

Key Market Drivers – 9/20/2022 (Page 1)

Top Headlines

- **RUSSIA-UKRAINE WAR:** After Putin raises concerns about export shipments not going to poor/starving countries, FRA/ROM agree to a deal to boost UKR exports to developing countries.
- **RR Strike Averted!** – At least for now... Negotiations went down to the wire, but a tentative deal was agreed to on Thursday to avoid a stoppage. However, union members have yet to vote on, and completely ratify the agreement.
- **CPI** – BLS released the latest CPI numbers which showed a 0.1% gain, vs. the expected 0.1% decline, to 8.3%.
- **FED** – FOMC meets Tuesday & Wednesday this week. Market expecting a 75-basis point rate increase.

Recent/Upcoming Reports

- **Stats Canada Crop Production- 9/14...** see slide
- **US Small Grains Final & Sept 1 Stocks – 9/30**
- **NOPA August Crush Report – 9/15, see slide**

Weather Headlines

- **NOAM:** Corn belt ~~warm~~ hot and dry for the next two weeks. Near perfect harvest forecast.
- **SOAM:** Needed rains fell across Brazil & Argentina over the weekend. Argentina set to get some additional rains this week before a drier pattern returns. Three waves of rainfall forecast across Brazil over the next 10-days. Hopefully, this signals the start of the rainy season.
- **LA NINA:** NOAA indicates a La Nina is present and is expected to continue. 86% chance La Nina persists through November; dropping to 60% during the Dec – Feb 2023 period.

Corn

- **Crop Conditions:** see slides
- **Futures:** December futures ↓ 7 ¾¢ (1.1%)...
- **Cordonnier** US yield estimate down 1 bu/acre to 169 bpa.
- **BRAZIL:** First crop corn planted 22.1%.
- **UKR:** UKR farm ministry forecasting grain crop at 50 to 52 MMT this season, similar to last month's estimate but down from 86 MMT LY. 165 vessels, containing approx. 3.7 MMT of ag products have left UKR since the agreement

was in place.

Wheat

- **Futures WoW:** Chicago ↓10¢ (-1.1%); KC ↑6¢ (+0.6%); and MPLS ↑11¢ (+1.2%)...
- **US WHEAT QUALITY:** US Wheat Assoc. has completed much of their analysis of this year's crops and they appear very sound: **SRW-** high TW, above average FN, low incidence of vomitoxin, good milling characteristics and baking qualities... **HRW-** average TW and FN, high pro (12.7% vs. 11.8% avg), decent milling & baking characteristics... **SWW-** average TW, slightly lower pro (9.4% vs. 10% avg), good FN and baking characteristics... **HRS-** as harvest finishes (**94% harvested**), pro and TW are average, but FN is very good, and baking characteristics should be good too.
- **RUSSIA:** **WOW! IKAR** raised their production forecast again, by 2.0, to 99.0 MMT... They have regained their footing in the export market, and expect 1 MMT out this week. Sept expected at 4.3 MMT which is better, but still below 4.6 avg... Putin is meeting with Erdogan from TUR to, among other things, discuss UKR wheat shipments through the Black Sea... A Yale research report says RUS destroyed, damaged, or seized control of 14% of UKR's grain storage capacity. This would equate to 49.8 MMT, down from pre-war capacity of 58 MMT.
- **INTERNATIONAL PRICING:** Friday's market, with WoW change in ()... US-HRW, Fob Gulf = \$406 (+2); US-SRW, Fob Gulf = \$373 (-3); ARG, Fob BA = \$400 (-0-); FRA, Fob Rouen = \$336 (-2); UKR = No Quote; RUS = No Quote, *but sources report trading at \$310/ton FOB (-2)*

Oilseeds/Vegetable Oils

- **Crop Conditions:** see slides
- **Soybeans/SBO:** Soybeans (Nov) ↑ 36 ¼¢ (2.6%); SBO ↑ 198 points (3%)... **Cordonnier** lowers US-SB yield estimate by 0.5 bu/acre tot 50.5 bpa.
 - **CHINA:**
 - **BRAZIL:** Cordonnier forecasting Brazilian SB production at 151 MMTs. CONAB forecasts '22/23 crop at massive, record 150.36 MMT, +21% YoY. Soybeans ,1% planted in Brazil so far.

- **ARGENTINA:** Cordonnier forecasting upcoming Arggie SB crop at 50 MMTs.
- **Palm Oil:** PO (Oct) ↑ \$17.50 (1.9%) on the week...
- **Indonesia:** July ending stocks forecast at 5.9 MMT; still heavy but finally falling after ill-conceived export ban in May. July production down at levels not seen since '17, probably because they didn't have a place to put it.
- **Malaysia:** **MPOA** reports Sept 1 – 15 production up 7.65%; larger than expected. SPPOMA Sept 1 – 10 production up 5%. If these levels hold, it would be the largest monthly production since Sept 2020... **Stabro** forecasting Sept ending stocks to rise 4% to 2.18 MMT.
- **Rapeseed/Canola Oil:** Canola futures (Nov) ↑ \$21.30 (2.8%)...
 - **Canada:** Canola harvest progress: MB 11% (9/13); SAS is 39% harvested (9/12); AB at 31% (9/13)...
 - **ND** canola harvest 54% complete, vs 70% LY and 67% average. NOT UPDATED.
 - USDA leaves US production estimate at 1.63 MMT. Also forecasting 675,000 TMT of imports for a record total supply of 2.42 MMT.
- **Sunflower:** 60% of ND sunflowers rates as GE. No harvest progress yet. NOT UPDATED.

Biofuels

- EPA says 453.26 M D4 (BD & RD) RINs credits generated in August; up 7.5% from July and August 2021. 2022 YTD D4 RIN generation up 20.4%.

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Coffee

- Dec coffee futures ended the week down 5.9% vs LW; up 11.7% vs LY
- Even with production issues in Brazil and Columbia, demand continues to move lower with green stocks building in the U.S. That makes six months in a row for increasing stocks and the highest amount of stocks since October 2020.

Cocoa

- Dec cocoa futures end the week down unchanged vs LW; down 9.8% vs LY
- Production concerns in West Africa remain, however demand continues to remain soft as consumer sentiment is not favorable to discretionary spending.
- Sweeteners
- No.11 Oct sugar futures ended the week down 1.9% vs LW; down 2.5% vs LY.
- Mills in Brazil continue to see better margins in sugar versus ethanol. Supply concerns in Brazil remain but are being offset by increased production in India and Thailand.

Citrus/Frozen Concentrated Orange Juice

- Spot FCOJ futures closed last week at 173.35 vs. 180.20 WA vs. 139.60 YA.
- “Three-peat” La Nina concerns persist as forecasts for upcoming season output vs. demand keep stocks tight.

Dairy

- **CHEESE:** Spot block cheese prices still climbing, up another 10 c/lb on the week (\$2.0525 on Monday). Milk production is increasing, but values are still pricey... Midwest spot +\$.13 to Class III (\$0 WA; +\$.075 YA). Cheese inventories are tightening in the Midwest/West. Food service demand is mixed, but export demand is strong. Q4 block cheese

futures average = \$2.0843 (+.0163)...International: German edam = \$2.43 (-0-)

- **BUTTER:** Yet another new high last week (\$3.24), but values fell a bit by Monday (\$3.1525). Still huge inverse of 78 c/lb U to U. Cream got a little tighter last week, as cream cheese processors start to ramp up. Spot butter inventories are tight, and many makers are concerned about availability going into Q4. Demand for butter seems to be strengthening, but high prices should curb that... Midwest cream multiples = 137 (134 WA; 135 YA; 131 5YA)... Q4 futures average = \$2.9199 (-.0114)... International: German = \$3.09 (-.06)... Dutch = \$3.19 (-.01)

Proteins (Beef, Pork, Poultry)

- **PROTEIN COMPLEX:** Futures prices for both cattle and hogs remains elevated from the May/June weekly lows. Cash markets remain strong also despite coming off the Summer grilling season. Moving forward this week we have two key indicators that we will be watching, the first being the Fed announcement on Wednesday about interest rates and on Friday the Cattle on Feed monthly report.
- **Beef:** Live cattle futures ended the week unchanged from the prior week. Last Friday, Spot Live Cattle futures closed at 145.5 unchanged vs LW; up 11.1% vs. YA. Spot Feeder Cattle closed at 181.3 down 2.3% vs LW; up 5.4% vs YA.
 - Choice Beef Cutout closed at 254.8 down 1.7% vs LW; down 20.4% vs YA; Ribs 416.8 down .6% vs. LW, down 31.5% vs YA; Round primal 225 up 1.5% vs LW, down 8.3% vs YA; Chuck primal 204.8 down 2.6% vs LW, down 20.9% vs YA; beef 50's 102 down 2.6% vs LW, down 26.4% vs YA; beef 90's 264.8 down .4% vs. LW, down 4.7% vs YA.
- **Pork:** Lean hog futures ended the week higher as demand continues remains strong.

- Lean Hog futures closed at 96.9 up 4% vs LW; up 27.2% vs. YA.
 - Pork Cutout closed at 105.9 up 2.6% vs LW, up 1.2% vs YA; Hams 108.2 up 7.4% vs LW, up 41.6% vs. YA; Bellies 145.6 up 2% vs LW, down 11.3% vs YA; Loins 99.6 up 1% vs LW, down 11% vs YA; 72's 109.8 up 13.5% vs LW, down 6.9% vs YA.
- **Poultry/Eggs/HPAI:** Last Friday, the National Composite Whole Bird Index closed at 124.3 down .7% vs LW, up 17.2% vs YA; NE Leg quarters closed at 44.19 down 1% vs LW; NE breast, B/S closed at 193.6 down 8.6% vs LW
 - Bird flu (Eurasian H5N1) summary: 45 states with cases detected in wild birds (unchanged vs LW), 39 states with cases in poultry (unchanged vs LW).
 - Bird flu started earlier than 2015 but is staying around longer. Even though the number of reported states impacted remains unchanged, recent indications are that this year risks are going to remain going into the Fall bird migration.

Major Currencies v. US Dollar

- **US \$:** 109.96 v. 108.33 LW and 93.21 LY
- **Canadian \$:** 1.3287 v. 1.2984 LW and 1.2815 LY
- **Euro €:** .9983 v. 1.0116 LW and 1.1723 LY
- **Chinese ¥:** 7.0206 v. 6.9182 LW and 6.4484 LY
- **Brazilian R\$:** 5.2143 v. 5.0938 LW and 5.2699 LY
- **Arg ₳:** 144.21 v. 142.27 LW and 98.27 LY

Energy (Petroleum/Natural Gas)

- **Baker Hughes Rig Count @ 599 +8 from last week.**
- **US Weekly Crude Oil Production @ 12,100 UNCHG v. WA**

Black Sea Grain Initiative

this accounting is from the UKR government, and is as of 9/14

MINISTRY OF INFRASTRUCTURE OF UKRAINE

SEA PORTS: Odesa, Chornomorsk and Pivdennyi

INTERIM RESULTS OF THE GRAIN INITIATIVE

134 vessels departed

On its board are 3.1 mln tons of agricultural products

Europe

44 vessels

1.1 mln tons

Asia

71 vessels

1.4 mln tons



Africa

19 vessels

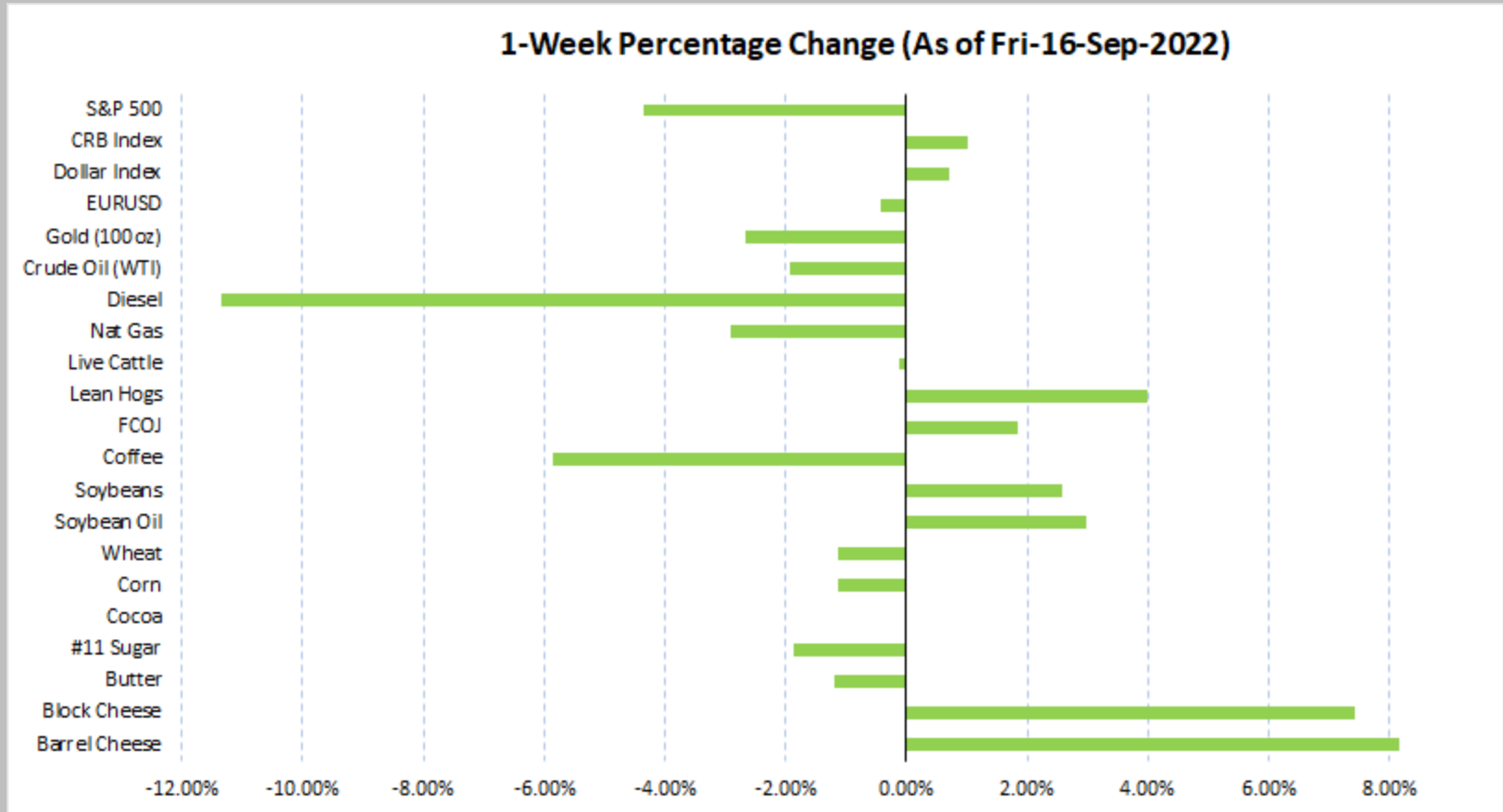
0.6 mln tons

Export directions to Africa

Egypt	10 vessels	274 K tons
Sudan	3 vessels	115 K tons
Kenya	1 vessel	51 K tons
Algeria	1 vessel	44 K tons
Yemen	1 vessel	38 K tons
Somali	1 vessel	29 K tons
Djibouti	1 vessel	23 K tons
Libya	1 vessel	17 K tons



Past week losers vs. gainers



DAIRY Update

CME Spot	9/12	9/13	9/14	9/15	9/16	9/19
Block Cheddar	\$1.9525	\$2.00	\$2.06	\$2.06	\$2.06	\$2.0525
Grade AA Butter	\$3.17	\$3.24	\$3.2075	\$3.1725	\$3.1325	\$3.1525

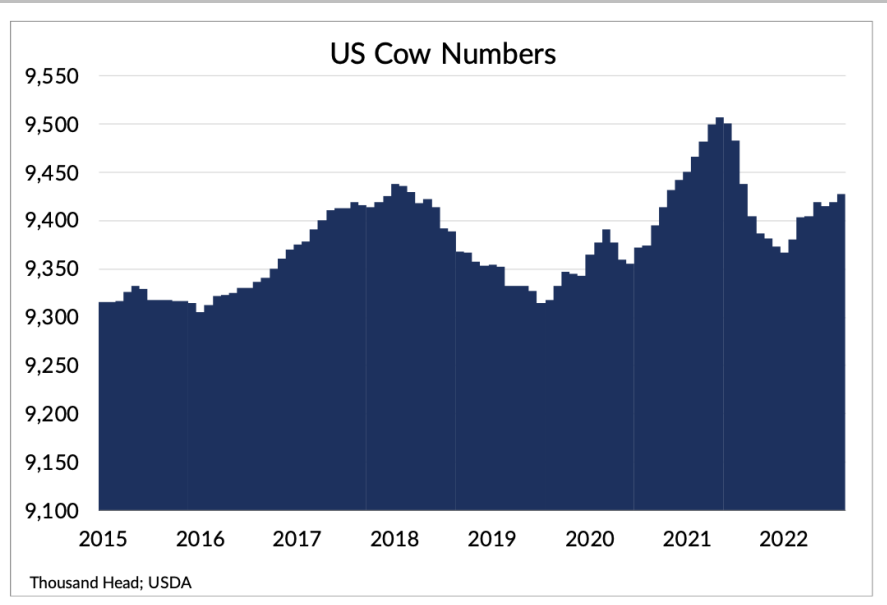
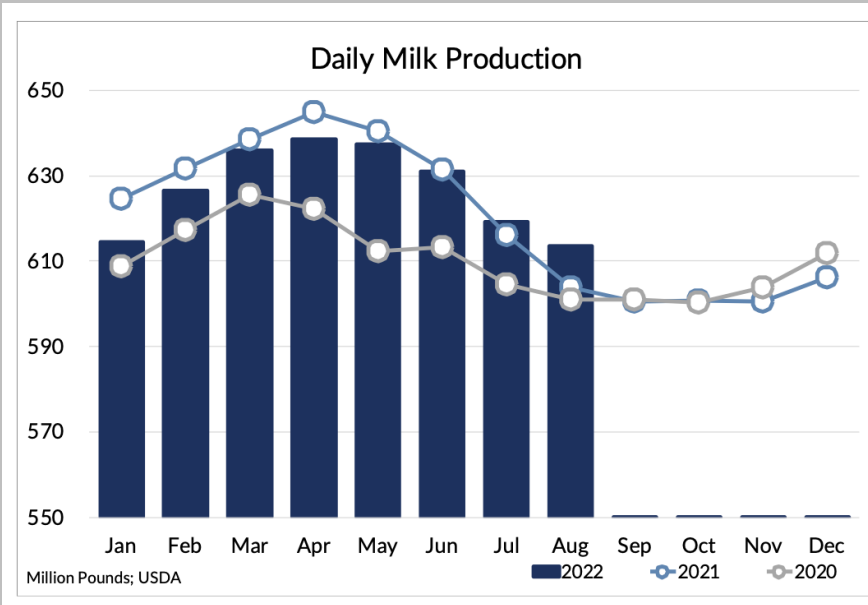
CHEESE – 3 blocks & 9 barrels traded last week... Still climbing, up another 10 c/lb on the week

- Milk production is increasing, but values are still pricey... Midwest spot +\$.13 to Class III (\$0 WA; +\$.075 YA)
- Cheese inventories are tightening in the Midwest/West
- Food service demand is mixed... export demand is strong
- Q4 block cheese futures average = \$2.0843 (+.0163)
- International: German edam = \$2.43 (-0-)

BUTTER – 14 lots traded... Yet another new high last week (\$3.24)... Still huge inverse of 78 c/lb U to U

- Cream got a little tighter last week, as cream cheese processors start to ramp up
- Spot butter inventories are tight, and many makers are concerned about availability going into Q4
- Demand for butter seems to be strengthening, but high prices should curb that
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USDA-NASS August Milk Production



- MILK production: 19.02 B lbs; +1.6% YoY...
Milk/cow efficiency +1.7% YoY...

- 50-state COW numbers: 9.427 MM head;
+8K MoM; -11K YoY

•**Bearish** – Strongest YoY production growth in over a year (7/21). Plus, the herd grew to the largest it's been in nearly a year.