

Key Market Drivers – 10/4/2022 (Page 1)

Top Headlines

- **RUSSIA-UKRAINE WAR:** “Mysterious” undersea explosions took out both Nordstream pipelines, rendering completely inoperable. GER is claiming sabotage, but who? UKR & US are blaming RUS, but why would they blow up a \$1Bil pipeline when they control the inbound flow?? Some are blaming US, but Pentagon says we didn’t do it, so... On Friday, RUS completed annexation “referendums” in the Donbas region, where not surprisingly, the vote was overwhelming in support of RUS annexation (between 87-99%)... UKR has recaptured the key logistical hub of Lyman, and RUS troops seem tired and weary of the fight.
- **OPEC+** to consider production cut of 1 to 1.5 M bpd.

Recent/Upcoming Reports

- **US Small Grains Final & Sept 1 Stocks – 9/30...** see slides
- **USDA October WADSE – 10/12**

Weather Headlines

- **NOAM:** Some minor rains expected in parts of the Midwest this week but not enough to slow down harvest progress.
- **SOAM:** Brazil looking at some decent rains expected this week despite La Nina weather pattern.

Corn

- **Crop Conditions:** see slides
- **Futures:** December futures ↑ ¼¢ (0.0%)...
- **Cordonnier** US yield estimate unchanged at 169 bpa.
- **BRAZIL:** First crop corn 34% planted. Cordonnier forecasting upcoming crop at 125.5 MMT.
- **Argentina:** **RGX** cuts estimate of corn crop by 2 to 56 MMT. Corn about 6% planted. Cordonnier forecasting upcoming crop at 51 MMT.
- **UKR:**

Wheat

- **Futures WoW:** Chicago ↑41¢ (+4.6%); KC ↑41¢ (+4.3%); and MPLS ↑33¢ (+3.5%)... *Chicago wheat is the only grain commodity with a short spec position*
- **US WINTER WHEAT:** Planting is 40% complete, vs 44% on avg.
- **RUSSIA:** Export taxes were lowered to ~\$37/MT, the 8th straight week, as RUS continues to push their wheat exports. Their prices remain the lowest FOB values in the world... SovEcon is estimating RUS exported 9.9 MMT in the 1st three months of the marketing year, compared to 11.8 YA...
- **UKRAINE:** Ag Minister reporting 1.75 MMT of wheat exported in Sept, almost double the Aug total, and the highest since November. 5-yr monthly average = 3.4 MMT
- **INTERNATIONAL PRICING:** Friday’s market, with WoW change in ()... US-HRW, Fob Gulf = \$427 (+15); US-SRW, Fob Gulf = \$339 (+15); ARG, Fob BA = \$410 (+5); FRA, Fob Rouen = \$350; UKR = No Quote; RUS = No Quote, *but sources report trading at \$325/ton FOB (-0-)*

Oilseeds/Vegetable Oils

- **Crop Conditions:** see slides
- **Soybeans/SBO:** Soybeans (Nov) ↓ 61¢ (4.3%); SBO (Dec) ↓ 212 points (3.3%)... **Cordonnier** US yield unchanged at 50 bu/acre.
 - **CHINA:**
 - **BRAZIL:** Cordonnier forecasting Brazilian SB production at 151 MMTs. Soybeans 4-5% planted in Brazil so far.
 - **ARGENTINA:** Cordonnier forecasting upcoming Arggie SB crop at 50 MMTs.
- **Palm Oil:** PO (Dec) ↓ \$87.50 (9.6%) on the week...
 - **Indonesia:**

- **Malaysia:** MPOA expected to report September production up 3% to 5%. SPPOMA reports September production down 1%. Exports reported quite strong, +11% & 10% by AmSpec & ITS. ...Palm oi analyst Dorab Mistry ends up being wrong yet again! His prediction that “prices would fall to 3,000 ringgit by the end of Sep” didn’t happen. Lowest we got was 3225 on Thursday (9/29).
- **India:**
- **Rapeseed/Canola Oil:** Canola futures (Nov) ↑ \$33.30 (4.1%)...
 - **Canada:** Canola harvest progress: MB 30% (9/27); SAS is 66% harvested (9/26); AB at 74.8%(9/27).... Canadian YTD crush at parity to LY, but nearly 10% below 5-year average. YTD export pace is down 52.5% from LY and 80% behind the 5-year average.
 - **ND** canola harvest 88% complete, vs 95% LY and 90% average.
 - **Strategie Grains** raises estimate of **EU rapeseed** crop to 19.46 MMT, up from last months estimate of 19.15 and 14.5% larger than last years crop.
 - **Chinese** import margins for Canadian canola oil finally turn positive (barely) for the November/December slot. FOB canola oil offered at +400.
- **Sunflower:** 62% of ND sunflowers rates as GE. No harvest progress yet.
- **Strategie Grains** also raised estimate of **EU sunseed** crop to 9.25 MMT, up from last months estimate of 9.17 but still 10% below last year’s crop.

Biofuels

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Coffee

- **Dec coffee futures** finished the week up 1.10 cents (0.5%).
- **Brazilian rainfall** in growing regions should benefit coffee trees and promote flowering.
- **La Nina weather pattern** expected to stick around through early 2023 causing dry conditions in Brazil and overly wet conditions in Colombia.
- **ICE exchange stocks** fell over 9000 bags Friday to finish the month at the lowest level since April of 1999.

Cocoa

- **Dec cocoa futures** end the week with a gain of 107 points (4.8%) for first positive weekly result in the last 4 weeks.
- **Ivory Coast Coffee and Cocoa Board** announced 22/23 farmgate price will be higher than last seasons which could signal tighter supply than expected.
- **Nigeria August exports** reported 48% below YA levels.

Sweeteners

- **March futures** finished up 4 ticks (0.2%).
- **Brazil's Center South** production over 8% behind YA pace due to late harvest and dry La Nina weather conditions.
- **Brazilian government** put a cap on state fuel taxes which put a damper on ethanol demand.

Citrus/Frozen Concentrated Orange Juice

- Spot FCOJ futures closed last week at 191.40 vs. 184.00 WA vs. 133.65 YA.
- Hurricane Ian: 30 days from harvest, citrus crops were at risk in S. GA, N. FL, and E. AL and vulnerable to significant damage as the storm approached; as a Cat 4 on landfall, Ian degraded to Cat 1 as it pushed through ~175,000 acres of FL citrus groves; ultimately Ian worsened what was already forecast as the smallest US orange crop in 55 years; final effects are still being evaluated but FCOJ futures have rallied over 15% since early last week.
- HLB or "greening disease" is on the rise in Brazil, this is the same plight that has reduced FL citrus output over the last several years.
- A record number of S. African citrus vessels have sailed for

the US so far this year to supplement domestic US supplies.

Dairy

- **CHEESE:** Spot block cheese prices holding around the \$2.00 level, with barrels trading between 15-28 c/lb premium. Spot milk is still tight in the Midwest, selling at +\$.50 Class III, but plenty of milk in Northeast/West. The tightness in the Midwest is prompting some downtimes, as plants get ready for the holiday season. Demand for cheese is slowing in the East, but steady in the Midwest/West. Strong export demand persists in the West, as US prices remain at a discount internationally. Barrel supply is tight, and this is likely causing the large inversion to blocks... Q4 block cheese futures average = \$2.0230 (-.05)... International: German edam = \$2.37 (-.02)
- **BUTTER:** Prices remain strong despite signs of better supply (Monday's close \$3.1775). Cream volumes are a bit more available to meet production needs, but some still selling cream back. Butter makers in the West/Midwest are building ahead of the holiday season in the Northeast and West. Better cream volumes, but Midwest multiples even higher = 140 (138 WA; 137 YA; 131 5YA)... Q4 futures average = \$2.8860 (+.02)... International: German = \$3.03 (-.02)... Dutch = \$3.12 (-.02)

Proteins (Beef, Pork, Poultry)

- **PROTEIN COMPLEX:** Protein future markets continue to move seasonally lower as more animals come to market. Cash markets moved lower despite strong demand. Concerns are focused around "outside" markets potentially impacting future demand.
- **Beef:** Live cattle futures ended the week lower versus last week. Last Friday, Spot Live Cattle futures closed at 147.1 down 1% vs LW; up 9.6% vs. YA. Spot Feeder Cattle closed at 174.6 down 2% vs LW; down 1.1% vs YA.
 - Choice Beef Cutout closed at 246.7 down 1.3% vs LW; down 17.1% vs YA; Ribs 403.5 down 1.2% vs. LW, down 27.3% vs YA; Round primal 219.3 down 1% vs LW, down 10.8% vs YA; Chuck primal 195.7 down 2.3% vs LW, down 18.7% vs YA; beef 50's 87.7 down 11.5% vs LW, down 28.8% vs YA; beef 90's 262.6 down .5% vs. LW,

down 5.1% vs YA.

- **Pork:** On Friday, the Hogs and Pigs report came out and showed lower hog inventory along with a lower breeding herd which points to higher prices based upon tighter supplies for the balance of this year and more than likely through the first half of 2023.
- Lean Hog futures closed at 76.2 down 7.9% vs LW; up 5.1% vs YA.
 - Pork Cutout closed at 99.5 down 3.6% vs LW, down 11.9% vs YA; Hams 104.3 down 1.3% vs LW, up 13.8% vs. YA; Bellies 120.9 down 11% vs LW, down 38.4% vs YA; Loins 96.8 down .7% vs LW, down 11.4% vs YA; 72's 95.5 down 7.5% vs LW, down .2% vs YA.
- **Poultry/Eggs/HPAI:** Last Friday, the National Composite Whole Bird Index closed at 124 down .9% vs LW, up 17.9% vs YA; NE Leg quarters closed at 42.6 down 3.1% vs LW; NE breast, B/S closed at 153.6 down 14.2% vs LW
 - Bird flu (Eurasian H5N1) summary: 46 states with cases detected in wild birds (unchanged vs LW), 40 states with cases in poultry (unchanged vs LW).
 - Bird flu is a major risk as Fall migration begins and increased cases being reported. This has the ability to have a major impact chickens, turkeys and rebuilding the egg supply going forward.

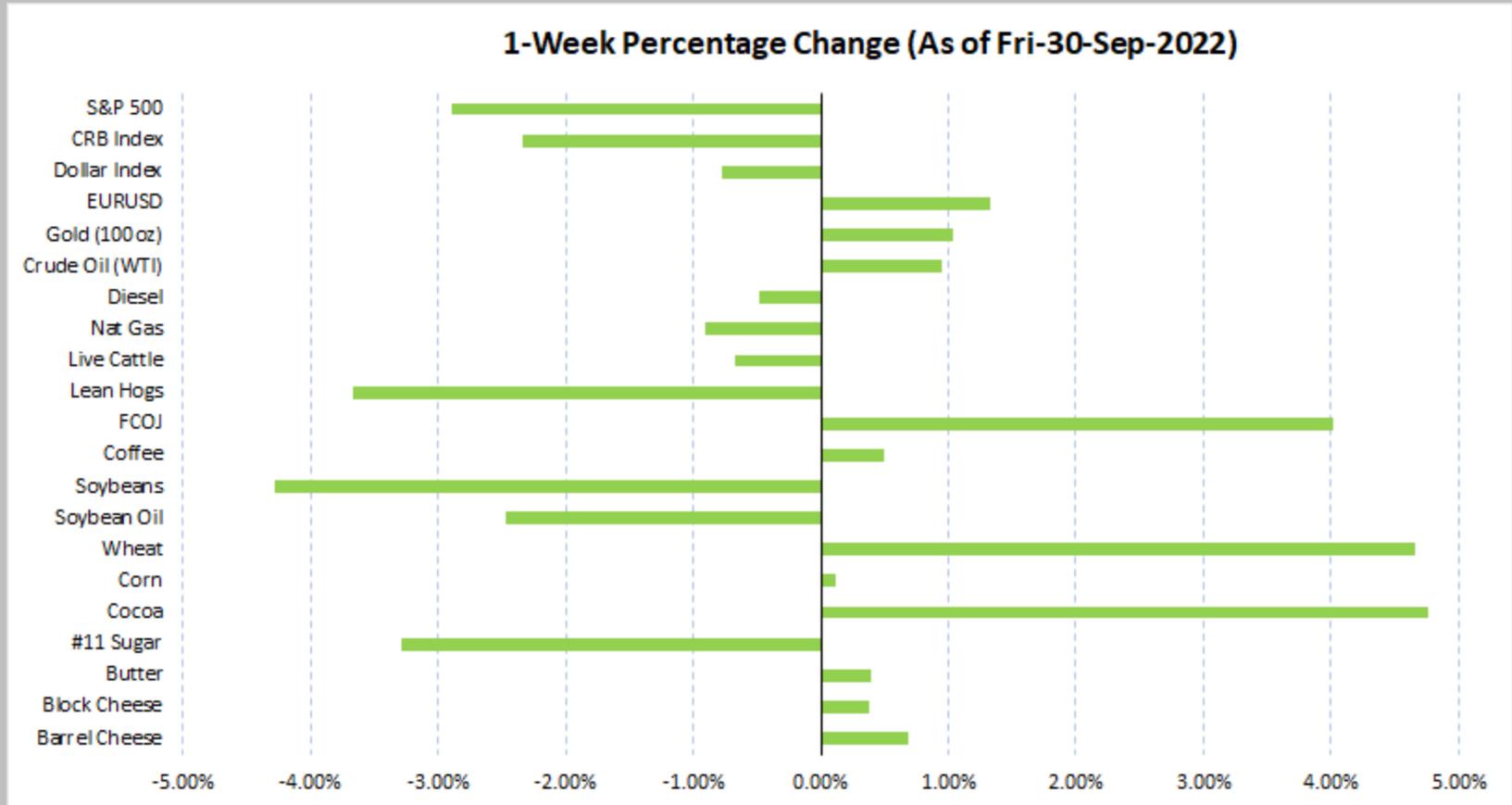
Major Currencies v. US Dollar

- **US \$:** 111.82 v. 114.20 LW and 93.795 LY
- **Canadian \$:** 1.3636 v. 1.3760 LW and 1.2587 LY
- **Euro €:** .9806 v. .9605 LW and 1.1621 LY
- **Chinese ¥:** 7.1021 v. 7.1744 LW and 6.4477 LY
- **Brazilian R\$:** 5.1812 v. 5.3883 LW and 5.4535 LY
- **Arg ₳:** 148.23 v. 146.26 LW and 98.89 LY

Energy (Petroleum/Natural Gas)

- **Baker Hughes Rig Count @ 604 +2** from last week.
- **US Weekly Crude Oil Production @ 12,000 -100** v. WA

Past week losers vs. gainers



DAIRY Update

CME Spot	9/26	9/27	9/28	9/29	9/30	10/3
Block Cheddar	\$2.01	\$2.0075	\$1.99	\$1.9675	\$1.9675	\$2.00
Grade AA Butter	\$3.1325	\$3.1550	\$3.1650	\$3.1450	\$3.1450	\$3.1775

CHEESE – 3 blocks & 10 barrels traded last week... Barrels still trading at 16-28 c/lb premium to blocks

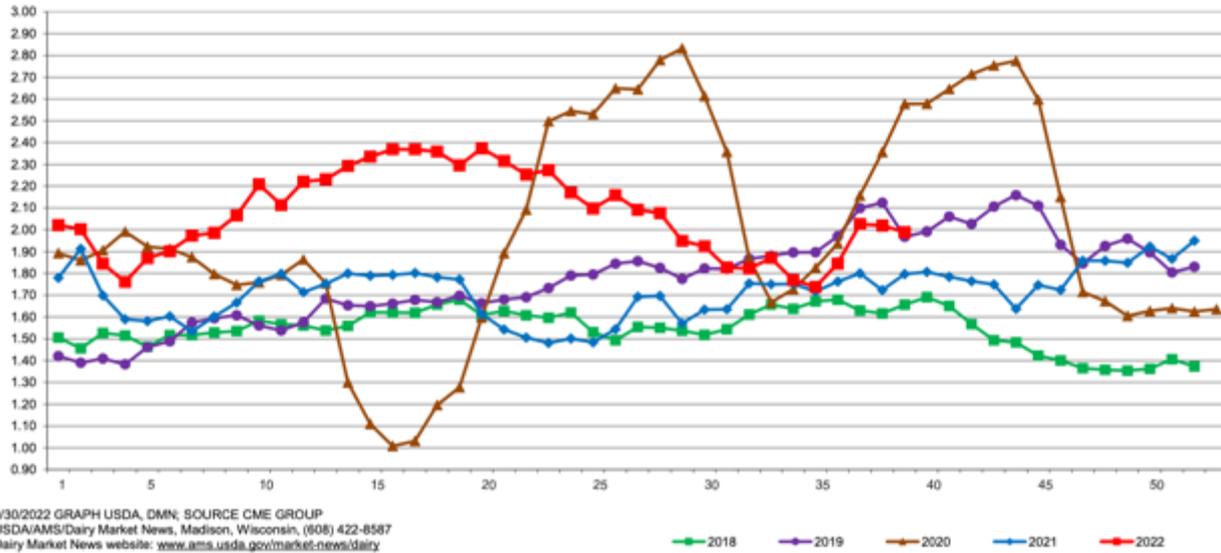
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BUTTER – 32 lots traded... Prices still elevated despite signs of better supplies

- Cream volumes are a bit more available to meet production needs, but some still selling cream back
- Butter makers in the West/Midwest are running busy production schedules
- Demand for butter is building ahead of the holiday season in the Northeast and West
- Better cream volumes, but Midwest multiples even higher = 140 (138 WA; 137 YA; 131 5YA)
- Q4 futures average = \$2.8860 (+.02)
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U.S. \$ PER POUND

CME Weekly Average Cash Cheddar Block Prices



U.S. \$ PER POUND

CME Weekly Average Cash Grade AA Butter Prices

