

Key Market Drivers – 03/29/2022 (Page 2)

Macro Factors / Top Headlines

- **AG Markets move lower on Monday:** Optimism from RUS/UKR peace talks weighed on markets yesterday, but all are still within their 10-day trading ranges.
- **CRP acres?** – In a letter sent to USDA Sec. Vilsack, signed by American Farm Bureau, National Grain & Feed Ass'n and others requesting the ability to plant spring crops on up to 4 M acres of "prime farmland" currently enrolled in the CRP program. This would be a temporary deal that would NOT require farmers to lose their program benefits and is an effort to make up for lost Ukrainian production.
- **Fertilizer prices** continue to rise! – Tampa NH3 prices closed at new record \$1,625/MT for April; +43% MoM.
- The **EU** will allow farmers to sow crops on almost 6% of ag land that had been set aside to boost biodiversity.

Recent/Upcoming Reports

- **March 31 USDA Planting Intentions report – 3/31...**
- **March 1 Stocks Report – 3/31...**
- **USDA National crop conditions/progress report – 4/4...**

Weather Headlines

- **SOAM:** March rainfall below normal for Safrina growing regions but overall rains have been steady over the past few weeks.
- **La Nina:** Beginning to hear some NOAA reporting a >50% chance of La Nina lasts into Northern hemisphere summer. This would mean warmer/drier than normal for corn belt.
- **NOAM:** NOAA is reporting a severe drought in portions of the western US is expecting to persist this spring.

Corn

- **Futures:** May futures ↑ 12 ¼ ¢ (1.7%)... Another decent week of corn **export sales** (46.0 MM bu)... **Acreage estimates:** Farm Futures Daily, based on a survey of 973 of its members is forecasting ONLY 90.379 M acres of U.S. corn.
- **BRAZIL:** **Cordonnier** leaves corn estimate unchanged at 112 MMT; neutral bias going forward. First corn crop is 62% harvested, compared to 59% LY (Ag Rural). Safrinha corn crop is 99% planted vs 96% LY (Ag Rural).....
- **ARGENTINA:** BAGX reduces estimate of Arggie corn

production to 49 MMT; down 2. **Cordonnier** still at 49 MMT, and he has a neutral bias... Corn crop is 10.1% harvested vs 7% LY....

Wheat

- **Futures WoW:** Chicago ↑39¢ (+3.6%); KC ↑40¢ (+3.7%); and MPLS ↑47¢ (+4.4%)...
- **US WW Conditions:** On 4/4, USDA-NASS will release their first national conditions report... State topsoil moisture ratings: KS – state topsoil moisture 33% adequate, and 31% very short; OK – 39% adequate, 32% short, 28% very short; TX – 89% very short; CO – 53% adequate/surplus, 47% short/very short.
- **UKR:** APK-Inform estimates 2022 all-grain harvest to fall 55% to 38.9 MMT, and 2022/23 all-grain exports fall 32% to 30 MMT (10 of wheat). UKR's former Ag Minister Leshchenko said only about 4 of 6.5 MM ha WW area likely to be harvested... The UKR Grain Assoc. reports ~20 MMT of wheat left to export for 21/22, but ports remain closed.
- **EGYPT:** While their harvest is underway, and they report not needing additional wheat until mid-May at the earliest, they are also talking with traders from ARG, IND, and the US to supplement possible lost bu from the Black Sea.
- **INTERNATIONAL PRICING:** Prices quoted from Friday's market, with WoW change in ()... US-HRW, Fob Gulf = \$502 (+13); US-SRW, Fob Gulf = \$458 (+12); ARG, Fob BA = \$401 (-0-); FRA, Fob Rouen = \$428 (+11); UKR, FOB Black Sea = No Quote (but shipments have resumed by rail out of western UKR); RUS, Fob Azov Sea = No Quote

Oilseeds/Vegetable Oils

- **Soybeans/SBO:** Soybeans (May) ↑ 42 ¼¢ (2.5%); SBO ↑ 246 points (3.4%)... **Acreage estimates:** Farm Futures Daily, based on a survey of 973 of its members is forecasting a WHOPPING 92.208 M acres of U.S. soybeans.
 - **BRAZIL:** National harvest progress is 80%, vs. 71% YA. Mato Grosso harvest 99.6% complete, compared to 97.1% YA... **Cordonnier** leaves his SB production estimate to 123 MMT with a neutral to slightly lower bias.
 - **ARGENTINA:** **Cordonnier** leaves production estimate to 39 MMT; neutral bias going forward. ... 32% of crop is rated as either good or excellent, down 2% from LW.....

- **CHINA:**
- **Palm Oil:** PO (May) ↑ \$80 (5.2%) on the week
 - **Indo:** Rumors that the Indo gov't said to be contemplating reducing the biodiesel blend mandate from 30% to 25% or 20% appear to have been highly exaggerated (or possibly made up completely).
 - MPOA March 1-20 production up 8%. SPPOMA up 22%. Stabro forecasting March stocks flat to UP 5%.
 - MPOC forecasting small rise in global PO production in 2022 to 18.9 MMT in Malaysia and 47.1 in Indo.
- **Rapeseed/Canola Oil:** Canola futures (May) ↑ \$14.60 (1.3%)
 - China reported only 65,265 MT of rapeseed imports February, the lowest single month in over 5-years. Maybe the best cure for high prices IS high prices?
- **Sunflower:**
- **Corn Oil:** Prices go vertical as ADM has plant problems & export market pulls product away.

Biofuels

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Coffee

- **May finished** the week with a gain of 1.80 cents (0.8%) to break 5 week losing streak.
- **Brazilian currency** hit 2 year high last week which provided a boost to the coffee market as it has gained more than 16% against the \$.
- **ICE exchange stocks** rose by over 3,500 bags on Friday and are almost 16% above Feb month end total. This could signal that supply bottlenecks and shipping container shortages are easing.

Cocoa

- **May finished** the week with a gain of 25 points (1%) for second positive weekly result.
- **West African** growing regions have seen wet weather which should benefit their upcoming mid crop production.
- **Global demand** in question with more China covid lockdowns and likely less chocolate purchases in Europe as travel likely lessens due to Russia's invasion of Ukraine.

Sweeteners

- **May finished** the week with a gain of 68 ticks (3.6%) to break 2 week losing streak.
- **India**, the worlds 2nd largest exporter of sugar, talking about capping exports to ensure domestic demand is met.
- **Brazilian currency** hit 2 year high which provided the sugar market with carryover support along with energy markets hitting positive territory again.

Citrus/Frozen Concentrated Orange Juice

- Last Friday, spot FCOJ futures closed at 150.90 vs. 147.65 WA vs. 111.20 YA. Compared to most other commodities, FCOJ futures are still "only" around 75th percentile of the last 10-year price history, a "bargain" by today's standards!
- 21/22 Brazil citrus crop estimated at 264,140,000 boxes (40.8 kg/box), smallest since 16/17; compares to 21/22 Florida citrus crop at 47,000,000 boxes, smallest since 17/18.

Dairy

- **USDA February Cold Storage: CHEESE** stocks @ 1,469.3 MM, +2.3% YoY, and +1.7% MoM... **BUTTER** stocks @ 263.0 MM, -25.8% YoY, and +19.9% MoM
- **CHEESE**: Spot cheese prices have climbed to the next level (\$2.26 on Monday). Milk is available, and remains discounted at avg of \$1.75 under Class III (\$4 under YA; \$6

under 2YA). Cheese demand is strong... Western suppliers are selling to Asia as US prices remain a relative bargain. Labor and freight continue to be a headache, but many cheesemakers are running full schedules... International pricing: German = \$2.32 (-0)... Q2 futures: Block cheese = \$2.3717/lb (+.1117)

- **BUTTER**: Spot prices fell back to the mid \$2.70's on Monday (\$2.7375). Cream demand for ice cream and seasonals is strong. Some butter producers are on hold, as they sell cream to take advantage. Butter production is busy in Central & West regions... Food service and retail demand is steady to stronger ... Cream supplies are accessible, but tightening: Midwest multiples = 130 (128 WA; 128 YA; 120 5-yr avg)... International prices: Dutch = \$3.29 (+.04)... German = \$3.41 (+.27)... Q2 futures = \$2.7345/lb (+.0636)

Proteins (Beef, Pork, Poultry)

- **PROTEIN COMPLEX**: USDA Quarterly Hogs & Pigs Report (March 1 inventory survey) due on Wednesday; trade looking for numbers to be largely similar to YA; this report has a good track record of predicting future hog slaughter.
- In the monthly Cold Storage Report released last week, the USDA reported total red meat supplies as of 02/28 at +5% vs. MA; +1% vs. YA (beef +1% vs. MA, +4% vs. YA; pork +11% vs. MA, -1% vs. YA) and total poultry supplies +6% vs. MA; -1% vs. YA (chicken +1% vs. MA, +2% vs. YA; turkey +21% vs. MA, -8% vs. YA).
- The Cattle on Feed (as of March 1) report last week vs. YA showed on feed +1%, placements +6.3%, marketed +5%; the overall on feed inventory at 12.2 M head, highest March 1 number since the USDA began reporting in 1996.
- **Beef**: Live cattle futures ended the week on an up note again as cash markets remain firm.
 - Last Friday, Spot Live Cattle futures closed at 140.5 unchanged vs WA; +17.0% vs. YA. Spot Feeder Cattle closed at 156.4 -0.4% vs WA; up 7.8% vs YA.
 - Choice Beef Cutout closed at 260.82 -3.4% vs WA; +8.5% vs YA; Ribs 376.5 -2.5% vs. WA, -4.8% vs YA; Round primal 222.6 -3.6% vs WA, +14.7% vs YA; Chuck primal 226.8 -2.7% vs WA, +11.0% vs YA; beef 50's 99.5 -4.9% vs WA, +97.2% vs YA; beef 90's 283.9 +0.2% vs. WA, +22.6% vs YA.
- **Pork**: Lean hog futures closed higher Friday driven by overall move higher in commodity/feed markets. As noted above, the trade will respond to the Hogs & Pigs Report.
 - Lean Hog futures closed at 107.5 +8.1% vs WA; +6.6% vs. YA.

- Pork Cutout closed at 111.1 +1.4% vs WA, +19.2% vs YA; Hams 81.5 +0.4% vs WA, -4.7% vs. YA; Bellies 214.1 +3.6% vs WA, +36.0% vs YA; Loins 106.4 +0.8% vs WA, +32.5% vs YA; 72's 92.8 -3.3% vs WA, -3.4% vs YA.

- **Poultry/Eggs/HPAI**: Last Friday, the National Composite Whole Bird Index closed at 128.9 +2.4% vs WA, +54.4% vs YA; NE Breast B/S 274.2 +3.0% vs WA, +94.5% vs YA; NE Leg quarters 38.1 +0.5% vs WA, +4.7% vs YA

- HPAI woes continue; latest case in Hormel turkey flock in Willmar, MN (Jennie-O brand); so far over 14M birds have been culled in 61 cases in 9 states since Feb 8.

- Egg markets have jumped sharply; shell eggs +70-85% since early March and some dried egg products +20% las week alone; last major HPAI event in the US in 14/15 caused price spike far above current levels but some in trade believe those levels may be challenged in the current event.

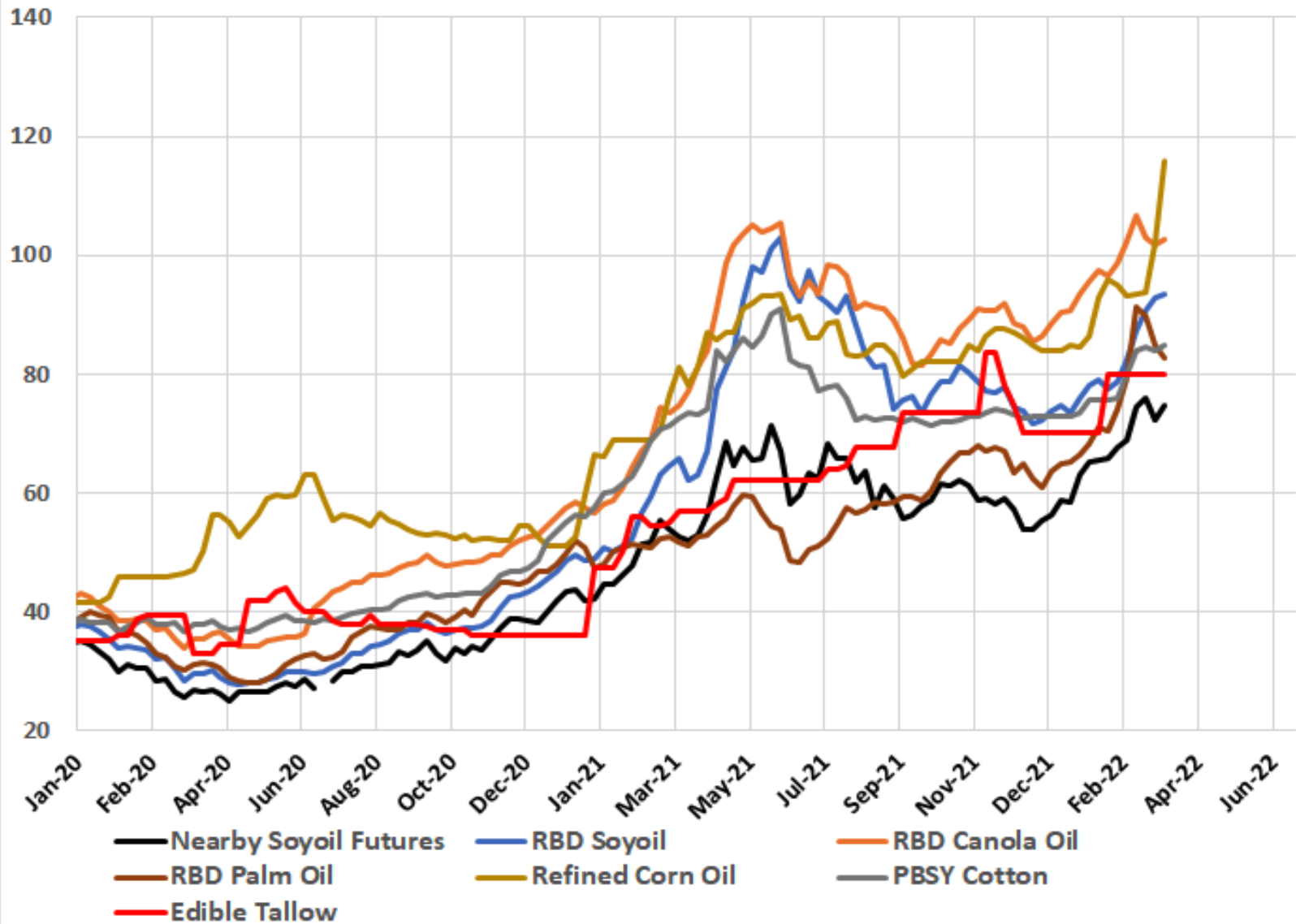
Major Currencies v. US Dollar

- **US \$**: 99.1350 v. 98.4430 LW and 92.8850 LY
- **Canadian \$**: 1.2523 v. 1.2592 LW and 1.2588 LY
- **Euro €**: 1.0988 v. 1.1014 LW and 1.1762 LY
- **Chinese ¥**: 6.3856 v. 6.3685 LW and 6.5745 LY
- **Brazilian R\$**: 4.7694 v. 4.9354 LW and 5.7799 LY
- **Arg ₳**: 110.68 v. 109.96 LW and 91.91 LY

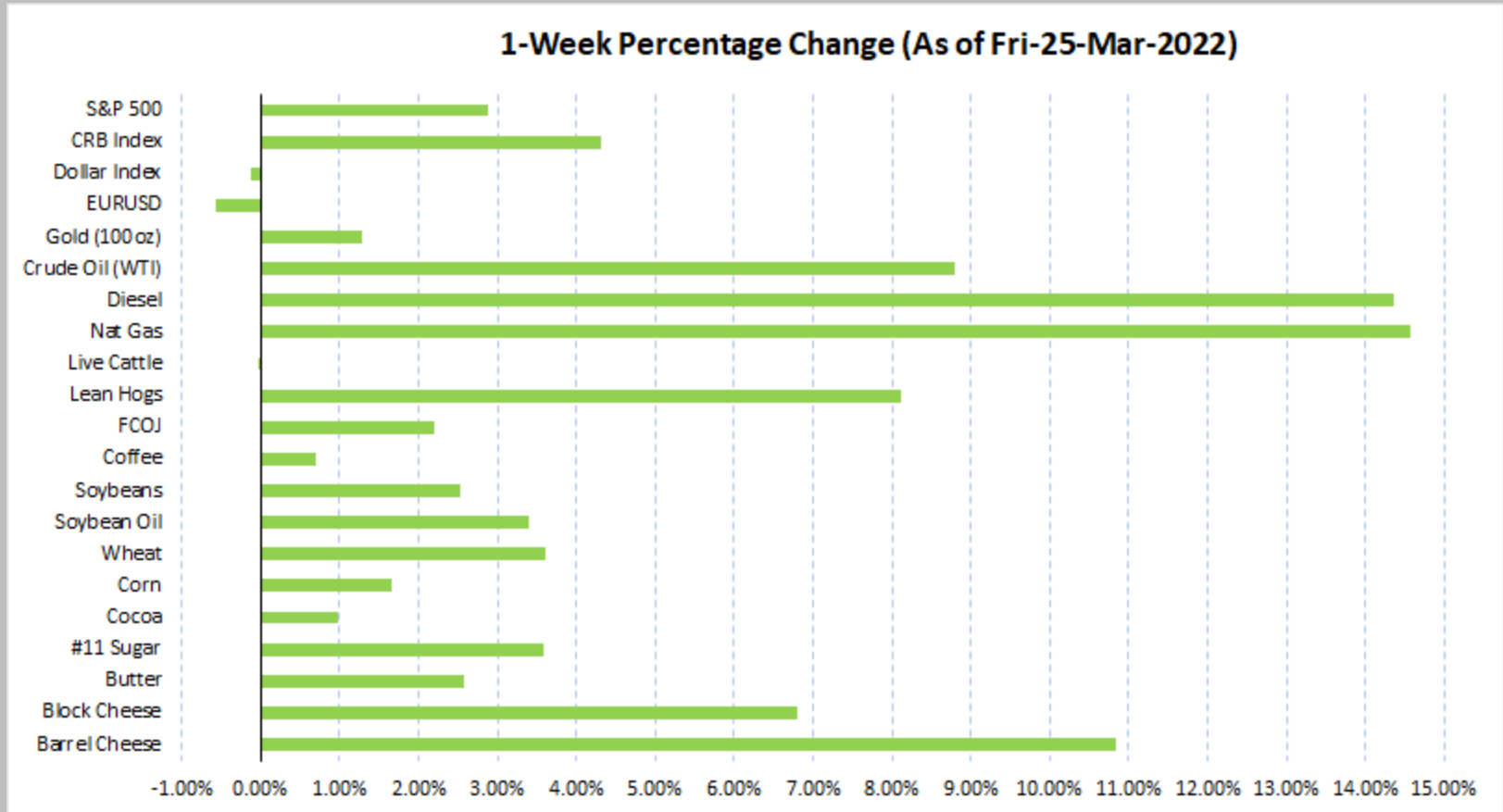
Energy (Petroleum/Natural Gas)

- **Baker Hughes Rig Count** @ 531 +7 from last week.
- **US Weekly Crude Oil Production** @ 11,600 UNCHG v. week ago.
- OPEC has agreed to a SLIGHT production increase despite the price surge resulting from fighting in Ukraine.

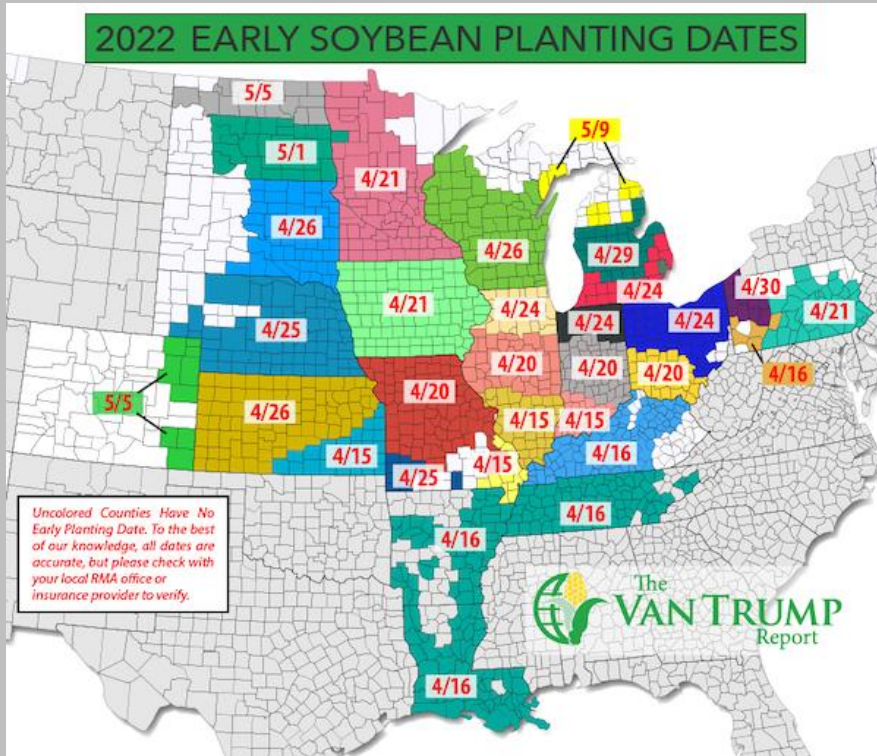
Cash Vegoil Prices & Nearby SBO Futures (Cents/Lb)



Past week losers vs. gainers



Early Planting Dates



DAIRY Update

CME Spot	3/21	3/22	3/23	3/24	3/25	3/28
Block Cheddar	\$2.1375	\$2.21	\$2.24	\$2.24	\$2.2750	\$2.26
Grade AA Butter	\$2.7775	\$2.7975	\$2.8025	\$2.8025	\$2.7950	\$2.7375

USDA-NASS Cold Storage Report – see slide

CHEESE – 8 blocks; 27 barrels traded last week...

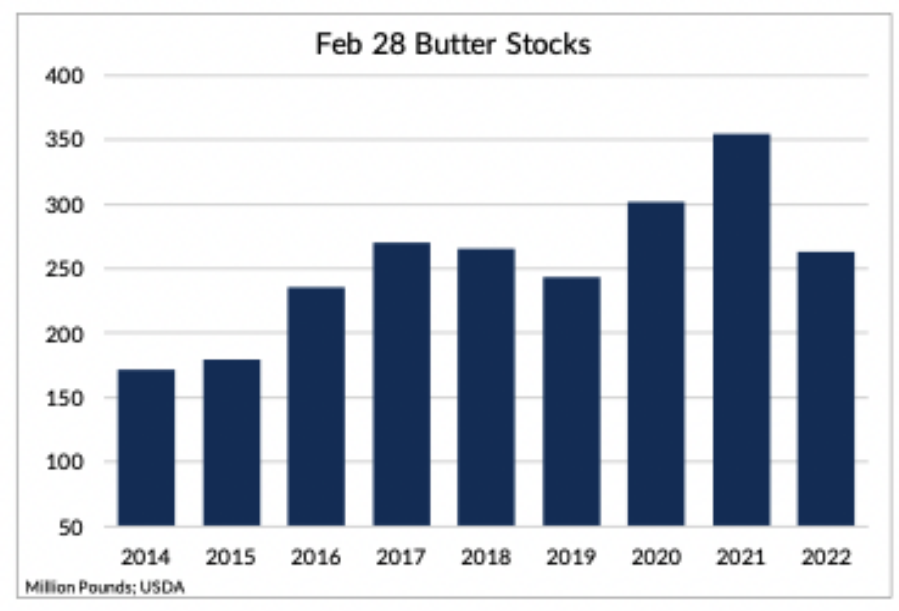
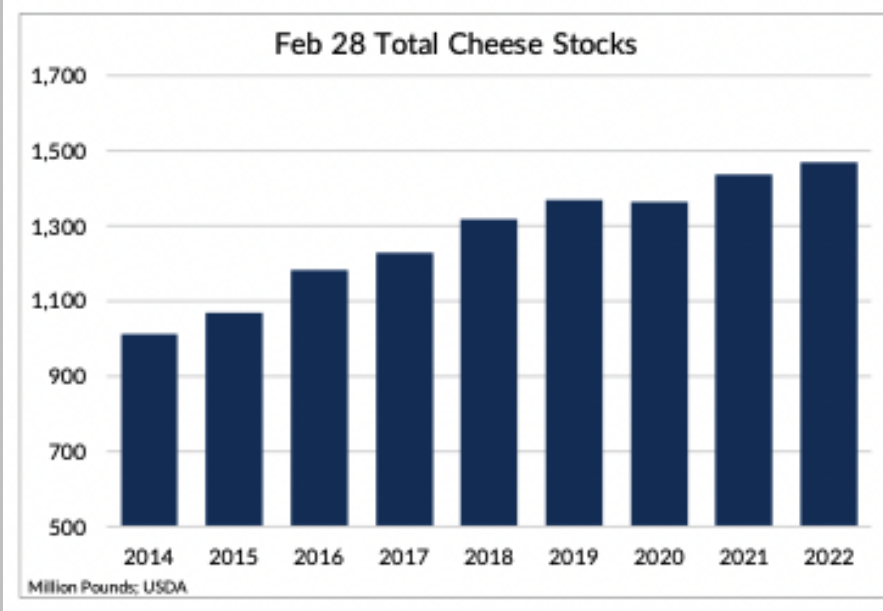
- Milk is available, and remains discounted at avg of \$1.75 under Class III (\$4 under YA; \$6 under 2YA)
- Cheese demand is strong... Western suppliers are selling to Asia as US prices remain a relative bargain
- Labor and freight continue to be a headache, but many cheesemakers are running full schedules
- International pricing: German = \$2.32 (-0-)
- Q2 futures: Block cheese = \$2.3717/lb (+.1117)

BUTTER – 7 lots traded last week...

- Cream demand for ice cream and seasonals is strong... Some butter producers are on hold, as they sell cream
- Cream supplies are accessible, but tightening: Midwest multiples = 130 (128 WA; 128 YA; 120 5-yr avg)
- Butter production is busy in Central & West regions... Food service and retail demand is steady to stronger
- International prices: Dutch = \$3.29 (+.04)... German = \$3.41 (+.27)
- Q2 futures = \$2.7345/lb (+.0636)

NEW ZEALAND – Hot/dry weather is burning up pastures in Feb/Mar, and sent Feb milk production -8.2%, which is the lowest Feb output since 2013.

USDA-NASS February Cold Storage



- **CHEESE** stocks @ 1,469.3 MM, +2.3% YoY (+33.1 MM), and +1.7% MoM (+24.2 MM)... 5YA MoM = +21.5 MM

- *Neutral – Decent growth YoY and MoM. However, American type cheese dropped by 4 MM, which is not bearish for Chicago markets, as that is the product that matters there.*

- **BUTTER** stocks @ 263.0 MM, -25.8% YoY (-91.6 MM), and +19.9% MoM (+43.7 MM)... 5YA MoM = +39.4 MM

- *Neutral – A very nice MoM growth, and bit better than average MoM growth, but a slow start to the year with only 64 MM added to stores in the 1st two months (92 MM on average).*