

Key Market Drivers – 8/16/2022 (Page 1)

Top Headlines

- **RUSSIA-UKRAINE WAR:** UKR shipped a total of 2.66 MMT of ag products in July... 412 TMT of wheat; 183 TMT of barley; 1.1 MMT of corn; 362 TMT of sunseed. Most of these shipments left by rail, and the total was down 52% YoY for July. The ag ministry is estimating 50 MMT of total grain production in the 22/23 season (July-June), compared to record 86 MMT in the 21/22 season... 16 vessels of grain have sailed from UKR under the new agreement.
- **US GASOLINE** prices nationally fell to below \$4 on 8/11, the first time since March, and after hitting a record high of \$5.02 in June. Despite the drop of 21%, prices are still +25% higher YoY.
- **CENTRAL BANKS:** Peoples Bank of China (PBOE) unexpectedly cuts interest rates due to poor economic data – PBOE also injecting capital to prop economy as factory output drops and investment & consumer spending disappoint.
- **FEDERAL RESERVE** – Fed study indicates fiscal policy, gov't programs to help people through the pandemic fueled inflation..... No kidding?

Recent/Upcoming Reports

- **USDA August WASDE** – 8/12; See slides

Weather Headlines

- **NOAM:** 7 day forecast looking helpful in some dry areas of the western corn belt with some cooler and slightly wetter forecasts over the next two weeks!

Corn

- **Crop Conditions:** see slides
- **Futures:** September futures ↑ 29 ½ ¢ (4.8%)...
- Cordonier cuts U.S. corn yield estimate to 173 bu/acre; down 1. Production at 14.07 B bu.
- Strategie Grains cuts EU corn production forecast to just 55.4 MMT; down 10.

- **BRAZIL: Cordonnier** unchanged at 112 MT with a neutral to slightly higher bias going forward... Safrinha harvest 85% complete
- **ARGENTINA: Cordonnier** unchanged at 50 MMT, and neutral to slightly higher bias

Wheat

- **Crop Conditions:** See slides...
- **Futures WoW:** Chicago ↑31¢ (+4.0%); KC ↑41¢ (+4.8%); and MPLS ↑33¢ (+3.7%)...
- **US WHEAT HARVEST:** National progress for WW is still crawling, +6% to 92%, with PNW finishing up... Spring wheat just getting cranked up with 16% complete, vs 35% on average.
- **RUSSIA:** Harvest is 43% complete (as of 8/9), with 55.8 MMT in the bin thus far. Yields are ~30% higher than YA, but some quality issues were reported. Some traders fear only 60% of this year's crop will meet milling quality, vs. 82% YA.
- **UKRAINE:** The first shipment of wheat under the new export deal is scheduled to sail next week. All shipments in the last 2 weeks have been corn or oilseeds.
- **EU: Strategie Grains** kept their estimate of wheat production at 123.3 MMT (129.8 YA), but they did lower their export estimate to 29.0 MMT, from 30.4.
- **ARGENTINA: BAGE** is reporting wheat planting complete, and they've seen good rains in last 2 weeks.
- **INTERNATIONAL PRICING:** Friday's market, with WoW change in ()... US-HRW, Fob Gulf = \$391 (+22); US-SRW, Fob Gulf = \$342 (+11); ARG, Fob BA = \$410 (-0-); FRA, Fob Rouen = \$354 (-9); UKR = No Quote; RUS = No Quote, *but sources report trading at \$350/ton FOB (-8)*

Oilseeds/Vegetable Oils

- **Crop Conditions:** see slides

- **Soybeans/SBO:** Soybeans (Sept) ↑ \$.71 ¼ (4.9%); SBO ↑ 453 points 7%...
- **USDA WASDE SB** yield UP to 51.9 bu/acre. Market expecting reduction to 51.1... SBO ending stocks estimate up to a comfy 1.811 B lbs. See slide.
- Cordinier keep SB yield estimate at 50.5 bu/acre; production at 4.4 B bu.
 - **BRAZIL: Cordonnier** production unchanged at 123 MMT with a neutral bias...
 - **ARGENTINA: Cordonnier** production unchanged at 42 MMT; neutral bias going forward...
- **Palm Oil:** PO (Oct) ↑ \$115 (11.9%) on the week...but down \$50 on Monday. The volatility continues.
 - **Indonesia:**
 - **Malaysia:** SPPOMA production up 12.6% in first 10 days of August. 8/1 – 8/15 exports up 2.8% and 1.9% according to ITS and AmSpec respectively. These numbers disappointed market as 1 – 10 exports showed double-digit growth.
 - **China**
- **Rapeseed/Canola Oil:** Canola futures (Nov) ↑ \$12.80 (1.5%)...
 - **Canada:** 68.6% of AB canola crop is rated as GE (8/96)...
 - **ND canola** is rated at 67% good or excellent; up 5% from LW. 68% coloring, well behind last year of 84% and 83% on average. 3% of ND crop has been harvested, behind 9% LY and 7% average.
- **Sunflower:** ND sunflowers rated 82% good or excellent; up 5% from LW.

Biofuels

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Coffee

- **December finished** the week with a gain of 16 cents (7.8%).
- **Near term supply worries** continue to support market as Brazilian harvest doesn't seem to be pushing stocks into the market just yet.
- **ICE exchange stocks** hit 23 year low but holding steady.

Cocoa

- **December finished** week with a gain of 53 points (2.3%).
- **Asian & Europe Q2 grindings** showing YOY gains while Ivory Coast hitting largest Q2 grindings on record.
- **ICCO projecting 21/22 global grindings** at record 5.048 million tonnes despite high inflation and demand worries.

Sweeteners

- **October finished** the week with a gain of 66 ticks (3.7%) for second positive weekly result in a row.
- **22/23 EU sugar production** being lowered due to extremely hot weather conditions.
- **WASDE** showed US 22/23 stocks to use up from 12.6 last month to 14.3 as beet sugar production looks higher.

Citrus/Frozen Concentrated Orange Juice

- Spot FCOJ futures closed last week at 152.85 vs. 172.00 WA vs. 143.75 YA.
- US 21/22 FCOJ Cold Storage stocks continue 20-30% lower than any of last years on steady domestic demand and poor citrus crops in Brazil.

Dairy

- **CHEESE:** Spot block cheese prices rebounded from the \$.170's last week, closing Monday at \$1.89. Milk is getting tighter but still available... Midwest spot midpoint = -\$1.38 under Class III (-\$1.50 WA). Cheese inventories are available for spot in all regions. Demand for cheese is softening domestically. Q4 block cheese futures average = \$2.0837 (+.0110)... International pricing: German Edam = \$2.49 (+.03)

- **BUTTER:** Big volume returned this week, as spot prices stayed below \$3, and 34 lots traded (\$2.9350 on Monday). Cream supplies are tight all over, and prices are high, prompting some butter makers to sell cream. Butter production is slowing, with high temps and labor issues continuing to cause problems. Demand for butter is stronger in the Central region, and micro-fixing activity is heavy. Food service and retail demand for butter are declining in the West, though bulk butter demand is strong. Midwest cream multiples = 146 (147 WA; 132 YA; 135 5YA)... Q4 futures average = \$2.5584 (-.0063)... International pricing: Dutch = \$3.19 (+.03)... German = \$3.14 (+.07)

Proteins (Beef, Pork, Poultry)

- **PROTEIN COMPLEX:** Overall consumer inflation was lower, but food inflation was higher in the latest CPI report. The USDA report on Friday August 12th reported strong demand for beef, pork and poultry. Beef production was revised higher as producers push more animals to market. Pork production was revised lower. Poultry continues to grow in 2022 and 2023. Turkey production is forecasted to rebound after being impacted by bird flu earlier this year.
- **Beef:** Live cattle futures ended the week higher up .4% as the futures market reflects stronger local cash markets. With a lower-than-expected overall inflation in the CPI report, concerns about reduced future demand have seemed to diminish.
- Last Friday, Spot Live Cattle futures closed at 144.5 up .4% vs LW; up 5.4% vs. YA. Spot Feeder Cattle closed at 183.4 unchanged vs LW; up 5.4% vs YA.
 - Choice Beef Cutout closed at 264.1 down 1.3% vs LW; down 15.3% vs YA; Ribs 413.4 up 1.9% vs. LW, down 20.1% vs YA; Round primal 213.1 down .6% vs LW, down 9% vs YA; Chuck primal 217.9 down .3% vs LW, down 15.8% vs YA; beef 50's 105.1 up 2.6% vs LW, down 36.9% vs YA; beef 90's 268.4 unchanged vs. LW, down 2.7% vs YA.

- **Pork:** Strong seasonal demand continues to support the hog markets. Currently U.S. prices are higher than other countries which is reflected in higher than prior year imports into the U.S.
- Lean Hog futures closed at 100.1 up 1.7% vs LW; up 29.4% vs. YA.
 - Pork Cutout closed at 123.3 down 2.7% vs LW, up .2% vs YA; Hams 113.3 down 3.8% vs LW, up 28.2% vs. YA; Bellies 211.9 down 3.8% vs LW, down 8.9% vs YA; Loins 107.8 up 1.8% vs LW, down 6.7% vs YA; 72's 142.9 up 2.9% vs LW, down 6.5% vs YA.
- **Poultry/Eggs/HPAI:** Last Friday, the National Composite Whole Bird Index closed at 132.3 down 4.5% vs LW, up 25.9% vs YA; NE Breast B/S 227.7 down 7.1% vs LW, up 24.8% vs YA; NE Leg quarters 60.8 unchanged vs LW, up 43.2% vs YA.
 - Bird flu (Eurasian H5N1) summary: 44 states with cases detected in wild birds (unchanged vs LW), 39 states with cases in poultry (unchanged vs LW).
 - Current estimates of total impact are over 40.1 million birds which is unchanged versus last week.

Major Currencies v. US Dollar

- **US \$:** 106.53 v. 106.18 LW and 92.6150 LY
- **Canadian \$:** 1.2860 v. 1.2909 LW and 1.2572 LY
- **Euro €:** 1.0155 v. 1.0221 LW and 1.1777 LY
- **Chinese ¥:** 6.8166 v. 6.7567 LW and 6.4743 LY
- **Brazilian R\$:** 5.0988 v. 5.1110 LW and 5.2595 LY
- **Arg ₳:** 134.59 v. 133.56 LW and 97.020 LY

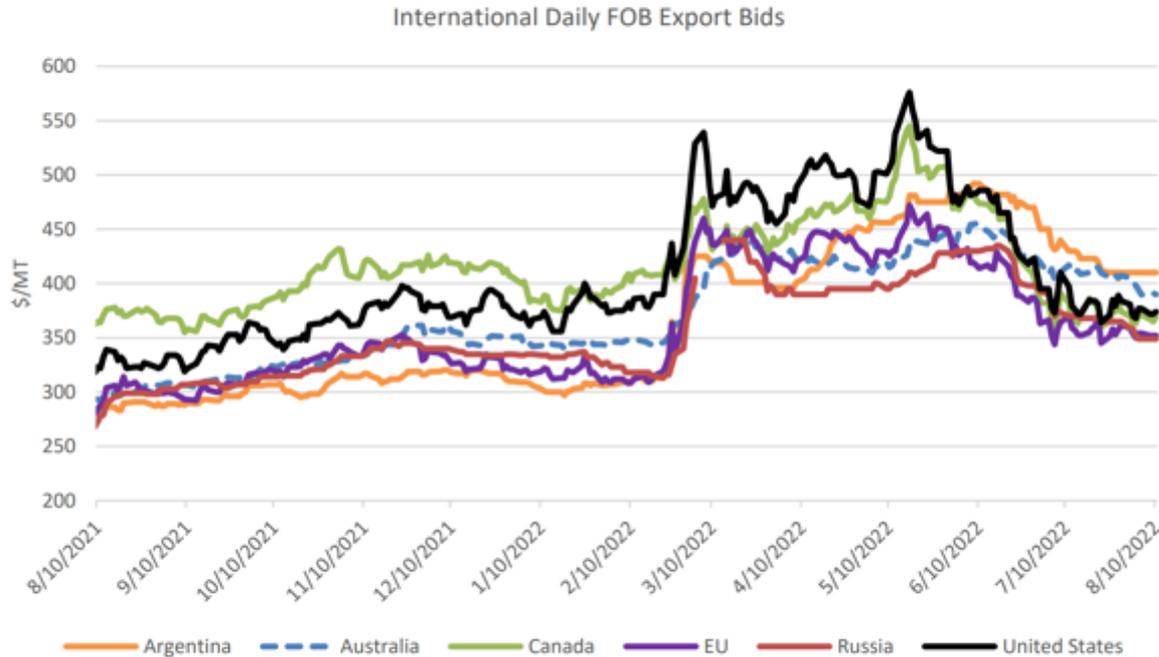
Energy (Petroleum/Natural Gas)

- **Baker Hughes Rig Count** @ 601 +3 from last week.
- **US Weekly Crude Oil Production** @ 12,200 +100 v. WA

World Wheat Prices

Argentina	Australia	Canada	EU	Russia	United States
\$410	\$390	\$369	\$352	\$349	\$374

Note: As of August 10, 2022



Source: IGC

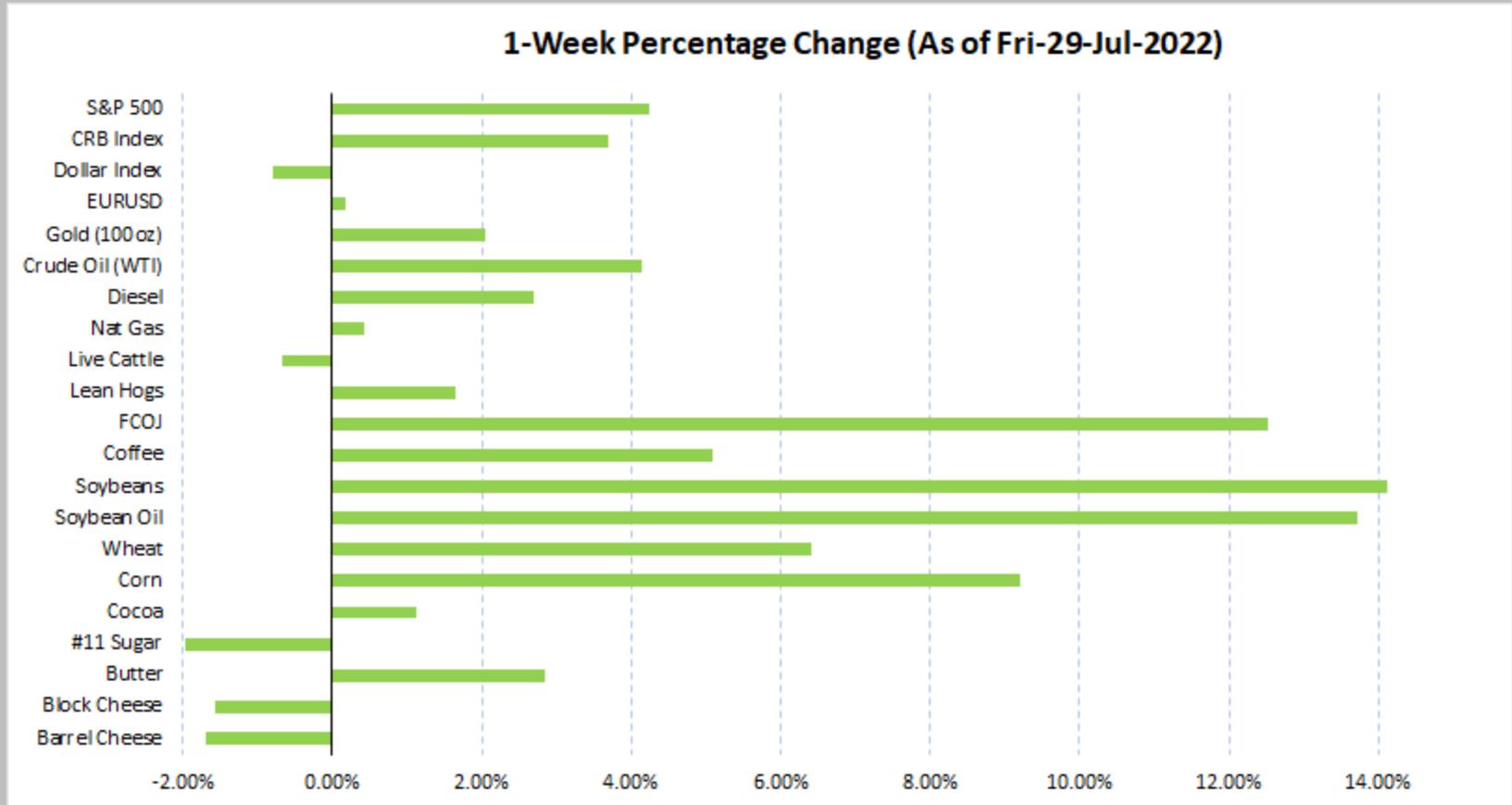
*Note on FOB prices: Argentina- 12.0%, up river; Australia- average of APW; Kwinana, Newcastle, and Port Adelaide; Russia - Black Sea- milling; EU- France grade 1, Rouen; US- HRW 11.5% Gulf; Canada- CWRS (13.5%), Vancouver

US wheat prices were very uncompetitive until June, and now US prices are competitive.

This should imply any decline in wheat prices would more easily lead to an increase in US export sales.

--Bill Lapp

Past week losers vs. gainers



DAIRY Update

CME Spot	8/8	8/9	8/10	8/11	8/12	8/15
Block Cheddar	\$1.7850	\$1.82	\$1.82	\$1.84	\$1.8450	\$1.89
Grade AA Butter	\$2.9750	\$2.96	\$2.9675	\$2.9750	\$2.9350	\$2.9850

CHEESE – 4 blocks & 12 barrels traded last week... Prices in \$1.70's brought more buying interest

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