

Key Market Drivers – 11/8/2022 (Page 1)

Top Headlines

- **RUSSIA-UKRAINE WAR:** RUS is got back in the Safe Passage deal on Wednesday, after more talks with TUR. But there is still no agreement to extend the deal. Some think Putin will use this to his advantage at the upcoming G20 meeting on 11/15 (Safe Passage Deal expires on 11/19)... Lloyds of London again underwriting insurance for cargo vessels... Chicago wheat +6% on Monday, but nearly back to where it started by week's end...
- **FOMC:** The Fed did raise interest rates another 75 bp, to a range of +3.75-4.0%, the highest in 15 years. They meet next on 12/13-14, and early odds show 59% chance of a 50 bp hike.
- **US\$:** After another back above 113, the greenback has taken a sharp drop following the Fed hike, now at 110.38

Recent/Upcoming Reports

- **USDA Nov WASDE – 11/9.. See preview**
- **MPOB Oct Report – 11/10**

Weather Headlines

- **NOAM:** Cooler and drier weather to come in the next couple weeks in the corn belt to wrap up harvest.
- **SOAM:** Rains coming back across much of Brazil and Argentina to benefit soil moisture levels.

Corn

- **Crop Conditions:** see slides
- **Futures:** December futures Corn $\uparrow \frac{1}{4}$ - cent 0.0%
- **BRAZIL:** First crop corn 63% planted vs. 75% YA.

Cordonnier est. upcoming crop at 125.5 MMT with a neutral bias going forward.

- **ARGENTINA: Cordonnier** estimating 22/23 crop at 50 MMT; down 1 with a lower bias going forward. Corn 23% planted.
- **MEXICO:** The Mexican government will ban the imports of GMO corn, beginning in 2024. They import 40% of their corn needs, and the US accounts for 90% of that total (~16 MMT, or 630 MM bu). Currently about 90% of US corn is GMO.

Wheat

- **Futures WoW:** Chicago $\uparrow 18\text{¢}$ (+2.25%); KC $\uparrow 28\text{¢}$ (+3.0%); and MPLS $\uparrow 9\text{¢}$ (+0.9%)... *Wild week of trade, with 73 c/bu trade range in Chicago Z.*
- **Crop Conditions:** Winter wheat planting and emergence still on average pace, but national conditions still only 30% G/EX (+2% WoW)
- **AUSTRALIA:** Some production estimates now as high as 40 MMT, which would be a new record. BUT, in the eastern region where excess rains have been the worst, as much as 8 MMT will not meet milling quality specs.
- **ARGENTINA:** BAGE lowered their estimate of the wheat crop to 14.0 MMT (15.2 prev)
- **INTERNATIONAL PRICING:** Friday's market, with WoW change in ()... US-HRW, Fob Gulf = \$438 (+11); US-SRW, Fob Gulf = \$385 (+7); ARG, Fob BA = \$413 (-7); FRA, Fob Rouen = \$344 (+4); UKR = No Quote; RUS = No Quote, *but sources report trading at \$312/ton FOB (-0-)*

Soybeans

- **Crop Conditions:** see slides
- **Soybeans/SBO:** SB (Jan) \uparrow 62-cents; 4.4%. SBO \uparrow 538 points; 7.5%
- **CHINA:** October soybean imports for October just 4.14 MMT; lowest monthly total in 8-years. Down 19% from YAr and 46.3% from September.
 - **BRAZIL: Cordonnier** est. production at 151 MMT with a neutral bias... Soybeans 57% planted vs. 67% YA...
 - **ARGENTINA: Cordonnier** est. crop at 50 MMT with a neutral to lower bias... ARG-CDSBO offered FOB at -1200; nearly 20-cents UNDER US offers.
- **Palm Oil:** \uparrow \$60/ton; 6.6%
- **Malaysia:** MPOB October Production & Stocks Report out Thursday. Market expecting stocks to grow 5% to 7%.
- **Rapeseed/Canola Oil:** \uparrow \$34.10/MT; 4%
- **Canadian** canola crush now on-pace with LY, but still 6.6% below the 3-year average. Exports are now 2.8% ahead of LY, but 29% behind the 3-year average.
- Corn oil/Sun oil:

Biofuels

- **EPA** has extended their deadline for RFS volume obligations to refiners and blenders until 11/30. Looks like the dog ate their homework again!

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Coffee

- **Dec coffee futures** finished the week with a gain of 5.95 cents (3.5%) to break a 4 week losing streak.
- **Colombia's October production** came in at 888K bags; 12% below YA total.
- **ICE exchange stocks** rose by more than 5,000 bags Friday for their first daily increase since September.

Cocoa

- **Dec cocoa futures** end the week with a gain of 132 points (5.7%) to break a 3 week losing streak.
- **West African growing regions** were unable to pay for or procure normal amounts of fertilizers this year which could limit production this season.
- **Inflation** in many of the developed countries are at the highest levels since the early 80's which will limit consumption.

Sweeteners

- **March futures** finished with a gain of 113 ticks (6.4%) to break 2 week losing streak.
- **Crude oil** reached 2 month high while RBOB reached 4 month high added carryover support.

Citrus/Frozen Concentrated Orange Juice

- Spot FCOJ futures closed last week at 227.80 vs. 207.20 WA vs. 117.00 YA.
- USDA will update the 22/23 US citrus output forecast in tomorrow's report; likely reduced due to H. lan damage.

Dairy

- **CHEESE:** Spot block cheese back above \$2.00 (\$2.03 on Monday). Spot milk is adequate, and trading at Class III price (-\$0.25 WA; +\$0.50 YA; +\$0.20 5YA). Cheese production is steady to strong, gearing up for the holidays. Cheese inventories are mostly balanced, but some spot cheese is available for purchase. Food service and export demand remains steady... Sept cheese exports = 78.8 MM lbs, +5.1% YoY... YTD = 752.1 MM lbs, +12.5% vs. YA... Q1 block cheese futures average = \$1.9680 (+.0243)... International:

German edam = \$2.37 (-.08)

- **BUTTER:** Spot prices were on a roller-coaster ride last week, with a trade range of \$.3350/lb, and dropped to a low of \$2.61 (Wed.), before climbing back to \$2.87 (Monday's close). Butter churns are still running full, although some still report labor ongoing issues. Retail butter sales are growing, and food service demand is unchanged. Cream is generally available for butter, even though Class II demand is still growing... Cream is available... Midwest multiples = 129 (129 WA; 142 YA; 135 5YA)... September butter exports = 10.7 MM lbs, +48.6% YoY... YTD = 102.3 MM lbs, +40.9% vs. YA... Q1 futures average = \$2.5018 (-.0014)... Int'l prices: German = \$2.82 (-.16)... Dutch = \$2.66 (-.20)

Proteins (Beef, Pork, Poultry)

- **PROTEIN COMPLEX:** The protein complex continues to give us more of the same. Cash values remain strong, futures markets are off their recent peaks but continue to be volatile. Producers' margins are getting squeezed as estimated feed costs are up over 18% versus prior year. Exports are higher than prior year while HPAI continues to impact the poultry industry.
- **Beef:** Live cattle futures ended the week modestly lower and continued to trade in a narrow range. Last Friday, Spot Live Cattle futures closed at 151.6 down .9% vs LW; up 8.3% vs. YA. Spot Feeder Cattle closed at 179.6 down .4% vs LW; up 1.3% vs YA.
 - Choice Beef Cutout closed at 263.7 up 1.0% vs LW; down 8.6% vs YA; Ribs 442.6 up 1.1% vs. LW, down 10.9% vs YA; Round primal 226.5 unchanged vs LW, down 11.8% vs YA; Chuck primal 231.2 up 3% vs LW, down 2.2% vs YA; beef 50's 72.8 up 3.8% vs LW, down 20% vs YA; beef 90's 245.5 down 1.9% vs. LW, down 11.1% vs YA.
- **Pork:** The McRib farewell tour is underway. Keep in mind, depending on where you live, the McRib is in the top five items for McDonalds which includes the Big Mac at number one. The Egg McMuffin at number two, the McChicken at number three, the McRib at number four and Chicken

McNuggets in the fifth spot.

- Lean Hog futures closed at 83 down 3.6% vs LW; up 12.9% vs. YA.
 - Pork Cutout closed at 97.3 down 2.3% vs LW, up 1.1% vs YA; Hams 105.1 down 1.0% vs LW, up 44.7% vs. YA; Bellies 129.2 down 7.8% vs LW, down 18.8% vs YA; Loins 87.8 up .4% vs LW, down 9% vs YA; 72's 104.5 up 2.3% vs LW, up 19.1% vs YA.
- **Poultry/Eggs/HPAI:** Last Friday, the National Composite Whole Bird Index closed at 123.5 up .8% vs LW, up 21.1% vs YA; NE Leg quarters closed at 38.4 up 9.5% vs LW: NE breast, B/S closed at 101.1 down 4.2% vs LW
 - Bird flu (Eurasian H5N1) summary: 46 states with cases detected in wild birds (unchanged vs LW), 43 states with cases in poultry (unchanged vs LW).
 - Over 1 million layers were impacted in Iowa this past week along with a unconfirmed report of broilers being impacted in Mississippi. Please note with the continued spread, supply chains will be impacted for supply and price.

• Major Currencies v. US Dollar

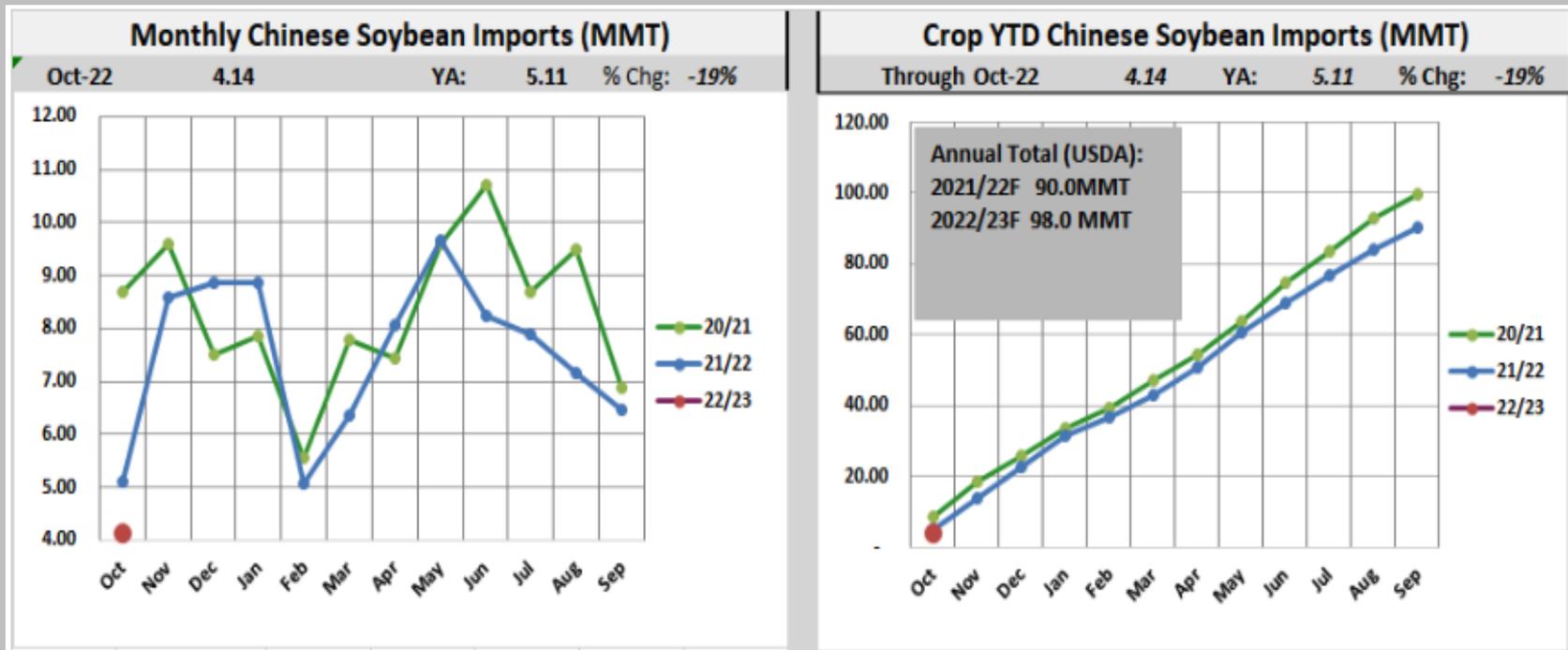
- **US \$:** 110.09 v. 111.54 LW and 94.062 LY
- **Canadian \$:** 1.3487 v. 1.3622 LW and 1.2441 LY
- **Euro €:** 1.0028 v. .9883 LW and 1.1586 LY
- **Chinese ¥:** 7.2307 v. 7.3356 LW and 6.3868 LY
- **Brazilian R\$:** 5.1151 v. 5.1791 LW and 5.5440 LY
- **Arg ₳:** 159.34 v. 156.89 LW and 100.01 LY

Energy (Petroleum/Natural Gas)

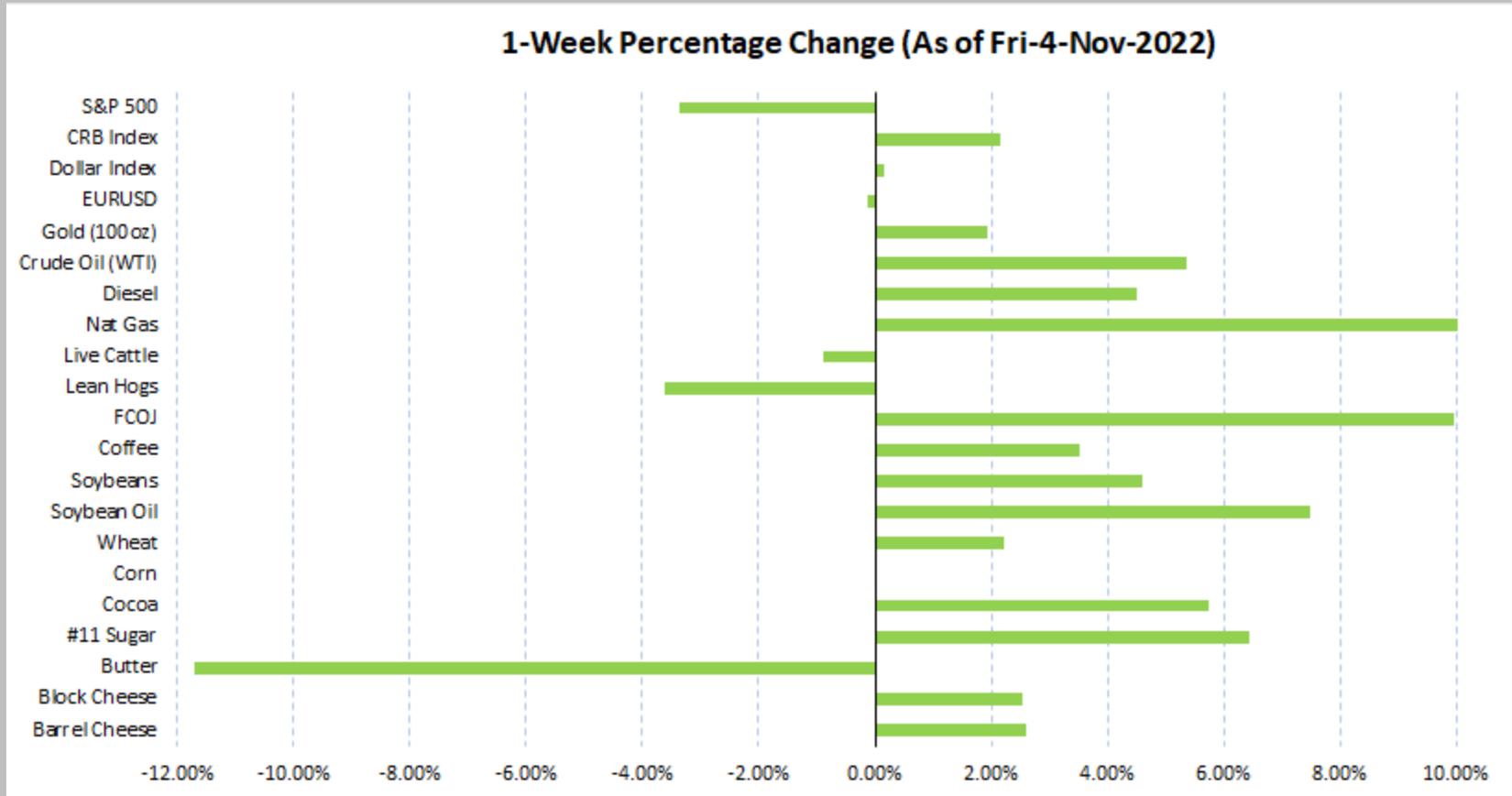
- **Baker Hughes Rig Count @** 613 +3 from last week
- **US Weekly Crude Oil Production @** 11,900 -100 v. WA

Chinese Soybean import plunge in October

Lowest monthly total in 8-years



Past week losers vs. gainers



DAIRY Update

CME Spot	10/31	11/1	11/2	11/3	11/4	11/7
Block Cheddar	\$1.96	\$1.96	\$1.9775	\$2.01	\$2.01	\$2.03
Grade AA Butter	\$2.9450	\$2.70	\$2.61	\$2.6675	\$2.7725	\$2.87

CHEESE – 3 blocks & 7 barrels traded last week... Spot blocks back above \$2.00...

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- Cheese production is steady to strong, gearing up for the holidays
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- Sept cheese exports = 78.8 MM lbs, +5.1% YoY... YTD = 752.1 MM lbs, +12.5% vs. YA
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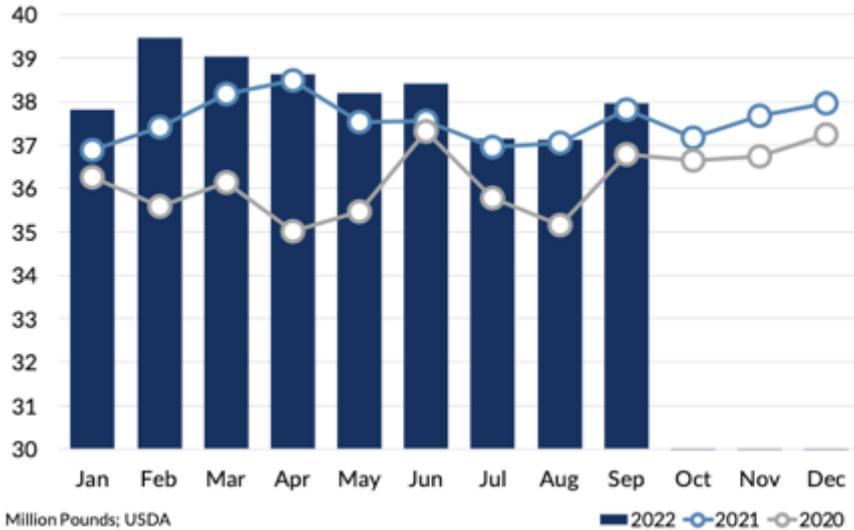
BUTTER – 27 lots traded... Wild, roller-coaster spot market, with a weekly trading range of \$.3350/lb!

- Butter churns are still running full, although some still report labor issues
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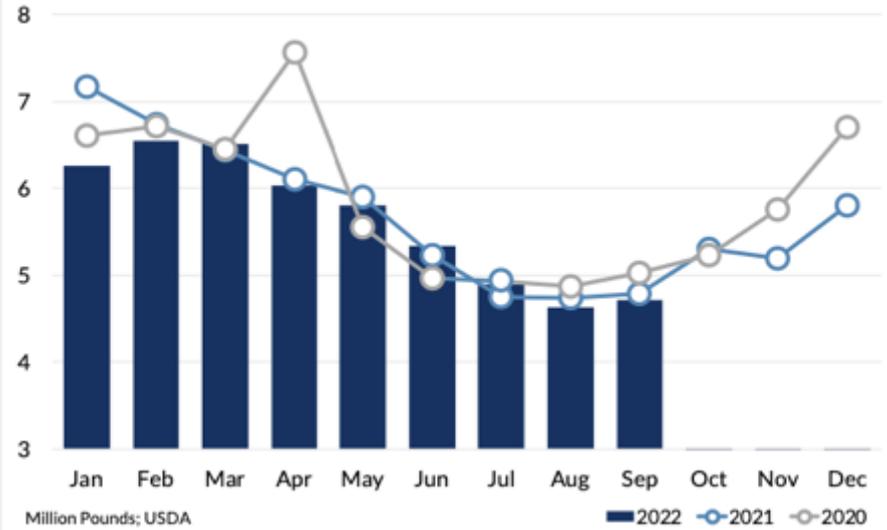
GDT – last auction 11/1: TOTAL INDEX = -3.9%... CHEESE = +0.7% (\$2.18)... BUTTER = +0.4% (\$2.21)

USDA September Dairy Products Report

Average Daily US Total Cheese Production



Average Daily US Butter Production



- CHEESE output @ 1,138.9 MM, +0.4% YoY (+4.5 MM), and -1.0% MoM (-11.5 MM)... 5YA MoM = -16.1 MM

- Supportive – Very slight YoY gain, led by mozzarella (+4%). MoM decline doesn't help when balanced against strong demand, both domestic and export.

- BUTTER output @ 141.6 MM, -1.4% YoY (-2.0 MM), and -1.3% MoM (-1.8 MM)... 5YA MoM = +1.0 MM

- Bullish – Declines in both YoY and MoM, with big declines in Central region (-6%). Exports are still strong