

Key Market Drivers – 12/20/2022 (Page 1)

Top Headlines

- **RUSSIA-UKRAINE WAR:** The major port of Odessa assumed full grain export operation again on 12/15, with 21 full vessels sailing since then. Since August 1st, there has been 554 vessels shipped.
- **CENTRAL BANKS:** The **US Fed Reserve** met last week and raised rates by 50 basis points to a target range for interest rates of 4.25-4.50%. The FOMC does not meet again until Jan 31st, and most believe we will see another 25-50 basis point hike... Similarly, ECB, BOE, Swiss National Bank, and central banks in Norway, Mexico and Taiwan all raised rates to end the year.
- **CHINA:** COVID cases rising quickly, and the gov't reported first deaths from the recent outbreak. Even though gov't has eased some restrictions, their economy is still slowed.

Recent/Upcoming Reports

- **NOPA November Crush Report** – See slide

Weather Headlines

- **NOAM:** “Arctic Burst” expected to hit the US this week with potentially record cold temperatures with varying amounts of snow expected.
- **SOAM:** Brazilian rains had another week of widespread coverage with Argentina getting little to nothing. This week’s forecast might be looking up with some rains expected in Argy.

Corn

- **Futures:** March futures Corn ↑ 9 - cent (1.4%)....

- **BRAZIL:** First crop corn is essentially all planted. **Cordonnier** est. upcoming crop at 125.5 MMT with a neutral bias going forward.
- **ARGENTINA:** **Cordonnier** estimating 22/23 crop at 47 MMT with a neutral to lower bias... Corn 43% planted vs. 57% YA.

Wheat

- **Futures WoW:** Chicago ↑19¢ (+2.6%); KC ↑11¢ (+1.3%); and MPLS ↑20¢ (+0.8%)...
- **ARGENTINA:** Rosario Grain Exchange has lowered their production estimate yet again, to 11.5 MMT (11.8 previous).
- **BRAZIL:** December exports are projected at 697 TMT, which is +29% YoY. If the pace holds, their exports for 2022 would total 3.2 MMT, a record, and +190% YoY.
- **EU:** Coceral is estimating 2023-24 wheat production at 143.2 MMT, up 2.5 from this year’s 140.7.
- **INTERNATIONAL PRICING:** Friday’s market, with WoW change in ()... US-HRW, Fob Gulf = \$376 (+4); US-SRW, Fob Gulf = \$334 (+7); ARG, Fob BA = \$396 (-1); FRA, Fob Rouen = \$319 (-10); UKR = No Quote; RUS = No Quote, *but sources report trading at \$312/ton FOB (-10)*

Soybeans & Veg Oils

- **Soybeans/SBO:** SB (Jan) ↓ 3 ¼ (0.3%). SBO ↑ 335 points (5.6%)...
 - **BRAZIL:** **Cordonnier** est. production at 151 MMT with a neutral bias...Soybeans 97% planted.
 - **ARGENTINA:** SB planting pace well behind LY due to historic drought. Only 50% of that

crop is planted; LY pace was 68%... **Cordonnier** est. crop lowered again to 45 MMT with a lower bias...

- **Palm Oil:** March FOB ↓ \$25/ton (2.6%)...
 - **Malaysia:** Analyst Dorab Mistry is forecasting PO to trade in a range of 3,500 to 5,000 rgt. Current market around 3,900. Not all that helpful!
 - **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 ↓ \$9.10/MT (1%)...
 - **Canadian** canola crush running ahead of LY by 4.6%, but still 3.9% below the 3-yr avg. Exports are also ahead of last year by 20.8%, but 12.7% behind the 3-year average....

• **Corn oil/Sun oil:**

Biofuels

- **INDONESIA:** **B35 blend starts on Jan 1.** Prior blend was B30. This is estimated to add 1.5 to 2 MMT of palm oil demand.
- **EPA:** November bio-massed diesel RIN production up big in November. D4 RIN production of 581.59 M gallons is up 21.9% from October and 25.2% above YA.

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Coffee

- **Mar coffee futures** finished the week with a gain of 6.25 cents (4%) to break 2 week losing streak.
- **Colombia's** annualized production reached lowest levels since mid 2014.
- **ICE exchange stocks** increase again Friday to reach highest levels since July.

Cocoa

- **Mar cocoa futures** end the week with a loss of 29 points (1.2%) for a second negative weekly result in a row.
- **Eurozone CPI** hitting second highest YOY result on record; limiting overall demand for discretionary items.
- **West African 22/23 production** likely similar to YA totals resulting in a global production deficit of 200K tonnes.

Sweeteners

- **March futures** finished with a gain of 49 ticks (2.5%) for third positive weekly result in a row.
- **Indian mills** are producing almost no raw sugar leaving the global market short as they wait for Brazilian crop.
- **Energy markets** posted sizeable gains last week to support prices.

Citrus/Frozen Concentrated Orange Juice

- Spot FCOJ futures closed last week at 210.25 vs. 215.15 WA vs. 139.40 YA.
- The Fundecitrus group in Brazil forecasts 22/23 orange crop at 314.11 m boxes (40.8 kg/box), +0.01% vs. Sep forecast; early season La Nina-related dryness has been mitigated by recent rains and cooler temps in November.

Dairy

- **CHEESE:** Spot block cheese now hanging around \$2.00 (Monday close \$2.00). Spot milk for cheese remains ample, with prices unchanged: Midwest at

\$3.00 under Class III (5YA = -\$3.35). Cheesemakers have finished holiday runs, and cut/wrap manufacturers are back to pre-holiday levels. Retail demand is softening, but food service sales are steady, and export demand is mixed. Q1 block cheese futures average = \$1.9383 (-.0087)...

- **BUTTER:** Spot prices remain erratic, trading in a \$0.155/lb range, and ending at \$2.70 Monday. Some last minute, hand-to-mouth buying, and likely contributes to erratic nature of spot pricing. Affordable cream is available in all regions, and butter makers are running active schedules. Retail demand is softening, and food service demand is also slowing in the Central region. Spot butter inventories are growing in the West, but relatively tight in the Northeast. Midwest multiples average at 124 (125 WA; 144 YA: 125-5YA). Q1 futures average = \$2.4523 (+.0137)

Proteins (Beef, Pork, Poultry)

- **PROTEIN COMPLEX:** The November Consumer Price Index came out last week which showed November Meats CPI had shrunk to 1.1% above last years number. Earlier this year, the number was in the double digits but has been moving lower that past months. Retail beef prices have move lower than last year but above the five-year average. Pork and poultry prices remain above last years prices and well above the five-year average. Seasonally beef, pork and poultry retails prices move lower after the holiday season.
- **Beef:** Live cattle futures ended the week marginally higher as cash markets moved marginally lower. Last Friday, Spot Live Cattle futures closed at 155 up .9% vs LW; up 10% vs. YA. Spot Feeder Cattle closed at 183 unchanged vs LW; up 1% vs YA.
 - Choice Beef Cutout closed at 255.8 up 4% vs LW; down 2.4% vs YA; Ribs 496.7 down 1.6% vs. LW, up 13.2% vs YA; Round primal 198 up 4.3% vs LW, down 7.5% vs YA; Chuck primal 201 up 6.8% vs LW, down 5.4% vs YA; beef 50's 92.2 up 21.6% vs

LW, down 9.3% vs YA; beef 90's 239.5 unchanged vs. LW, down 12.7% vs YA.

- **Pork:** Pork futures moved mostly higher than prior week as cash markets have softened.
- Lean Hog futures closed at 86 up 2.1% vs LW; up 8.5% vs. YA.
 - Pork Cutout closed at 87 unchanged vs LW, down .5% vs YA; Hams 88.8 down 3.3% vs LW, up 19.1% vs. YA; Bellies 92.8 up 2% vs LW, down 29% vs YA; Loins 79.7 down 2% vs LW, up 1.4% vs YA; 72's 90.2 down 10.6% vs LW, up 34.2% vs YA.
- **Poultry/Eggs/HPAI:** Last Friday, the National Composite Whole Bird Index closed at 124.6 down .4% vs LW, up .2% vs YA; National Leg quarters closed at 36.3 down 1.4% vs LW: National Breast, B/S closed at 95.2 up .9% vs LW
 - Bird flu (Eurasian H5N1) summary: 48 states with cases detected in wild birds (unchanged vs LW), 47 states with cases in poultry (down 1 state vs LW).
 - Over 56 million birds impacted by bird flu which is up 3.0 million birds just from a few weeks ago. Outbreaks in South Dakota and Nebraska reported.

Major Currencies v. US Dollar

- **US \$:** 104.69 v. 105.00 LW and 96.526 LY
- **Canadian \$:** 1.3653 v. 1.3535 LW and 1.2941 LY
- **Euro €:** 1.0604 v. 1.0535 LW and 1.1275 LY
- **Chinese ¥:** 6.9896 v. 6.9888 LW and 6.3817 LY
- **Brazilian R\$:** 5.2954 v. 5.3226 LW and 5.7420 LY
- **Arg ₳:** 173.60 v. 171.19 LW and 102.12 LY

Energy (Petroleum/Natural Gas)

- **Baker Hughes Rig Count @ 620 -5** from last week.
- **US Weekly Crude Oil Production @ 12,100 -100** v. WA

NOPA November Crush Report



Summary of December 15, 2022 NOPA Soybean Crush Report

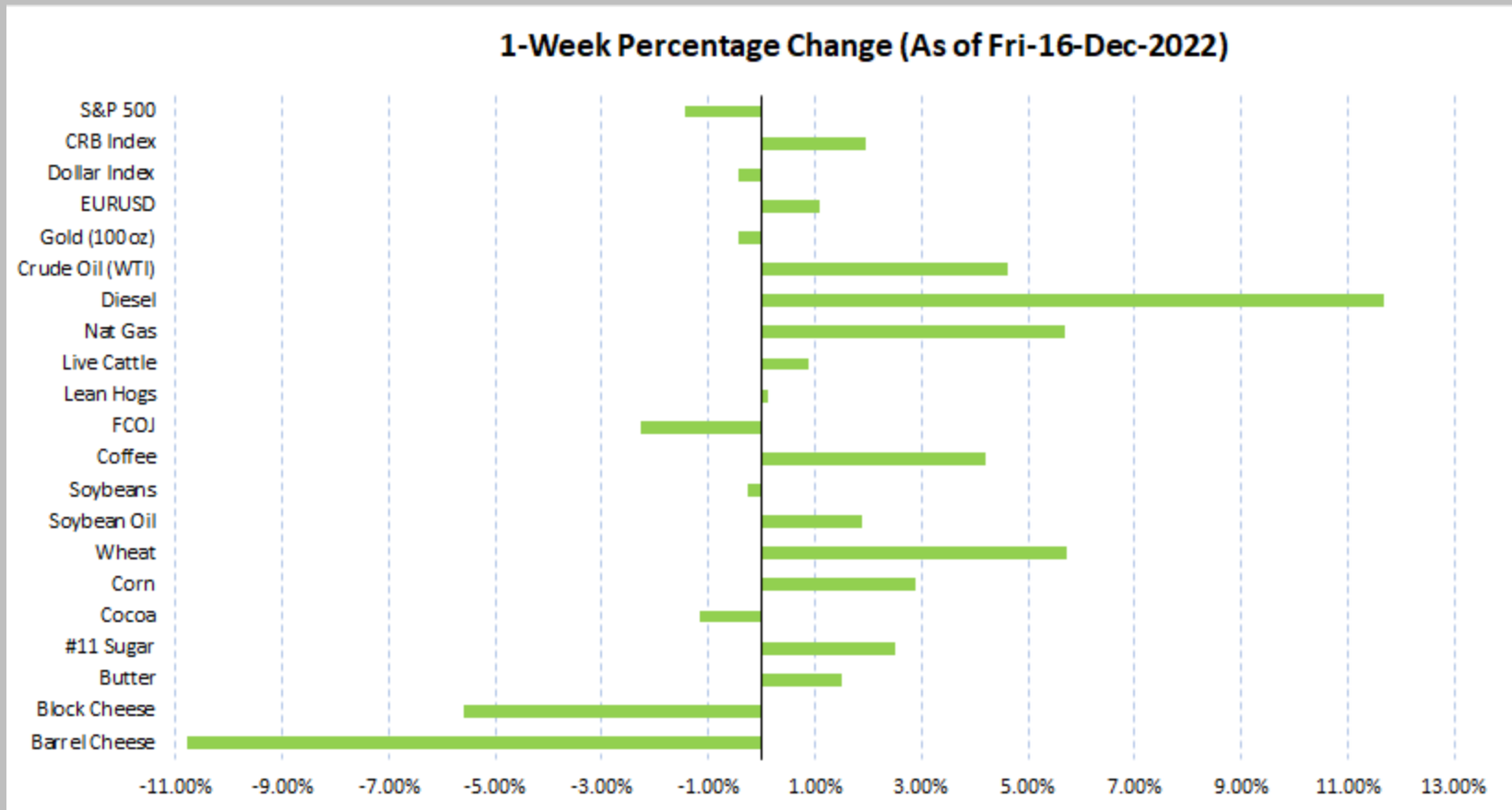
U.S. Soybean Crush Data

<u>Data for Nov 2022</u>	<u>Actual</u>	<u>Average Estimate</u>	<u>Range of Estimates</u>	<u>Last Month</u>	<u>Last Year</u>
Soybean Crush	179.184	181.5	180.0-183.1	184.5	179.5
Soybean Oil Stocks	1.630	1.619	1.550-1.775	1.528	1.832
Soybean Oil Prod.	2.085	n/a	n/a	2.198	2.110
Soybean Oil Yield	11.63	n/a	n/a	11.92	11.76

*NOPA crush data only includes soybean crush activity reported by NOPA member firms, not total U.S. crush data. Soybean data in million bushels, soybean oil stocks/production in billion pounds - yield in pounds/bushel

- *Crush: Lower than expected*
- *SBO Stocks: Slightly higher than expectations, despite lower crush. Up almost 100 M lbs. from October*

Past week losers vs. gainers



DAIRY Update

CME Spot	12/12	12/13	12/14	12/15	12/16	12/19
Block Cheddar	\$2.06	\$2.0725	\$2.1125	\$2.0925	\$1.9775	\$2.00
Grade AA Butter	\$2.70	\$2.77	\$2.7975	\$2.8075	\$2.8550	\$2.70

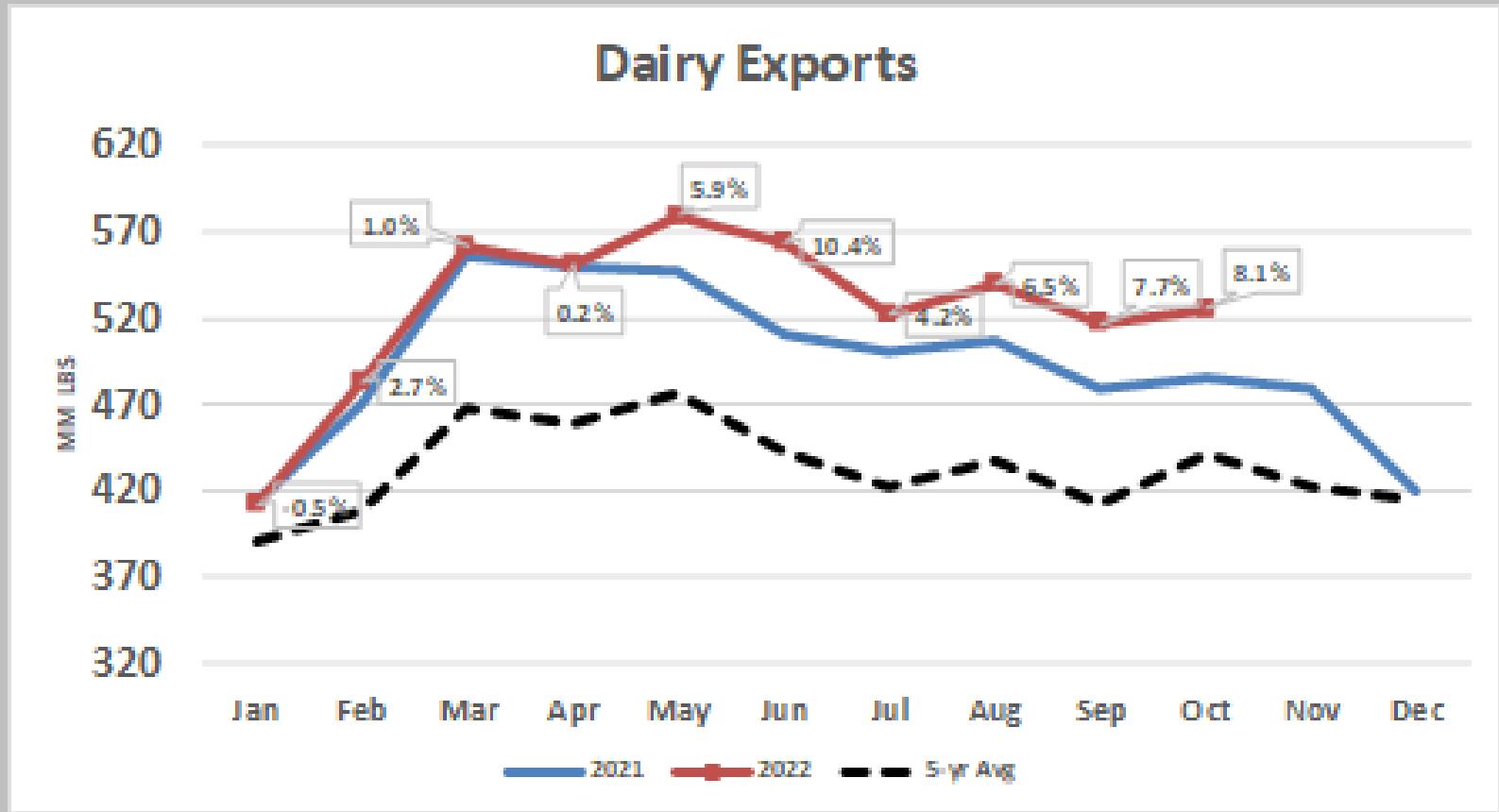
CHEESE – 4 blocks and 7 barrels traded last week...

- Spot milk for cheese remains ample, with prices unchanged: Midwest at \$3.00 under Class III (5YA = -\$3.35)
- Cheesemakers have finished holiday runs, and cut/wrap manufacturers are back to pre-holiday levels
- Retail demand is softening, but food service sales are steady, and export demand is mixed
- Q1 block cheese futures average = \$1.9383 (-.0087)...

BUTTER – 21 lots traded... Erratic trade continues, but only 15.5 c/lb range last week

- Some last minute, hand-to-mouth buying, and likely contributes to erratic nature of spot pricing
- Affordable cream is available in all regions, and butter makers are running active schedules
- Retail demand is softening, and food service demand is also slowing in the Central region
- Spot butter inventories are growing in the West, but relatively tight in the Northeast
- Midwest multiples average at 124 (125 WA; 144 YA: 125-5YA)
- Q1 futures average = \$2.4523 (+.0137)...

US Dairy Exports – Strong in 2022



Overall exports were up 8.1% for October and up 4.6% YTD. **Cheese** exports were up about 4.5% and YTD up 11.7%. A 12% increase YOY to Mexico helped drive October's increase. **Butter** exports remained very strong despite US prices close to or at record levels since this summer. Butter exports were up 62.3% for October and up 43.5% YTD. Overall, for 2022 the US has been a net exporter of butter. Historically, the US is usually a net importer.

Comments by Amy Smith of AES