

Key Market Drivers – 12/6/2022 (Page 1)

Top Headlines

• **RUSSIA-UKRAINE WAR:** US futures markets moved higher Monday on news that RUS attacked Odessa with drone strikes on Sunday, knocking power out too much of the city. But some of the grain infrastructure is still operational. Further, RUS would like to see adjustments made to the Safe Passage Deal. They claim to want more UKR grain headed to the poor countries of the world in Africa and Asia. Erdogan from TUR is back in the middle of discussions, making sure they get their share too.

Recent/Upcoming Reports

• **USDA December WADSE – 12/9...** see slides

Weather Headlines

- **NOAM:** Wheat country finally getting some rain/sleet/snow?
- **SOAM:** Brazilian rainfall favored northern and central growing regions with more good rains expected this week. Northern Argentina saw good rains over the weekend but not much in the forecast this week.

Corn

- **Futures:** March futures Corn ↓ 2 ¼ - cent (0.3%)....
- **BRAZIL:** First crop corn 96% planted vs. 96.% YA. **Cordonnier** est. upcoming crop at 125.5 MMT with a neutral bias going forward. **CONAB** lowers production by 0.57 to 125.82 MMT.
- **ARGENTINA:** **Cordonnier** estimating 22/23 crop down 1 again this week to 47 MMT with a lower bias... Corn 33% planted vs. 40% YA.

Wheat

- **Futures WoW:** Chicago ↓27¢ (-3.5%); KC ↓38¢ (-4.4%); and MPLS ↓20¢ (-2.1%)... *Chicago & KC down 5 straight weeks.*
- **US EXPORTS:** YTD sales commitments are at a 10-yr low
- **RUSSIA: SovEcon** estimates RUS exports to be 4.0-4.2 in December, vs. 3.1 YA. They also estimate total 22/23 RUS wheat exports at 43.9 MMT (USDA 43.0). This means they will have to do roughly 21.3 MMT in the Jan-May time frame.
- **FRANCE:** Winter wheat conditions are quite good heading into the winter, at 97% G/Ex, and development about 1-week ahead of normal.
- **INTERNATIONAL PRICING:** Friday's market, with WoW change in ()... US-HRW, Fob Gulf = \$372 (-35); US-SRW, Fob Gulf = \$327 (-8); ARG, Fob BA = \$357 (-11); FRA, Fob Rouen = \$329 (-14); UKR = No Quote; RUS = No Quote, *but sources report trading at \$324/ton FOB (+10)*

Soybeans & Veg Oils

- **Soybeans/SBO:** SB (Jan) ↑ 45 ¼; 3.1%. SBO ↓ 521 points (8%)... Record washout of spec futures position "long" after EPA's RVO announcement.
 - **BRAZIL: Cordonnier** est. production at 151 MMT with a neutral bias...Soybeans 95% planted vs. 96% YA...
 - **ARGENTINA:** SB planting pace well behind LY due to historic drought. Only 37% of that crop is planted; LY pace was 57%... **Cordonnier** est. crop lowered again to 47 MMT with a neutral to lower bias...

- **Palm Oil:** January FOB ↓ \$5/ton (0.5%)...
- **Malaysia:** MPOB November Production & Stocks Report out Tuesday. Stocks at just 2.29 MMT; down 5%. Trade was expecting 2.39.
- **Indo:** Gov't said to be considering increasing their fuel blend to 35% palm-based biodiesel (B35) starting in January 2023. Current blend requirement is B30. They may also consider moving to B40 later in the year.
- **Rapeseed/Canola Oil:** Jan futures ↑ \$23.10/MT (2.7%)...
 - **Canadian** canola crush running ahead of LY by 4.23%, but still 3.8% below the 3-yr avg. Exports are also ahead of by 17.8%, but 15.2% behind the 3-year average.... Canola oil FOB Vancouver is offered at +300. Rumors of canola oil being positioned at Vancouver to move into west coast renewable diesel plants.
 - **CHINA:**
 - **ABARES (Australian USDA) pegs canola crop there at a new record 7.3 MMT.**
- **Corn oil/Sun oil:**

Biofuels

- **EPA:** SBO futures prices continued to fall last week on fallout from the bearish RVO proposal. In fact, January SBO futures fell from \$.7298 the day before the proposal (11/29) to Friday's close at \$.6001; a decline of nearly 18%. During the same period, palm oil prices fell only 1%.

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Coffee

- **Mar coffee futures** finished the week with a loss of 4.45 cents (2.7%) for a second negative weekly result in a row.
- **Analysts now revising their 23/24** Brazilian Arabica production higher. Likely leading to a global surplus.
- **ICE exchange stocks** increase again Friday to reach highest levels since early September.

Cocoa

- **Mar cocoa futures** end the week with a loss of 32 points (1.3%) to break a 2 week winning streak.
- **Limited access and availability** to fertilizers and pesticides will limit West African main crop production.
- **22/23 season** should finish with sizeable global production deficit.

Sweeteners

- **March futures** finished with a gain of 12 ticks (0.6%) for second positive weekly result in a row.
- **India's mills** in agreement to export 4.4 MT in 22/23 season signaling an uptick in global demand.
- **India's early harvest** cane crop yields lower than expected.

Citrus/Frozen Concentrated Orange Juice

- Spot FCOJ futures closed last week at 215.15 vs. 203.55 WA vs. 127.40 YA.
- In last Friday's Crop Production report, the USDA forecast 22/23 US all orange output at 2.83 M tons, -11% vs. MA, -18% vs. YA; FL all orange forecast, at 0.9 M tons, ↓29% vs. MA, ↓51% vs. YA; lowest since 1937 due to damage to citrus groves from Hurricanes Ian and Nicole. CA and TX orange forecasts were unchanged vs. MA.

Dairy

- **CHEESE:** Spot block cheese still grinding lower on low volume (Monday close \$2.06). Spot milk for cheese is ample, and unchanged averaging Midwest at \$3.00 under Class III. Cheese makers are still running strong, although there is the ever-present labor/logistics concern. Food service and retail demand remain steady... Export demand is softening. Q1 block cheese futures average = \$1.9470 (-

.0500)... International prices: EU cheddar = \$2.25

BUTTER: Spot prices were quite erratic last week, with the trade ranging \$0.225 c/lb. Maybe the market is starting to break, with the spot close on Monday at \$2.70. Across all regions, cream volumes are available, and should remain that way through year end. Demand for cream is softening a bit, however butter makers are still running full schedules. Holiday orders are mostly filled, but there is still strong demand for butter ahead of the holidays. Q1 orders are being booked in the West... Midwest multiples average at 123 (125 WA)... Q1 futures average = \$2.4386 (-0.0227)... International prices: German = \$2.89

Proteins (Beef, Pork, Poultry)

- **PROTEIN COMPLEX:** USDA WASDE was published on Friday December 9th with updates to animal protein production for 2023. Beef production for 2023 is forecasted down 7.5% which is .2% lower than prior report. Pork production is forecasted up 1.1% versus the last report of a .8% increase. Broiler production up 1.8% unchanged from previous forecast and Turkey production up 6.5% which is 1% lower than prior report. Egg production is forecasted up 4.8% a .7% reduction versus the prior report.
- **Beef:** Live cattle futures ended the week unchanged as the cash markets remain strong. Last Friday, Spot Live Cattle futures closed at 155.5 unchanged vs LW; up 8% vs. YA. Spot Feeder Cattle closed at 183.9 up .8% vs LW; up 1.1% vs YA.
 - Choice Beef Cutout closed at 253.5 unchanged vs LW; down 7.2% vs YA; Ribs 515.5 up 7% vs. LW, up 10.5% vs YA; Round primal 200.5 down 2.7% vs LW, down 11.2% vs YA; Chuck primal 198.1 down 3.6% vs LW, down 11.9% vs YA; beef 50's 74.7 up 5.5% vs LW, down 24.3% vs YA; beef 90's 238.7 down .7% vs. LW, down 13.6% vs YA.
- **Pork:** Pork futures continued their seasonal move lower as supplies are readily available and demand has softened.
- **Lean Hog** futures closed at 84 down 7.1% vs LW; up 6.6% vs. YA.
 - Pork Cutout closed at 87.6 down 2.7% vs LW, up 2.8%

vs YA; Hams 92 down 5.8% vs LW, up 37.4% vs. YA; Bellies 97.9 down 8.3% vs LW, down 24.8% vs YA; Loins 81.8 up .6% vs LW, up 4.4% vs YA; 72's 102.1 up 2% vs LW, up 56.1% vs YA.

- **Poultry/Eggs/HPAI:** Last Friday, the National Composite Whole Bird Index closed at 125.3 unchanged vs LW, up 7.9% vs YA; National Leg quarters closed at 34.9 up 1.8% vs LW; National Breast, B/S closed at 95.8 down 1% vs LW
 - Bird flu (Eurasian H5N1) summary: 48 states with cases detected in wild birds (up 1 state vs LW), 48 states with cases in poultry (up 1 stated vs LW).
 - Over 53 million birds impacted by bird flu. 12.4% of that total was egg laying which surpasses the total for 2015.

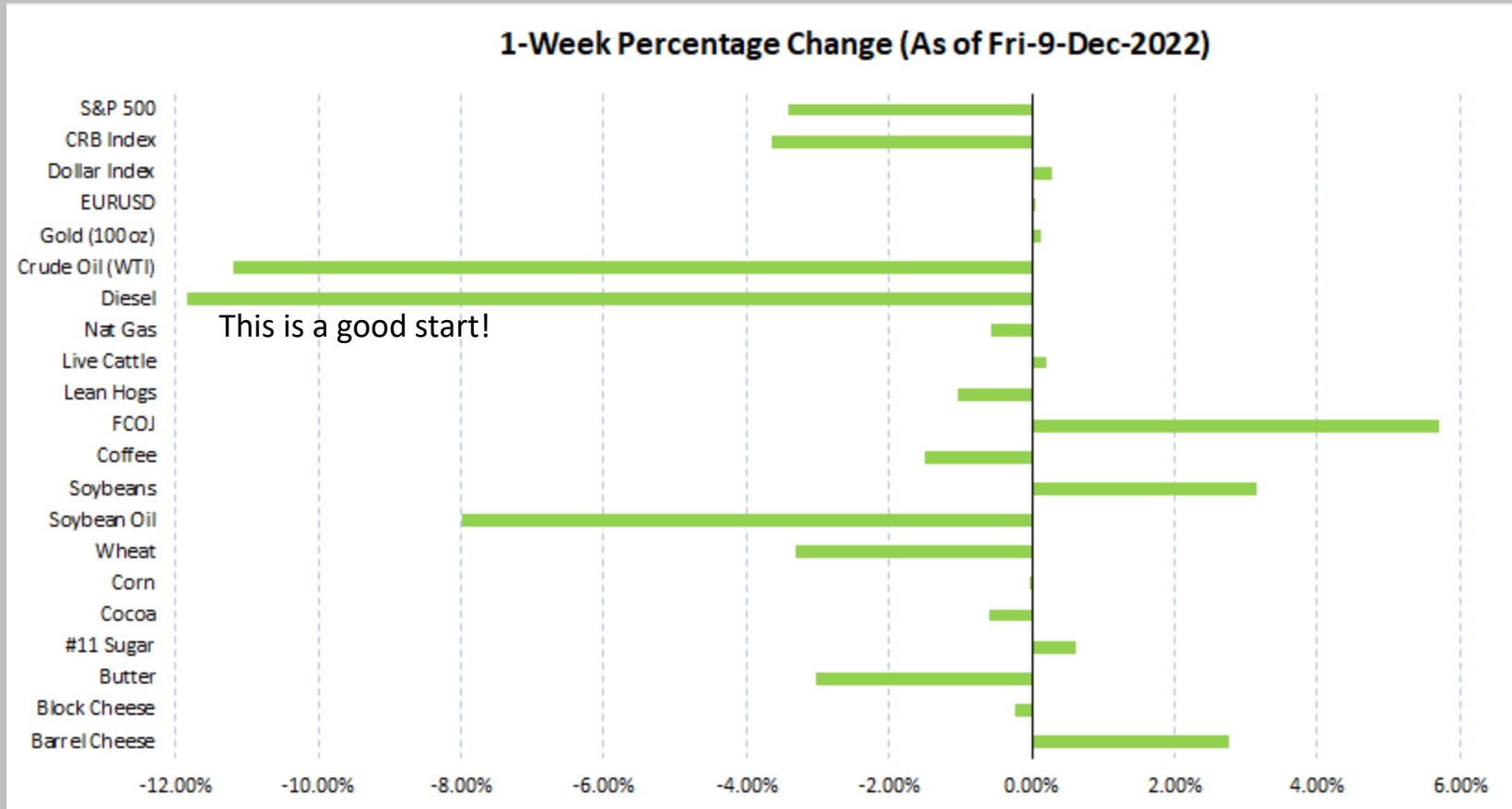
• Major Currencies v. US Dollar

- **US \$:** 105.00 v. 105.33 LW and 96.377 LY
- **Canadian \$:** 1.3635 v. 1.3596 LW and 1.2804 LY
- **Euro €:** 1.0535 v. 1.0485 LW and 1.1283 LY
- **Chinese ¥:** 6.9888 v. 6.9736 LW and 6.3745 LY
- **Brazilian R\$:** 5.3226 v. 5.2841 LW and 5.6804 LY
- **Arg ₳:** 171.19 v. 169.14 LW and 101.60 LY

Energy (Petroleum/Natural Gas)

- **Baker Hughes Rig Count @ 625 -2** from last week.
- **US Weekly Crude Oil Production @ 12,200 +100** v. WA

Past week losers vs. gainers



DAIRY Update

CME Spot	12/5	12/6	12/7	12/8	12/9	12/12
Block Cheddar	\$2.08	\$2.11	\$2.1075	\$2.07	\$2.0950	\$2.06
Grade AA Butter	\$2.90	\$2.90	\$2.8875	\$2.6850	\$2.8125	\$2.70

CHEESE – 2 blocks and 14 barrels traded last week...

- Spot milk for cheese is ample, and unchanged averaging Midwest at \$3.00 under Class III
- Cheese makers are still running strong, although there is the ever-present labor/logistics concern
- Food service and retail demand remain steady... Export demand is softening
- Q1 block cheese futures average = \$1.9470 (-.0500)... International prices: EU cheddar = \$2.25

BUTTER – 18 lots traded... Erratic trade – 22.5 c/lb range last week – is the market starting to break?

- Across all regions, cream volumes are available, and should remain that way through year end
- Demand for cream is softening a bit, however butter makers are still running full schedules
- Holiday orders are mostly filled, but there is still strong demand for butter ahead of the holidays
- Q1 orders are being booked in the West
- Midwest multiples average at 123 (125 WA)
- Q1 futures average = \$2.4386 (-.0227)... International prices: German = \$2.89