

SPECIAL REPORT

22nd February, 2021

Higher Exports & Fall in Global Soybean and Cotton Stocks to Spur Prices

As per the recent WASDE Monthly report, This month's 2020-21 U.S. soybean outlook is for increased exports and lower ending stocks. Soybean exports are projected at **2.25 billion bushels**, up 20 million bushels from last month reflecting record marketing-year exports through January and a slow start to Brazil's export season resulting from harvest delays. With crush unchanged, soybean ending stocks are reduced 20 million bushels to 120 million. If realized, soybean ending stocks would be down 77% from 2019-20, and the lowest since 2013-14.

Global 2020-21 soybean supply and demand forecasts include **higher exports and lower ending stocks**. Global exports are raised by 0.6 million tonnes to 169.7 million tonnes on higher exports from the United States and Russia. Higher imports for Argentina are partially offset by reductions for the EU-27+UK, Canada, and Bangladesh. Global soybean stocks are reduced 1.0 million tonnes to 83.4 million tonnes as lower stocks in the United States and Brazil more than offset higher stocks in Argentina.

The 2020-21 U.S. cotton supply and demand forecasts show **slightly higher exports and lower ending stocks** relative to last month. Production and domestic mill use are unchanged. The export forecast is raised 250,000 bales to 15.5 million based on a strong pace of shipments to date. Ending stocks are now estimated at 4.3 million bales, equivalent to 24% of total disappearance. The upland cotton marketing year average price received by producers is projected at 68 cents per pound, unchanged from January

The 2020-21 world cotton forecasts include higher production, consumption, and imports, led by changes in China. World production is projected **1.3 million bales higher** this month, with China's forecast raised by **1.5 million bales** as the daily rates of both ginning and inspections in Xinjiang continue to show unusual late-season strength. Reports from China continue to suggest 2020-21 cotton area in Xinjiang was little changed from last year, but government classing data now indicates yields could be about 10% higher, while lower in Eastern China. **India's production** estimate is reduced by **500,000 bales** on **increasing evidence of pest infestation**, while Pakistan is 200,000 bales higher and Australia 100,000 bales higher. World consumption is projected at 1.5 million bales higher this month, with China's forecast 1.0 million bales higher reflecting growing domestic textile demand and exports. Much smaller increases are also included for India, Pakistan, Bangladesh, and Turkey, while the outlook this month is for lower consumption in Indonesia and Thailand. World trade is projected 350,000 bales higher than last month, with imports 500,000 bales higher for China, and smaller, partially offsetting changes elsewhere. World ending stocks are almost **600,000 bales** lower this month, at 95.7 million bales, 3.2 million bales lower than in 2019-20.

The supply and demand outlook for 2020-21 U.S. wheat is largely unchanged this month but there are offsetting by-class changes to **exports, imports, and food use**. Hard Red Spring (HRS) and White exports are raised on stronger than expected sales and shipments, particularly to China. Conversely, Hard Red Winter (HRW) exports are reduced on a continued slow pace. Durum imports are raised on the pace to date while HRS is lowered. Durum and HRS food use are raised while HRW and Soft Red Winter are lowered. These changes are mainly based on the NASS Flour Millings Products report and Census trade data.

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The 2020-21 global wheat outlook is for **greater supplies, increased consumption, higher exports, and reduced stocks**. Supplies are raised by 0.8 million tonnes to 1,073.5 million tonnes. Global production is increased to a record of 773.4 million tons as higher production in Kazakhstan more than offsets reduced production in Pakistan and Argentina. World 2020-21 consumption is increased by **9.8 million tonnes to 769.3 million tonnes**, mostly on higher feed and residual use for China and increased food, seed, and industrial (FSI) use for India. China's 2020-21 feed and residual use is raised to a record 30.0 million tonnes, surpassing the previous 2012-13 record of 26.0 million. China's domestic corn prices continue to be at a premium to wheat, encouraging greater wheat feed use. Additionally, increased auction volumes of old-crop stocks in China have expanded the availability of feed-quality wheat. **India's FSI** is raised by **3.5 million tonnes** to a record **96.5 million tonnes** as government stocks data indicate greater disappearance than previously estimated. This is likely the result of the inclusion of wheat products in India's government food assistance programs to address economic disruptions caused by COVID-19.

Projected 2020-21 global trade is raised by **1.1 million tonnes to 194.8 million tonnes** as higher exports for the EU-27+UK and Kazakhstan more than offset lower exports for Argentina. EU-27+UK exports are raised on a strong export pace and improved price competitiveness with Russia. Kazakhstan exports are increased on its pace to date and greater exportable supplies. Argentina's are lowered on reduced supplies and a slow export pace to date. The largest import change this month is for China, where imports are raised to 10.0 million tonnes on a continued robust pace. Projected 2020-21 world ending stocks are lowered **9.0 million tonnes to 304.2 million tonnes** with most of the reductions due to increased consumption for **China and India**. However, global stocks remain record high with China and India holding 51% and 9% of the total, respectively.

Outlook: For the coming month, global Wheat futures is estimated to witness bullish trend due greater supplies, increased consumption, higher exports, and reduced stocks. Lower production, higher exports, and lower ending stocks relative to last month in United States is forecasted to bring bullish trend in global Cotton prices during the coming weeks. Moreover, lower production, higher exports and crush, and lower ending stocks in United States is expected to support CBOT Soybean prices in the month ahead.

Research Team

Mr. Sumeet Bagadia : Executive Director

Sunand Subramaniam
Sr. Research Associate

Sachin Gupta
Sr. Research Associate

Diksha Mhatre
Research Advisor

Vishal Singh
Research Advisor

Sunandh Subramaniam

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