

# Key Market Drivers – 10/11/2022 (Page 1)

## Top Headlines

- **RUSSIA-UKRAINE WAR:** The main bridge connecting RUS to Crimea was bombed last week, and RUS responded with airstrikes against several targets in UKR on Monday, including Kyiv. Reportedly there was no damage to export facilities or other grain infrastructure... In other news, UN officials are working to extend the grain export safe passage deal for a year, rather than just another 4 months...
- **UN Food Inflation:** FAO reported their global food price index fell for the 6<sup>th</sup> straight month, down 1.1% in Sept, but is still +5.5% YoY.

## Recent/Upcoming Reports

- **USDA October WADSE – 10/12** – see preview

## Weather Headlines

- **NOAM:** Cool and dry weather expected to hit the corn belt these next two weeks as harvest gets more chances to chug along... Unusually low water levels on the southern **Mississippi River** has caused a halt to barge traffic. Ingram Barge, one of the largest shippers, has declared “force majeure”. US Army Corps of Engineers will be dredging problem areas to get things moving again.
- **SOAM:** Brazil continues to be lucky this week with more good rains expected while Argentina remains very dry with not much, if any, rain in the forecast.

## Corn

- **Crop Conditions:** see slides
- **Futures:** December futures ↑ 5¼¢ (0.8%)...
- **Cordonnier** US yield estimate unchanged at 169 bpa. Informa lowers U.S. corn yield to 171.2.
- **BRAZIL:** First crop corn 39% planted. **Cordonnier** forecasting upcoming crop at 125.5 MMT. **CONAB** forecasting 22/23 crop at 126.9 MT.
- **Argentina:** **RGX** cuts estimate of corn crop by 2 to 56

MMT. Corn about 14% vs. 21% avg. planted. Cordonnier forecasting upcoming crop at 51 MMT.

## • **UKR:**

### Wheat

- **Futures WoW:** Chicago ↓41¢ (+4.4%); KC ↓23¢ (-2.3%); and MPLS ↓33¢ (-1.4%)...
- **RUSSIA:** The escalation in UKR on Monday pushed US wheat markets back to levels not seen since June. If UKR stocks cannot be accessed, the “Putin Premium” is definitely in effect. Watch for news about the extension of the UN safe passage deal.
- **UKRAINE:** Ag Ministry reporting harvest complete at 19.2 MMT (USDA 20.5; 33.0 YA). Harvested area was 4.7 MM ha (USDA at 5.3 MM ha... 7.4 YA).
- **INTERNATIONAL PRICING:** Friday’s market, with WoW change in ( )... US-HRW, Fob Gulf = \$439 (+12); US-SRW, Fob Gulf = \$397 (-10); ARG, Fob BA = \$420 (+10); FRA, Fob Rouen = \$342 (-8); 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) ↑ 2 ¼¢ (0.1%); SBO (Dec) ↑ 504 points (8.2%)... **Cordonnier** US yield unchanged at 50 bu/acre. Informa lowers U.S. Yield estimate to 49.9.
  - **CHINA:**
  - **BRAZIL:** **Cordonnier** est. production at 151 MMT. Soybeans 10% planted so far... **CONAB** forecasting 22/23 crop at 152.3 MMT
  - **ARGENTINA:** **Cordonnier** est. crop at 50 MMT.
- **Palm Oil:** PO (Dec) ↑ \$72.50 (8.8%) on the week...
  - **Indonesia:** GAPKI reports whopping 4.3 MMT of exports in September, driving stocks down to a comfortable 4 MMT.

- **Malaysia:** Markets down almost 4% today as MPOB ending September stocks rise 10%; more than anticipated.

## • **India:**

- **Rapeseed/Canola Oil:** Canola futures (Nov) ↑ \$14.90 (1.7%)...
  - **Canada:** Canola harvest progress: MB 58% (10/4); SAS is 82% harvested (10/3); AB at 92%(10/4)... YTD crush at parity to LY but remains 8.6% below 5YA. YTD export pace surged this week but is still down 27.1% from LY and 60% behind the 5-year average... **Leftfield Ag** reduces Canadian canola production estimate to 18.8 MMT.
  - **ND** canola harvest 88% complete, vs 95% LY and 90% average. - NOT UPDATED DUE TO HOLIDAY
- **Sunflower:** 62% of ND sunflowers rates as GE. No harvest progress yet. NOT UPDATED DUE TO HOLIDAY

### Biofuels

- Missouri Governor signs biodiesel & ethanol tax credits into law – The law will take effect 1/1/2023 and run through 2028 and supply a tax credit, limited to \$4 MM annually to certain blends of ethanol and biodiesel.

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## Coffee

- **Dec coffee futures** finished the week with a loss of 3.45 cents (1.5%).
- **ICE exchange stocks** have remained fairly steady the past 4 trading sessions which could indicate a low in stocks before they begin to rise.
- **Brazilian growing regions** getting good rains but rumors that some trees may have been damaged by hail and heavy rains in Minas Gerais.

## Cocoa

- **Dec cocoa futures** end the week with a gain of 42 points (1.8%) for second positive weekly result in a row.
- **West African production** not likely to exceed last season.
- **Demand concerns** loom with inflation and less consumer discretionary income.

## Sweeteners

- **March futures** finished with a gain of 100 ticks (5.7%) for a second positive weekly result in a row.
- **Carry over support** from the large crude oil rally after last weeks OPEC announcement.
- **Brazilian rainfall** slowing down harvest and crush of cane crop which could tighten near term supply.

## Citrus/Frozen Concentrated Orange Juice

- Spot FCOJ futures closed last week at 192.85 vs. 191.40 WA vs. 128.50 YA.
- Although early assessment attempts were limited by cell phone and internet outages, Hurricane Ian likely caused extensive citrus fruit loss as it tore through Florida Sept. 28–29. The catastrophic hurricane churned through the Gulf and Peace River Valley citrus regions, then headed northeast to impact Highlands and southern Polk counties and the Indian River citrus region.
- Although conducted prior to Hurricane Ian's impact, the USDA will provide their first estimate of the new crop orange output on Wednesday, October 12.

## Dairy

- **CHEESE:** Spot block cheese prices holding in the low \$2.00

range (\$2.0350 on Monday), with barrels still trading at ~20 c/lb premium to blocks. Milk production is increasing, mainly due to cooler weather benefitting cow output. Spot milk prices weakened a bit, selling at -\$0.50 Class III (+.50 WA; +70 5YA). Cheesemakers are running steady, but demand for cheese varies across the regions... Q1 block cheese futures average = \$2.0740 (+.0333)... International: German edam = \$2.41 (+.04)

• **BUTTER:** After trading to a new all-time high (\$3.2675 on Thursday), spot prices closed at \$3.23 on Monday. Cream is more available, and butter churning is increasing. Butter demand is steady to building across the country, at a time when inventories are tight. Cream volume is weighing on Midwest multiples, now at 136 (140 WA; 135YA; 131 5YA)... Q1 futures average = \$2.5668 (+.0560)

## Proteins (Beef, Pork, Poultry)

• **PROTEIN COMPLEX:** Beef markets continue to reflect sustained increases in slaughter that have been going on since the Summer. Pork markets moving lower seasonally but keep in mind that the number of animals is lower than prior year, so supply is tighter than previous years. Poultry production keeps moving forward as producers look to capture consumer market share at the same time consumers seek value in every dollar spent.

• **Beef:** Live cattle futures ended the week higher versus last week. Last Friday, Spot Live Cattle futures closed at 148.5 up .7% vs LW; up 7.9% vs. YA. Spot Feeder Cattle closed at 176.6 up 1.2% vs LW; unchanged vs YA.

- Choice Beef Cutout closed at 246.9 unchanged vs LW; down 13.8% vs YA; Ribs 409.3 up 1.4% vs. LW, down 18.2% vs YA; Round primal 220.5 up .6% vs LW, down 11.8% vs YA; Chuck primal 199.8 up 2.1% vs LW, down 14% vs YA; beef 50's 77.1 down 12.1% vs LW, down 25.5% vs YA; beef 90's 261.1 down .6% vs. LW, down 5.5% vs YA.

• **Pork:** As mentioned before, pork supplies are moving seasonally higher, but supplies are forecasted to remain tighter as the number of animals processed is less. Prices will move seasonally lower, but sow slaughter is up versus prior year which tells us that in the future there will be less supply.

• Lean Hog futures closed at 77.2 up 1.2% vs LW; up 6.1% vs. YA.

- Pork Cutout closed at 100.1 down .6% vs LW, down 9.5% vs YA; Hams 106.1 up 1.7% vs LW, up 26% vs. YA; Bellies 128.7 up 6.4% vs LW, down 36.8% vs YA; Loins 94 down 2.9% vs LW, down 10.7% vs YA; 72's 99.1 up 3.8% vs LW, up 20.9% vs YA.

• **Poultry/Eggs/HPAI:** Last Friday, the National Composite Whole Bird Index closed at 122 down 1.6% vs LW, up 16.5% vs YA; NE Leg quarters closed at 38.8 down 8.9% vs LW; NE breast, B/S closed at 125.7 down 18.2% vs LW

- Bird flu (Eurasian H5N1) summary: 46 states with cases detected in wild birds (unchanged vs LW), 41 states with cases in poultry (up 1 state vs LW).

- WASHINGTON, October 7, 2022 – The United States Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) has confirmed the presence of highly pathogenic avian influenza (HPAI) in a commercial broiler breeder chicken flock in Madison County, Arkansas.

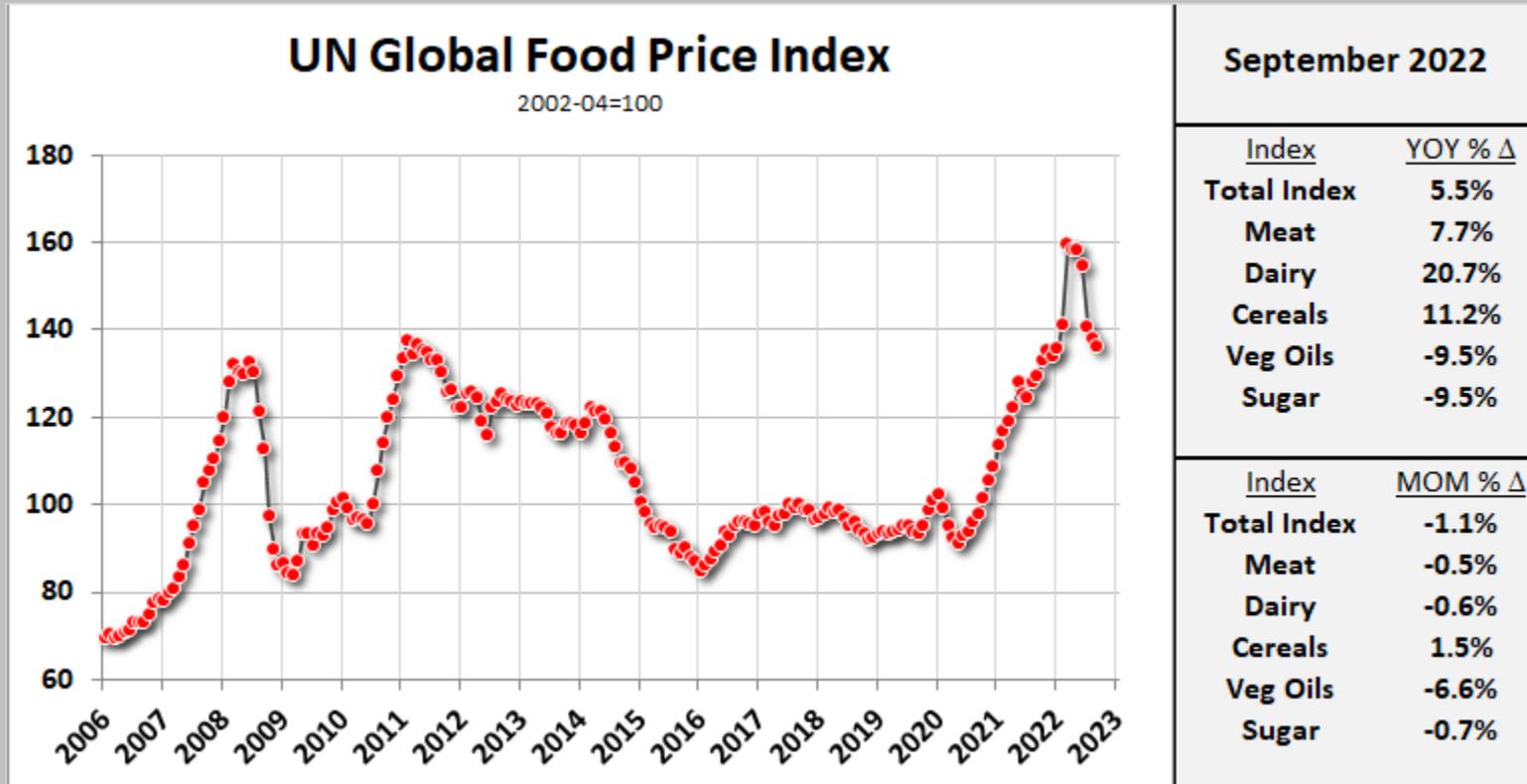
## • Major Currencies v. US Dollar

- **US \$:** 112.92 v. 111.82 LW and 94.381 LY
- **Canadian \$:** 1.3781 v. 1.3636 LW and 1.2482 LY
- **Euro €:** .9725 v. .9806 LW and 1.1551 LY
- **Chinese ¥:** 7.1638 v. 7.1021 LW and 6.4597 LY
- **Brazilian R\$:** 5.1975 v. 5.1812 LW and 5.5367 LY
- **Arg ₳:** 149.02 v. 148.23 LW and 98.85 LY

## Energy (Petroleum/Natural Gas)

- **Baker Hughes Rig Count @ 602 -2** from last week
- **US Weekly Crude Oil Production @ 12,000 UNCHG** v. WA

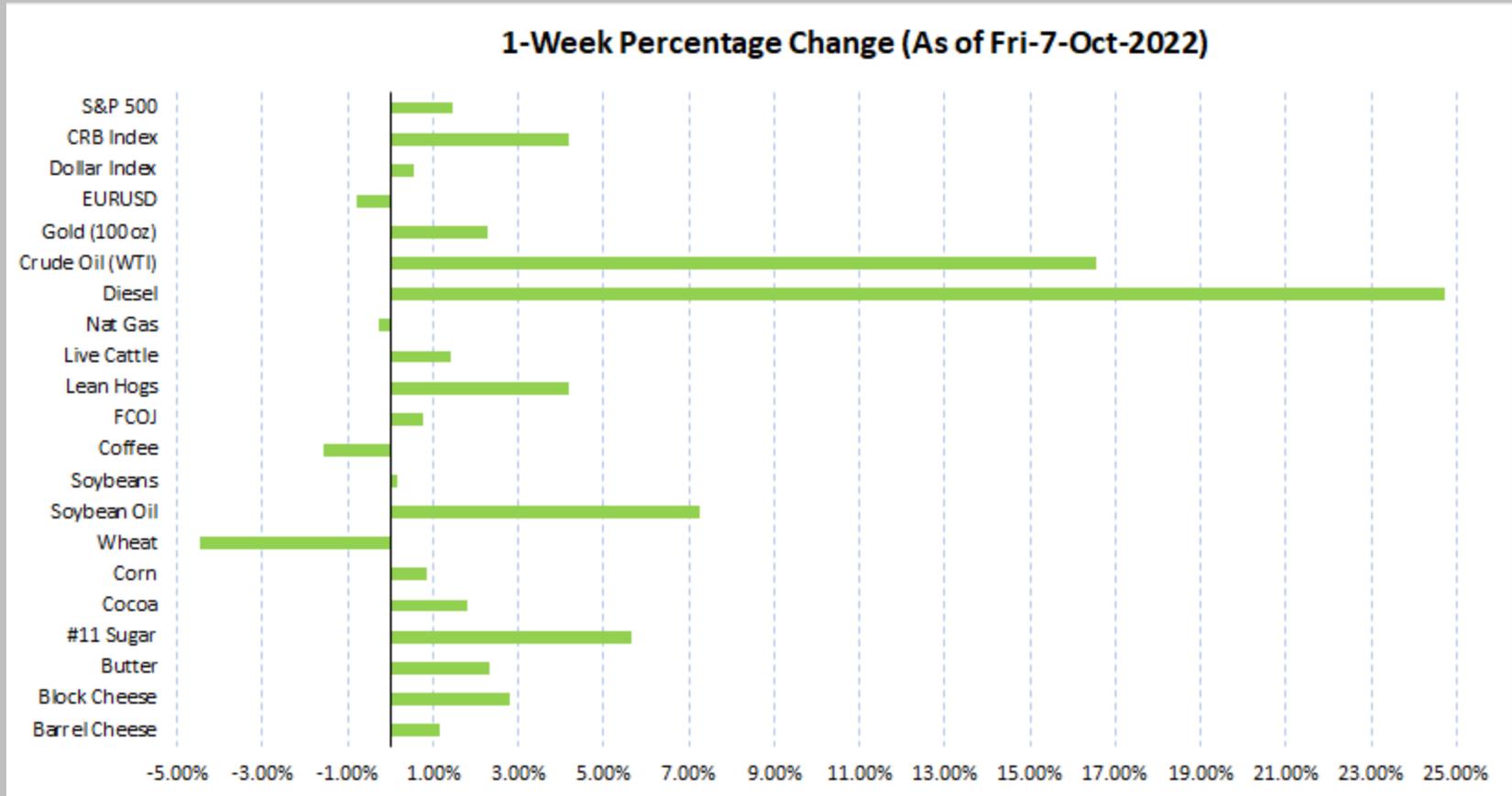
# FAO Global Food Index



*The United Nations FAO global food price index recorded a 1.1% decline in September from a month earlier, and is now 5.5% ahead of a year ago.*

*This is the 6<sup>th</sup> consecutive monthly decline in the index. The year-over-year gain is led by global prices for dairy (+21%) and cereals (+11%), offset by a 10% decline vegoil and sugar prices..... Bill Lapp, Advanced Economic Solutions*

# Past week losers vs. gainers



# DAIRY Update

CME Spot	10/3	10/4	10/5	10/6	10/7	10/10
Block Cheddar	\$2.00	\$2.00	\$2.0225	\$2.03	\$2.0225	\$2.0350
Grade AA Butter	\$3.1775	\$3.21	\$3.24	\$3.2675	\$3.2175	\$3.23

**CHEESE** – 6 blocks & 13 barrels traded last week... Barrels still trading at ~20 c/lb premium to blocks

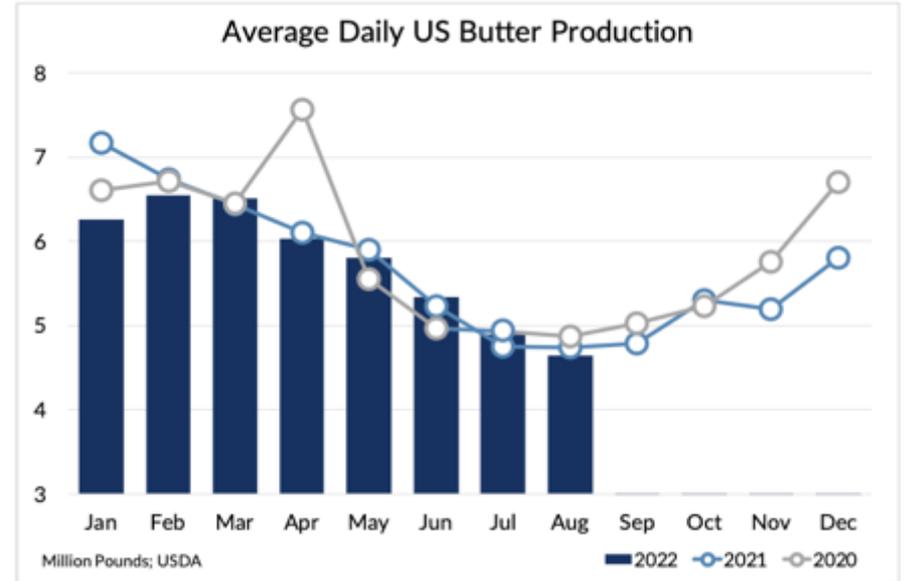
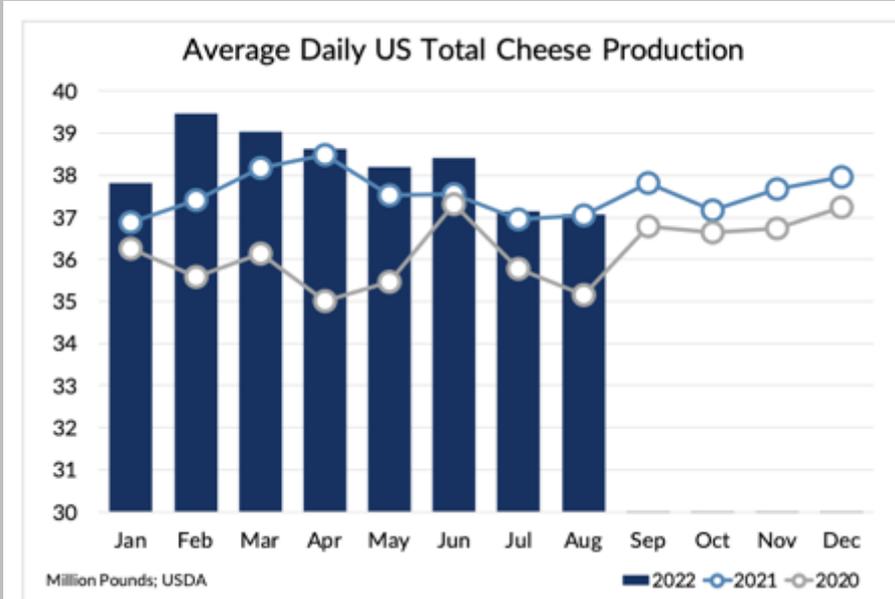
- Milk production is increasing, mainly due to cooler weather benefitting cow output
- Spot milk prices weakened a bit, selling at  $-.50$  Class III ( $+.50$  WA;  $+.70$  5YA)
- Cheesemakers are running steady, but demand for cheese varies across the regions
- Q1 block cheese futures average =  $\$2.0740$  ( $+.0333$ )
- International: German edam =  $\$2.41$  ( $+.04$ )

**BUTTER** – 35 lots traded... Another new, all-time high on Thursday

- Cream is more available, and butter churning is increasing
- Butter demand is steady to building across the country, at a time when inventories are tight
- Cream volume is weighing on Midwest multiple, now at 136 (140 WA; 135YA; 131 5YA)
- Q1 futures average =  $\$2.5668$  ( $+.0560$ )
- International: German =  $\$3.08$  ( $+.05$ )... Dutch =  $\$3.13$  ( $+.01$ )

**GDT** – last auction on 10/4... TOTAL Index =  $-3.5\%$ ... CHEESE =  $-3.5\%$  ( $\$2.25$ )... BUTTER =  $-7.0\%$  ( $\$2.26$ )

# USDA August Dairy Products Report



- CHEESE output @ 1,149.4 MM, +0.1% YoY (+700K), and -0.2% MoM (-26.6 MM)... 5YA MoM = +600K

- Neutral – Very minimal changes that do not change the current market fundamentals

- BUTTER output @ 144.1 MM, -2.0% YoY (-3.0 MM), and -5.0% MoM (-7.6 MM)... 5YA MoM = -3.3 MM

- Supportive – After two months of gains, we get a disappointment. But not really news as the market has been trading lower production for weeks