

Key Market Drivers – 11/29/2022 (Page 1)

Top Headlines

- **RUSSIA-UKRAINE WAR:** Safe passage deal continues, but UKR exports apparently took a back seat in November, as they shipped less than 3 MMT, after doing 4.2 in October. On the other hand, RUS exports swelled to 4.9 MMT in November... Coincidence??
- **U.S. Federal Reserve:** Markets analysis of the November Fed Meeting minutes is for the likelihood of a 50-basis point rate hike at the December meeting on 12/13 & 12/14. This would follow 4 consecutive 75-point hikes. Equity markets cautiously optimistic the Fed may be nearing the end of its tightening cycle. Stay tuned.
- **China protests:** Protests over the governments COVID lockdowns have erupted all over China over the past weekend. These are the first wide-spread protests since Xi took office nearly a decade ago.
- **More OPEC+ shenanigans:** With the price of crude declining, OPEC+ is said to be considering a production cut at next week's meetings. That is what likely caused crude oil prices to reverse higher on Monday.
- **US RR Strike:** Strike is still a significant threat. 12/9 is the earliest date a strike could begin. Almost 450 business groups, and President Biden have asked congress to be ready to step in and prevent a strike, should one be called.

Recent/Upcoming Reports

- **Weekly USDA Crop Progress Report** – delayed until 11/29

Weather Headlines

- **NOAM:** Wheat country still needing some good rains this week with rains continuing to hit a bit too far east.
- **SOAM:** Good, and heavy in some parts, widespread rains across Brazil expected this week with some more significant rains expected in Argv as well.

Corn

- **Crop Conditions:** see slides
- **Futures:** March futures Corn ↑ 1 ¼ - cent 0.2%....
- **BRAZIL:** First crop corn 88% planted vs. 93% YA. **Cordonnier** est. upcoming crop at 125.5 MMT with a neutral bias going forward. **CONAB** lowers production by 0.55 to 126.39 MMT.

- **ARGENTINA: Cordonnier** estimating 22/23 crop at 49 MMT; down 1 with a lower bias going forward. Corn 25% planted.

Wheat

- **Futures WoW:** Chicago ↓28¢ (-3.5%); KC ↓25¢ (-2.7%); and MPLS ↑6¢ (+0.7%)...
- **Crop Conditions: USDA** conditions will be reported Tuesday afternoon, but no significant change is expected, and this crop remains the worst on record, nationally. This will be the last report of the year, and reporting will resume in early April.
- **UKRAINE:** Government reports winter wheat planting at 94% complete, on 3.8 MM ha, vs. 4.6 YA... **APK-Inform** estimates wheat production at 19.0MMT.
- **INTERNATIONAL PRICING:** Friday's market, with WoW change in ()... US-HRW, Fob Gulf = \$421 (-6); US-SRW, Fob Gulf = \$351 (-10); ARG, Fob BA = \$414 (-3); FRA, Fob Rouen = \$343 (+3); UKR = No Quote; RUS = No Quote, *but sources report trading at \$317/ton FOB (-15)*

Soybeans & Veg Oils

- **Soybeans/SBO:** SB (Jan) ↑ 8-cents; 0.6%. SBO ↑ 110 points; 1.6%...
 - **BRAZIL: Cordonnier** est. production at 151 MMT with a neutral bias...Soybeans 87% planted vs. 90% YA...
 - **ARGENTINA:** Gov't revives "soy dollars" through the end of 2022. This program offers farmers and exporters a better exchange rate to encourage exports of soybeans and soy products. The gov't is attempting to bolster export tax collections and currency reserves... SB planting pace well behind LY due to historic drought. Only 19.4% of that crop is planted; LY pace was 39.3%... **Cordonnier** est. crop lowered to 49 MMT with a neutral to lower bias... **ARG- CDSBO offered FOB at -1375.** Yes, you read that right! No wonder we are not exporting any sbo.
- **Palm Oil: January FOB↑ \$65/ton; 7.1%...**
 - **Malaysia:.**
- **Rapeseed/Canola Oil:** Jan futures ↓\$44.20/MT; 5.2%...
 - **Canadian** canola crush finally running AHEAD of LY (2.3%), but still 4.7% below the 3-yr avg. Exports are

also ahead of LY(11%), but 22% behind the 3-year average.... **Super degummed** canola offered at +300 FOB Vancouver... With the YUGE break in canola seed prices, import crush margins (Canadian seed) have finally turned positive in China for 1st time in months.

- **CHINA:** Rumors of China once again buying Australian rapeseed sends Canadian market lower.

• **Corn oil/Sun oil:**

Biofuels

- **EPA:** Will the EPA finally announce it proposed RVOs for 2023 & 2024 on Wednesday, as promised? Canola pathway for renewable diesel? Stay tuned!
- **EPA RIN generation:** D6 (ethanol) RIN generation in October was up 9.6% from September and 2.9% from LY. D4 (bio-diesel) RIN were down 5% from September but up 10.5% from LY.

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Coffee

- **Mar coffee futures** finished the week with a gain of 9.95 cents (6.4%) to break a 2 week losing streak.
- **ICE exchange stocks** rose again to reach their highest level since September.
- **USDA** dialed back 23/24 Brazilian coffee production estimates.

Cocoa

- **Mar cocoa futures** end the week with a gain of 28 points (1.1%) for another weekly gain in a row.
- **US “Black Friday”** sales 2.3% higher than YA which could be a signal of a better economy which could lead to higher demand than expected.

Sweeteners

- **March futures** finished with a loss of 72 ticks (3.6%) to break a 3 week winning streak.
- **Downward pressure** came from weakness in energy markets as well as a sharp sell off in Brazilian currency.
- **Brazilian trade group Unica** reported Center – South production for first half Nov to be 162% above YA levels.

Citrus/Frozen Concentrated Orange Juice

- Spot FCOJ futures closed last week at 203.30 vs. 227.80 WA vs. 129.85 YA.
- On the 11/09/22 USDA forecast, total FL orange output lowered to 28.0 m boxes, -32% vs. YA; H. Ian passed directly over 4 of 5 largest citrus producing counties (Desoto, Highlands, Hardee, and Polk) at hurricane strength.
- After falling to multi-year lows in early, pre-COVID 2020, FCOJ futures have since then rallied sharply to multi-year highs as consumption rose as people sought to raise vitamin C intake to strengthen immunity to COVID. However, high inflation, lower COVID concerns, and improving citrus crop prospects in Brazil have provoked sharp declines in the last week.

Dairy

- **USDA October Milk Production: MILK** production: 18.85 B lbs; +1.2% YoY... Milk/cow efficiency +0.9% YoY... COWS: 50-state numbers: 9.418 MM head; +1K MoM; +31K YoY
- **USDA October Cold Storage: CHEESE** stocks @ 1,448.1 MM, -0% YoY (-460 K), and -1.5% MoM (-21.7 MM)... **BUTTER** stocks @ 239.6 MM, -14.1% YoY (-39.2 MM), and -10.4% MoM (-27.8 MM)

- **CHEESE:** Spot block cheese falls back to \$2.1250 on Monday, with spot barrels at ~\$.40/lb discount. Spot milk for cheese is available, and cheap (Midwest @ up to \$4.50 under Class III). Thus, we have busy cheese production schedules. Food service demand is steady, while retail demand is strong, and export demand is strong in West. Spot cheese is available across the country... Q1 block cheese futures average = \$2.0086 (-.0347)
- **BUTTER:** Spot prices stayed in the low \$.290's last week, with the Monday close at \$2.93. Cream continues to be available, although some seasonal Class II production is taking up slack. Midwest multiples at 1.20 or even less this week. Cheap, available cream has butter makers running strong. Food service demands are steady, and retail is ramping up for the second holiday wave. Spot butter inventories are tight in the Northeast and West... Q1 futures average = \$2.4892 (-.0321)

Proteins (Beef, Pork, Poultry)

- **PROTEIN COMPLEX:** As we move forward and look at 2023 for beef, pork and poultry production, a few themes will carryover from 2022. Beef production will be lower in 2023. Beef cow herd liquidation and smaller calf crops in 2022 means the only question is going to be how much lower. USDA is currently forecasting a 7% reduction in beef production. Pork production continues to move lower as producers are impacted by higher production costs. Poultry producers continue to expand supply but with the recent price moves lower, this may slow the expansion.
- **Beef:** Live cattle futures ended the week unchanged and continued to trade in a narrow range. Last Friday, Spot Live Cattle futures closed at 153.1 unchanged vs LW; up 7% vs. YA. Spot Feeder Cattle closed at 178.3 down 1.4% vs LW; down 2% vs YA.
 - Choice Beef Cutout closed at 263.3 unchanged vs LW; down 8% vs YA; Ribs 451.1 up 1.9% vs. LW, down 7.9% vs YA; Round primal 221 down 2.6% vs LW, down 12.5% vs YA; Chuck primal 231 unchanged vs LW, down 2.1% vs YA; beef 50's 77.4 up 6.5% vs LW, down 18.7% vs YA; beef 90's 245 unchanged vs. LW, down 11.1% vs YA.
- **Pork:** As mentioned before, pork production has continued to move lower most of the year. Producers' margins were squeezed by higher feed costs along with higher labor costs. Cold storage of pork inventories are higher than prior year but below the five-year average. Exports have also picked up with shipments to Mexico and most recently

China. This is a good indicator that demand remains good despite the higher prices.

- Lean Hog futures closed at 83.8 up .5% vs LW; up 11.4% vs. YA.
 - Pork Cutout closed at 96.2 down 1.2% vs LW, up 2.6% vs YA; Hams 106.3 up 1.2% vs LW, up 42% vs. YA; Bellies 123.4 down 4.5% vs LW, down 20.6% vs YA; Loins 85.3 down 2.8% vs LW, down 1.8% vs YA; 72's 109 up 4.3% vs LW, up 27% vs YA.
- **Poultry/Eggs/HPAI:** Last Friday, the National Composite Whole Bird Index closed at 123.9 unchanged vs LW, up 20.4% vs YA; NE Leg quarters closed at 31.6 down 17.8% vs LW; NE breast, B/S closed at 98.2 down 17.8% vs LW
 - Bird flu (Eurasian H5N1) summary: 47 states with cases detected in wild birds (up 1 state vs LW), 46 states with cases in poultry (unchanged vs LW).
 - Over 52.5 million birds impacted by bird flu. This was a increase of over 2.2 million birds versus two weeks ago.

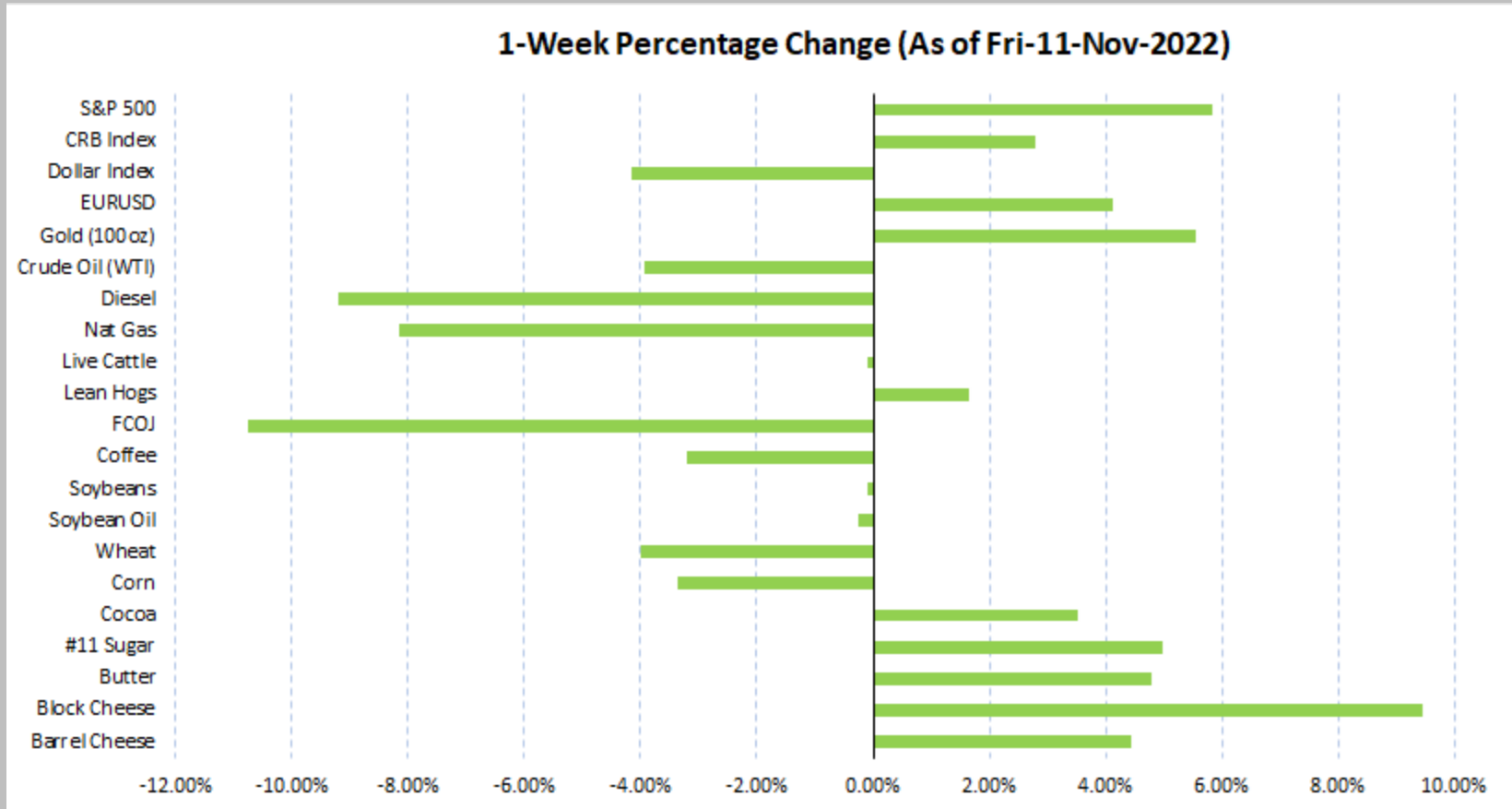
Major Currencies v. US Dollar

- **US \$:** 106.72 v. 107.80 LW and 96.16 LY
- **Canadian \$:** 1.3503 v. 1.3447 LW and 1.2738 LY
- **Euro €:** 1.0332 v. 1.0241 LW and 1.1291 LY
- **Chinese ¥:** 7.2485 v. 7.1787 LW and 6.3853 LY
- **Brazilian R\$:** 5.3652 v. 5.3200 LW and 5.6017 LY
- **Arg ₳:** 166.60 v. 163.17 LW and 100.83 LY

Energy (Petroleum/Natural Gas)

- **Baker Hughes Rig Count @ 627 +4** from last week.
- **US Weekly Crude Oil Production @ 12,100 UNCHG** v. WA

Past week losers vs. gainers



DAIRY Update

CME Spot	11/21	11/22	11/23	11/24	11/25	11/28
Block Cheddar	\$2.20	\$2.20	\$2.15	HOLIDAY	\$2.15	\$2.1250
Grade AA Butter	\$2.90	\$2.93	\$2.9475	HOLIDAY	\$2.9475	\$2.93

CHEESE – *Spot blocks fall back to \$2.1250 on Monday... spot barrels at ~\$.40/lb discount*

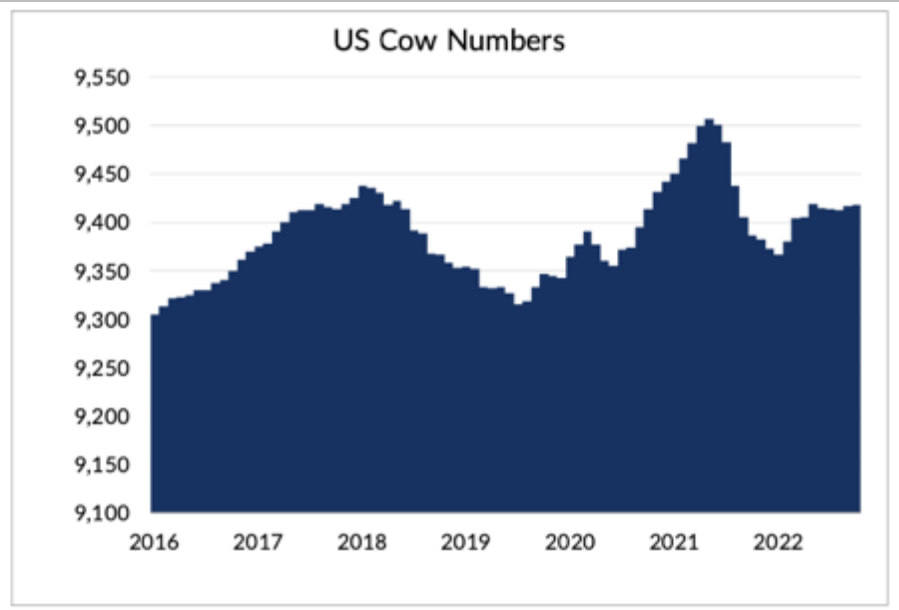
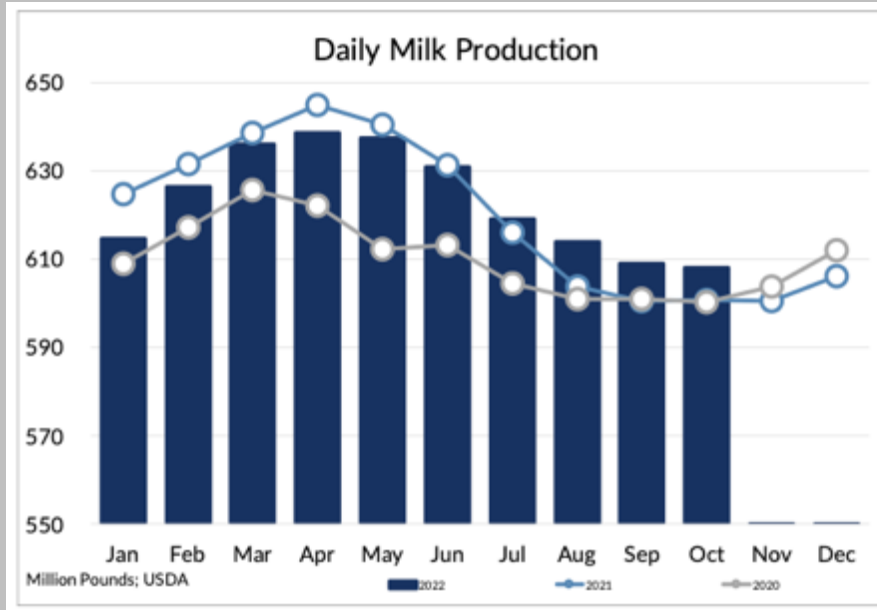
- Spot milk for cheese is available, and cheap (Midwest @ up to \$4.50 under Class III)
- Thus, we have busy cheese production schedules
- Food service demand is steady, while retail demand is strong, and export demand is strong in West
- Spot cheese is available across the country
- Q1 block cheese futures average = \$2.0086 (-.0347).....

BUTTER – *13 lots traded... Prices fairly steady*

- Cream continues to be available, although some seasonal Class II production is taking up slack
- Midwest multiples at 1.20 or even less this week
- Cheap, available cream has butter makers running strong
- Food service demands are steady, and retail is ramping up for the second holiday wave
- Spot butter inventories are tight in the Northeast and West.
- Q1 futures average = \$2.4892 (-.0321).....

GDT – Last auction 11/15... TOTAL = +2.4%... CHEESE = -1.2% (\$2.15)... BUTTER = -0.8% (\$2.19)

USDA-NASS October Milk Production

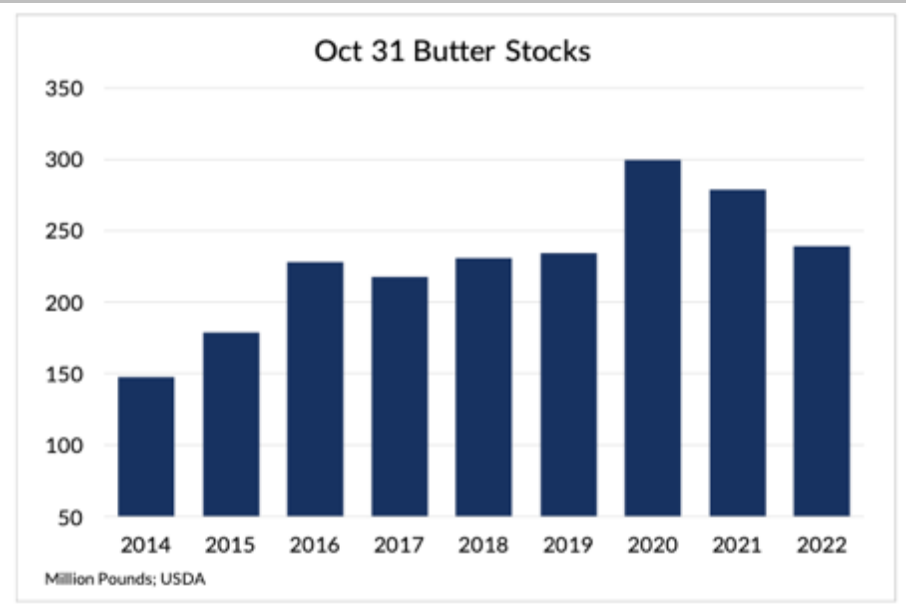
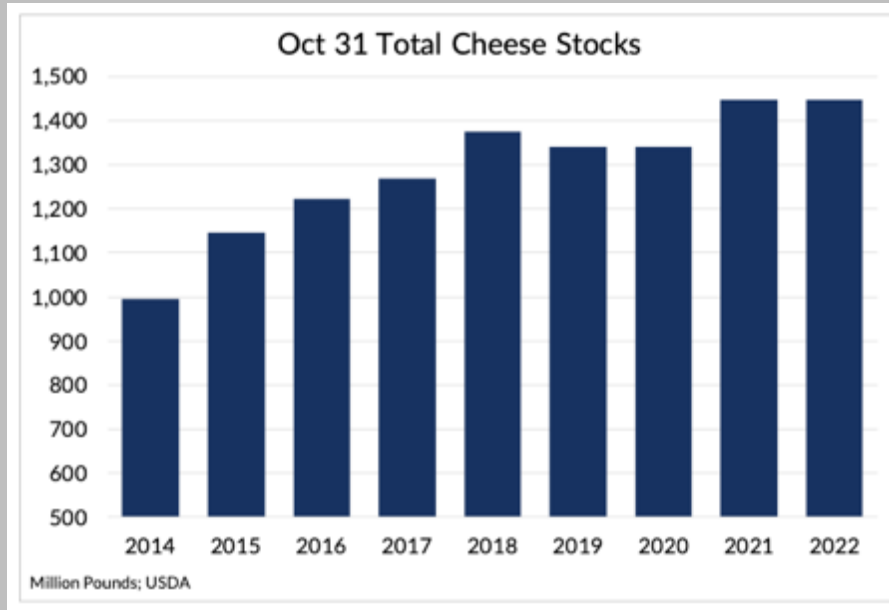


- MILK production: 18.85 B lbs; +1.2% YoY...
Milk/cow efficiency +0.9% YoY...

- 50-state COW numbers: 9.418 MM head;
+1K MoM; +31K YoY

•**Neutral** – A bit lower growth than the last 2 months, and cow numbers gained only 1,000 head MoM. But, the YoY growth was a bit surprising, and the herd is now back to the highest numbers since May

USDA-NASS October Cold Storage



- **CHEESE** stocks @ 1,448.1 MM, -0-% YoY (-460 K), and -1.5% MoM (-21.7 MM)... 5YA MoM = -19.7 MM

- *Neutral – Stocks close to pre-report expectations, and MoM drop was inline with averages. It appears we are on track for a normal holiday period*

- **BUTTER** stocks @ 239.6 MM, -14.1% YoY (-39.2 MM), and -10.4% MoM (-27.8 MM)... 5YA MoM = -47.0 MM

- *Slightly bearish – Inventories a bit higher than expected, and MoM drawdown was less than the 5-yr average. This may lead to some price weakness as we get closer to Christmas*