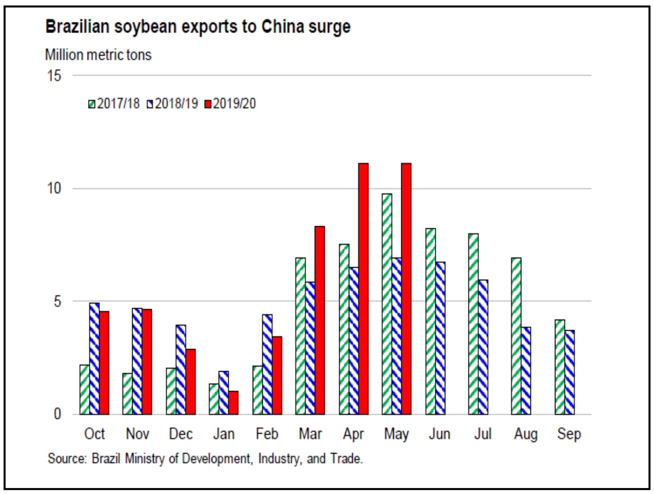
For 2020-21, Canadian area seeded to wheat is expected to increase by 1% from 2019-20, with a 17% increase in the winter wheat area and a marginal decrease for spring wheat area, based on the STC seeding intentions survey. Production is projected to rise by 4% to 28.4 Mt. The winter wheat production is projected to increase by 65% to 2.8 Mt due to higher seeded area and a return to normal abandonment rate. Spring wheat production is expected to fall marginally to 25.6 Mt.

Supply is forecast to increase by 5% because of higher production and carry-in stocks. Exports are expected to rise by 7%. Carry-out stocks are forecast to increase by 20% to 6 Mt.

continued from page 4

Global Oilseeds Outlook – June 2020

Brazilian soybean producers have rapidly marketed their crops this year to take advantage of high domestic prices. ***As a consequence, soybean shipments from Brazil for October 2019–May 2020 total 61.4 million metric tons. This represents a 25-percent increase in exports from the same period a year earlier.*** Based on this robust pace, USDA edged up its 2019/20 forecast of Brazilian soybean exports to 85 million. China is the primary destination for Brazil's soybean exports. ***The abundant trade between these two countries is largely responsible for a slow recovery in U.S. exports this year. USDA hiked its forecast of China's 2019/20 soybean to 94 million. Although it is anticipated that 1 million tons of the increase will be used by soybean crushers in China, the other half, if left unused, could result in further accumulation of stocks by the end of summer.***



In contrast to the situation in Brazil, soybean sales by Argentine farmers are sluggish with a smaller 2019/20 crop. This year's production estimate is 50 million, compared with 55.3 million for 2018/19. A reduced harvest is not the only reason for slow deliveries, though, as producers are more reluctant to sell more than needed to pay outstanding bills.

This hesitation is related to the value of the country's exchange rate. Despite a 40-percent depreciation in the Argentine peso from a year ago, unofficial rates indicate that the official rate (currently around 69 pesos per dollar) is still far overvalued.

In September 2019, the country's perilously low reserves of foreign exchange forced its Government to re-impose currency controls. Such circumstances have formed a wedge between the official and unofficial exchange rates, which have now widened to as much as 40 percent.

Farmers will postpone crop sales to see whether they can benefit from an eventual narrowing of the gap between the official rate and the unofficial rate. USDA's expectation of the 2019/20 Argentine soybean crush is lowered to 40.8 million. If realized, that level represents a minimal 0.6-percent increase from the 2018/19 crush of 40.6 million. A corresponding reduction in soybean meal output is expected to curtail Argentine soybean meal exports by 1 million tons to 28 million. Likewise, lower soybean oil production is forecast to curtail Argentine oil exports for 2019/20 by 150,000 tons to 5.35 million.

In a recent development, the Argentine Government announced a plan to nationalize a major soybean crushing company that went bankrupt in February. Provided the Argentine Congress approves the takeover, the reconstituted company will still have to compete on market terms similar to those of privately owned firms. Processing margins have been smaller since 2018, when the Government eliminated an export tax differential between soybeans and soybean products. If the refashioned company can successfully navigate its dire financial straits, it could guarantee that its soybean suppliers can receive their overdue payments. Crushing capacity and employment in the industry could be preserved, as well.

A low water level on the Parana River—which is the principal route for the country's grain trade—is complicating the export shipments of soybeans this year. Despite the logistical problems, exporters are competitively bidding for supplies (principally for the China market) at the expense of domestic users. Compared with a year earlier, Argentine soybean exports for 2019/20 through April are still up by 51 percent. In acknowledgement of this fact, USDA raised its forecast of this season's exports to 9 million.

continued from page 5

Global Oilseeds Outlook – June 2020

U.S. Soybean Outlook

The U.S. soybean crush for 2019/20 is expected to a record 2.14 billion. The increase is based on continuing gains for domestic use of soybean meal, which is estimated at 37.5 million. USDA also raised its forecast of soybean oil exports for 2019/20 to 2.7 billion pounds. ***In contrast, USDA trimmed its 2019/20 forecast of U.S. soybean exports to 1.65 billion bushels.*** The 2019/20 season-ending stocks are also raised to 585 million bushels .

The U.S. soybean crush for 2019/20 is expected 15 million bushels higher this month to 2.14 billion based on continuing gains for domestic use of soybean meal.

In April, processor demand for soybeans tapered off slightly with a decline to 183.4 million bushels from 192.2 million in March. ***Nevertheless, it was a record for the month. Soybean crushing for September 2019–April 2020 is 1.45 billion bushels—nearly 3 percent ahead of last season's record.***

USDA forecasts the 2019/20 domestic disappearance of soybean meal to 37.5 million. Cumulative use of soybean meal for the season to date is up nearly 5 percent from the 2018/19 pace. ***Despite strong demand, a brisk production pace has sustained pressure on soybean meal prices.*** The 2019/20 average price for soybean meal is forecast down to $295 per short ton. .

U.S. exports of soybean oil are turning in one of the best performances in a decade. In May, export shipments of soybean oil may be a near record for the month. U.S. trade in the commodity is benefiting from stronger sales to Latin America and North Africa. Typically, these import markets are dominated by Argentine soybean oil exports but those have been slower to accelerate this year. ***Consequently, USDA raised its forecast of soybean oil exports for 2019/20 by 150 million pounds to 2.7 billion.***

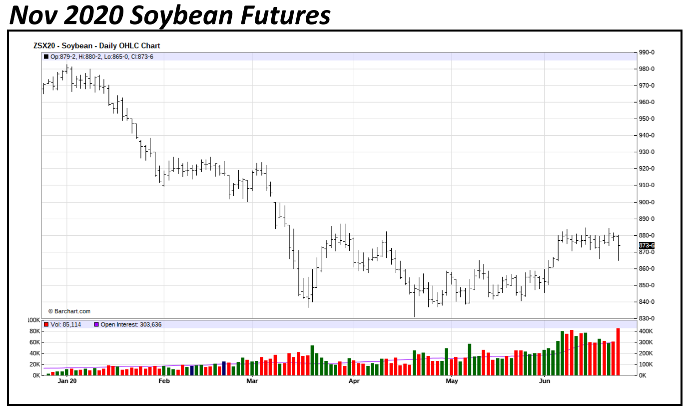
Higher domestic demand for soybeans, however, is being more than offset by dimmer prospects for foreign trade. USDA trimmed its 2019/20 forecast for U.S. soybean exports this month by 25 million bushels to 1.65 billion.

Overall, USDA boosted the forecast of season-ending soybean stocks by 5 million bushels to 585 million.

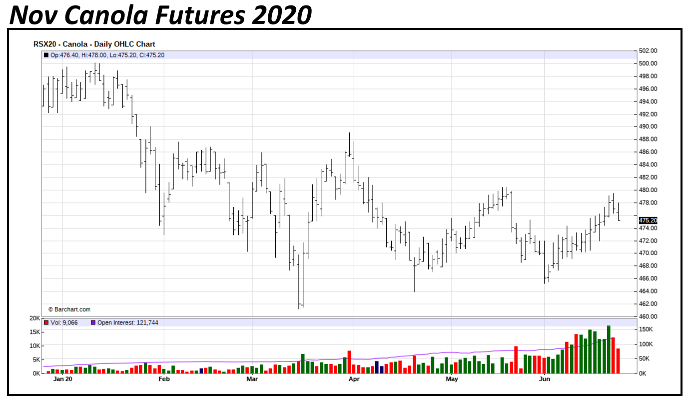
For the new crop year of 2020/21, a 15-million-bushel increase for the crush (to 2.145 billion) more than offsets the slight increase for beginning stocks. ***Thus, the forecast of 2020/21 season-ending stocks dips by 10 million bushels to 395 million.***

As of the week ending June 4, 2020, U.S. soybean accumulated exports (shipments) to China totaled 12.7 million tons and 23.5 million to the rest of the world. Outstanding sales have improved on recent sales to China but remain below 17/18 and 18/19 levels at 2.6 million tons to China and 4.9 million to the rest of the world. ***U.S. soybean export commitments (outstanding sales plus accumulated exports) to China are slightly higher than last year at 15.3 million tons but remain below historical levels on slow exports.*** Brazil exports to China remain high on a weak real and a record Brazilian soybean crop. ***Total commitments to the world lag behind last year, totaling 43.7 million tons as export commitments to markets outside China remain below 18/19 levels.***

Nov 2020 Soybean Futures



Nov Canola Futures 2020



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Global Canola Outlook Summer 2020

Global canola production is forecast to increase marginally in 2020–21, assuming production increases in Australia and Ukraine. Canadian canola production is forecast to decline in 2020–21 as Canadian farmers switch to alternative crops such as wheat and coarse grains in response to Chinese access restrictions on Canadian canola.

In 2019–20 drought conditions in the 2 major palm oil–producing countries, Indonesia and Malaysia, reduced global palm oil supply. Malaysian palm oil production is expected to increase in 2020–21, assuming favourable growing conditions. In Indonesia, palm oil production is forecast to increase due to an increase in area harvested. Palm oil prices are projected to decrease in 2020–21, reflecting the increase in global supply and weaker import demand.

Chinese Demand Affecting Global Soybean Trade

Lower import demand as a result of macroeconomic shocks is set to reduce global oilseed trade. US and Brazilian soybean prices have been converging since January 2020. This coincides with the finalisation of the phase one trade deal between the United States and China. China has granted tariff exemptions for US soybean imports, but US trade data indicates that the value of US soybean exports to China was down by 40% between January and March 2020 compared with the same time last year.

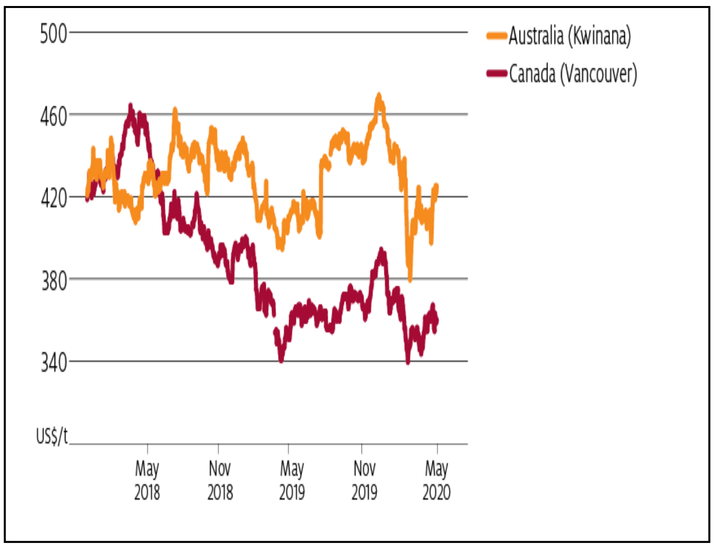
Soybeans are usually the biggest agricultural export from the United States to China. The drop in the value of US exports comes at a time when China has agreed to purchase an additional $12.5 billion in agricultural goods in 2020 as part of the phase one trade deal. The macroeconomic shock from COVID-19 is likely to jeopardise China's ability to meet purchasing targets.

Brazilian exports of soybeans to China have increased, reaching record levels in April. Favourable growing conditions in Brazil's north have increased the supply of soybeans, bringing prices down closer to US prices. A devaluation of the Brazilian real has also boosted competitiveness. An increase in Brazil's production and exports is likely to more than offset an expected fall in Argentina's exports as a result of the Argentine Government's new export tax.

Canadian canola prices (ABARES world indicator price) remain lower than other canola export prices following the Chinese Government's decision in March 2019 to impose restrictions on the 2 largest Canadian canola exporters. As of 31 March 2020, China is permitting limited Canadian canola imports to continue, but it has reduced the allowance of impurities to less than 1%.

Given the tightened restrictions on Canadian canola imports, Australia is expected to maintain a price premium over Canadian canola in 2020–21 as China re-emerges as a major market for Australian canola. The price premium for Australian canola relative to Canadian canola is expected to be lower than it was in 2019–20 because of a forecast decline in Canadian canola production in 2020–21.

Canola export prices, 1 January 2018 to 29 May 2020



Weak biodiesel demand to constrain oilseed prices
World oilseed prices are forecast to fall in 2020–21. Increased supplies of crude oil and COVID-19–related lockdowns and travel restrictions have resulted in historically low crude oil prices. This has led to substitution away from vegetable oils and falling biodiesel consumption.