

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

Top Headlines

- **RUSSIA-UKRAINE WAR:** There were drone strikes in RUS-held Crimea over the weekend, and this caused RUS to initially show they would exit the safe passage deal. But now RUS Defense Ministry is saying they're suspending, but not withdrawing from the deal, and UKR shipments have left port without incident. Market action saw US wheat futures rally 50 c/bu on Sunday night, and up strong again on Monday. But Monday night trading was unchanged.
- **BRAZIL:** Lula appears to have won a very tight election over Bolsonaro, although Bolsonaro has not yet conceded. Truckers, who are mad at the outcome, have blocked roads in 18 states.
- **FOMC:** The Fed odds still say 95% chance of another +75 bp move higher in interest rates. US Recent/Upcoming Reports
- **FOMC meets 11/2-11/3**
- **USDA November WASDE – 11/9**

Weather Headlines

- **NOAM:** Significant rain expected this week across parts of the corn belt which could slow down harvest progress a bit.
- **SOAM:** Brazil continues to get good rains this week but precip seems to have turned off in Argentina. Talk that Southern Brazil could see a potential frost later this week.

Corn

- **Crop Conditions:** see slides
- **Futures:** December futures ↓ Corn – -.0350 -0.5%
- **BRAZIL:** First crop corn 56% planted vs. 63% YA. **Cordonnier** est. upcoming crop at 125.5 MMT with a neutral bias going forward.
- **Argentina: Cordonnier** estimating 22/23 crop at 51 MMT with a neutral to lower bias. Corn 22% planted vs. 33% avg.

Wheat

- **Futures WoW:** Chicago ↓21¢ (-2.5%); KC ↓23¢ (-2.4%); and MPLS ↓16¢ (-1.7%)... *Monday action saw a big rally due to RUS/UKR deal suspension.*
- **UKRAINE:** Winter wheat planting area is pegged at 3.8 MM ha, down 41% from last YA at 6.5
- **ARGENTINA:** Dry conditions continue, causing RGE to lower their production estimate yet again, to 13.7 MMT (15.0 previous)
- **INTERNATIONAL PRICING:** Friday's market, with WoW change in ()... US-HRW, Fob Gulf = \$426 (-9); US-SRW, Fob Gulf = \$378 (-8); ARG, Fob BA = \$420 (-2); FRA, Fob Rouen = \$340 (+1); UKR = No Quote; RUS = No Quote, *but sources report trading at \$312/ton FOB (-0-)*

Soybeans

- **Crop Conditions:** see slides
- **Soybeans/SBO:** SB – -.0775... -0.5%
- **CHINA:**
 - **BRAZIL: Cordonnier** est. production at 151 MMT with a neutral bias going forward. Soybeans 46% planted vs. 40% avg...
 - **ARGENTINA: Cordonnier** est. crop at 50 MMT... ARG- CDSBO offered FOB at -1200; nearly 20-cents UNDER US offers. *Something else I have never seen before!*
- **Palm Oil:** -\$18/ton FOB KLM... -1.9%
- **Malaysia:.**
- **Rapeseed/Canola Oil:** +10.2... +1.1%

Biofuels

Key Market Drivers – 11/1/2022 (Page 2)

Coffee

- **Dec coffee futures** finished the week with a big loss of 21.10 cents (11.1%) for fourth negative weekly result in a row.
- **Inflation limiting** out of home coffee demand as more users switch to making their coffee in home.
- **Key growing regions** in Brazil have received good rains which could improve crop prospects for this year.

Cocoa

- **Dec cocoa futures** end the week with a loss of 4 points (0.2%) for a third negative weekly result in a row.
- **West African growing regions** have been getting lots of rains which could improve crop prospects but is also slowing down harvest.
- **Inflation** will likely keep a ceiling on prices until signs of easing are seen.

Sweeteners

- **March futures** finished with a loss of 80 ticks (4.4%) which was a the second negative weekly result in a row.
- **Sharp sell offs** in energy markets pressured prices as that should weaken ethanol demand in Brazil.
- **India** extended their sugar export curbs through Oct 23 but did not specify export quota for the season.

Citrus/Frozen Concentrated Orange Juice

- Spot FCOJ futures closed last week at 207.20 vs. 209.80 WA vs. 120.35 YA.
- H. Ian damage assessments on FL citrus crops continue as all 375,302 acres of citrus groves in FL experienced either tropical storm force or hurricane force winds; ~41% experienced Cat 4 strength winds; Output loss estimates range from \$416-675M and will only account for this year's crop. Many believe the storm's impact due to flood-related tree damage will have multi-year impacts; full impacts won't be fully known for weeks or even months. FL produces ~60% of all the citrus consumed in the US.

Dairy

- **CHEESE:** Spot block cheese has fallen back below \$2.00 (\$1.96 Monday close), and spot barrels now back to normal

discount. Midwest milk production is increasing, which should help availability in the coming weeks. Spot milk is trading at \$0.25 under Class III (-\$1.00 WA; +\$0.50 YA; +\$0.65 5YA). Cheese production is steady, and is cause for the spot market to fall back below \$2.00. Food service demand is steady, while retail is lagging a bit, and export sales are strong. Some spot loads of blocks are available, while some say their inventories are committed through Dec. Q1 block cheese futures average = \$1.9437 (-.0246)... International: German edam = \$2.45 (+.06)

- **BUTTER:** Spot prices fell like a rock on Monday, down \$0.1950/lb, to \$2.9450 – the lowest price since August, and the largest one-day drop since January. Butter availability is finally increasing steadily, and it finally showed in the marketplace too! Perhaps retailers and food buyers have already bought most of their needs? We shall see... More cream is available too, with Midwest multiples = 129 (131 WA; 139 YA; 134 5YA)... Butter production is steady in the West, and retail /food service demand is strong in Northeast / West... Q1 futures average = \$2.5032 (-.0021)... International: German = \$2.98 (+.02)... Dutch = \$2.86 (-.06)
- **Proteins (Beef, Pork, Poultry)**
- **PROTEIN COMPLEX:** Cash markets remain firm across the complex. This has also supported the recent futures increases as retail demand and foodservice remains strong. There remains a risk to future consumer demand, however that seems to be down the road. Nearby demand is front, and center and it is reflected in the cash and futures markets.
- **Beef:** Live cattle futures ended the week modestly up driven by strong cash values. Last Friday, Spot Live Cattle futures closed at 153.0 up .4% vs LW; up 11.5% vs. YA. Spot Feeder Cattle closed at 178 unchanged vs LW; up .8% vs YA.
 - Choice Beef Cutout closed at 261.2 up 3.7% vs LW; down 8.2% vs YA; Ribs 437.8 up 3.4% vs. LW, down 10.7% vs YA; Round primal 226.7 up 2.8% vs LW, down 11.4% vs YA; Chuck primal 224.5 up 6.6% vs LW, down 3.4% vs YA; beef 50's 70.1 down 2.3% vs LW, down 20.1% vs YA; beef 90's 250 down 1% vs. LW, down 9.3%

vs YA.

- **Pork:** The McRib rally is on. McDonalds starting October 31st is selling the iconic 1980's sandwich. Good thing frozen inventories of ribs are at record high for the month of September so there should be enough inventory, enjoy!
- Lean Hog futures closed at 86.1 down 3.4% vs LW; up 19.9% vs. YA.
 - Pork Cutout closed at 99.6 down 2.8% vs LW, up 5.3% vs YA; Hams 106.2 down 3.4% vs LW, up 50.3% vs. YA; Bellies 140.2 down 2.5% vs LW, down 10.1% vs YA; Loins 87.4 down 4.6% vs LW, down 10.2% vs YA; 72's 102.1 up 2.7% vs LW, up 22.8% vs YA.
- **Poultry/Eggs/HPAI:** Last Friday, the National Composite Whole Bird Index closed at 122.6 up 1% vs LW, up 21.4% vs YA; NE Leg quarters closed at 35.1 down 2.5% vs LW: NE breast, B/S closed at 105.6 down 2.5% 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).
 - Make sure to secure your supply chain for eggs and turkeys. Supplies will remain tight going forward.
- **Major Currencies v. US Dollar**
- **US \$:** 111.54 v. 112.00 LW and 93.907 LY
- **Canadian \$:** 1.3622 v. 1.3709 LW and 1.2367 LY
- **Euro €:** .9883 v. .9872 LW and 1.1606 LY
- **Chinese ¥:** 7.3356 v. 7.3249 LW and 6.3933 LY
- **Brazilian R\$:** 5.1791 v. 5.3020 LW and 5.6815 LY
- **Arg ₳:** 156.89 v. 154.57 LW and 99.71 LY

Energy (Petroleum/Natural Gas)

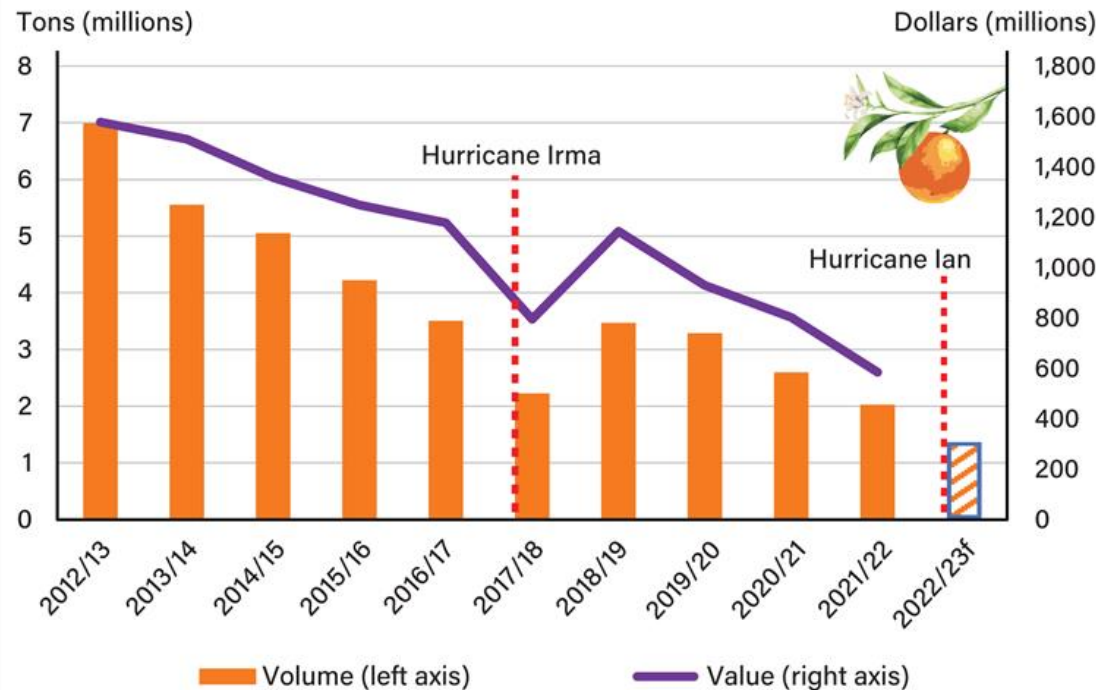
- **Baker Hughes Rig Count @ 610 -2 from last week**
- **US Weekly Crude Oil Production @ 12,000 UNCHG v. WA**

Florida's declining citrus production receives further hit with Hurricane Ian; official losses not yet estimated

USDA Economic Research Service
U.S. DEPARTMENT OF AGRICULTURE

On September 28, 2022, Hurricane Ian made landfall as a Cat 4 hurricane on the SW coast of Florida, the US' top producer of oranges. The hurricane crossed the peninsula, bringing severe winds and rainfall to some of FL's largest citrus-producing counties. Many of these same counties were affected by Hurricane Irma 5 years ago. When Irma hit in September 2017, FL citrus production was already declining from diseases and other factors reducing acreage and yields. FL's citrus production fell by 1.3 M tons from the hurricane-free 2016/17 season, with the total value of production down 39%. On October 12, 2022, USDA's National Agricultural Statistics Service (NASS) released a citrus production estimate of about 1.4 M tons for the 2022/23 crop year. This forecast is down 32% vs. YA does not take into consideration losses from Ian. While 2017 and 2022 hurricane events are distinct from one another, the effects of Irma can be used as a proxy to estimate the potential impact on value until the impact on FL's total citrus production can be fully assessed.

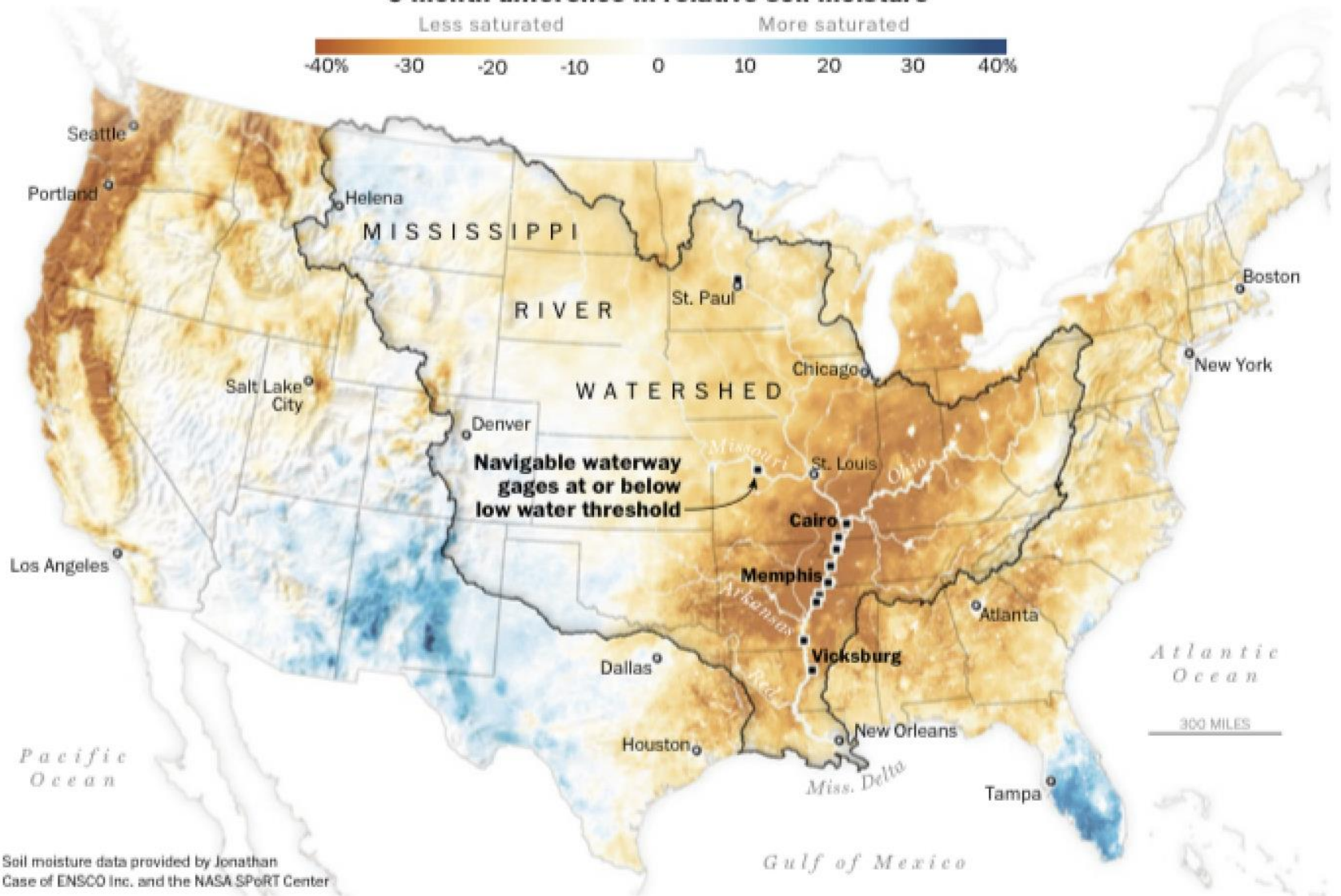
Florida citrus production, volumes and values, 2012/13-2022/23f



Notes: f = forecast. The forecast for 2022/23 does not take into consideration any losses caused by Hurricane Ian. Losses will be included in a forecast that will be released at a later date.

Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service, Citrus Summary Reports, 2013-22.

6-month difference in relative soil moisture



Soil moisture data provided by Jonathan Case of ENSCO Inc. and the NASA SPoRT Center

BARGE CAPACITIES | CORN

ST. LOUIS FULL DRAFT vs CURRENT CONDITIONS

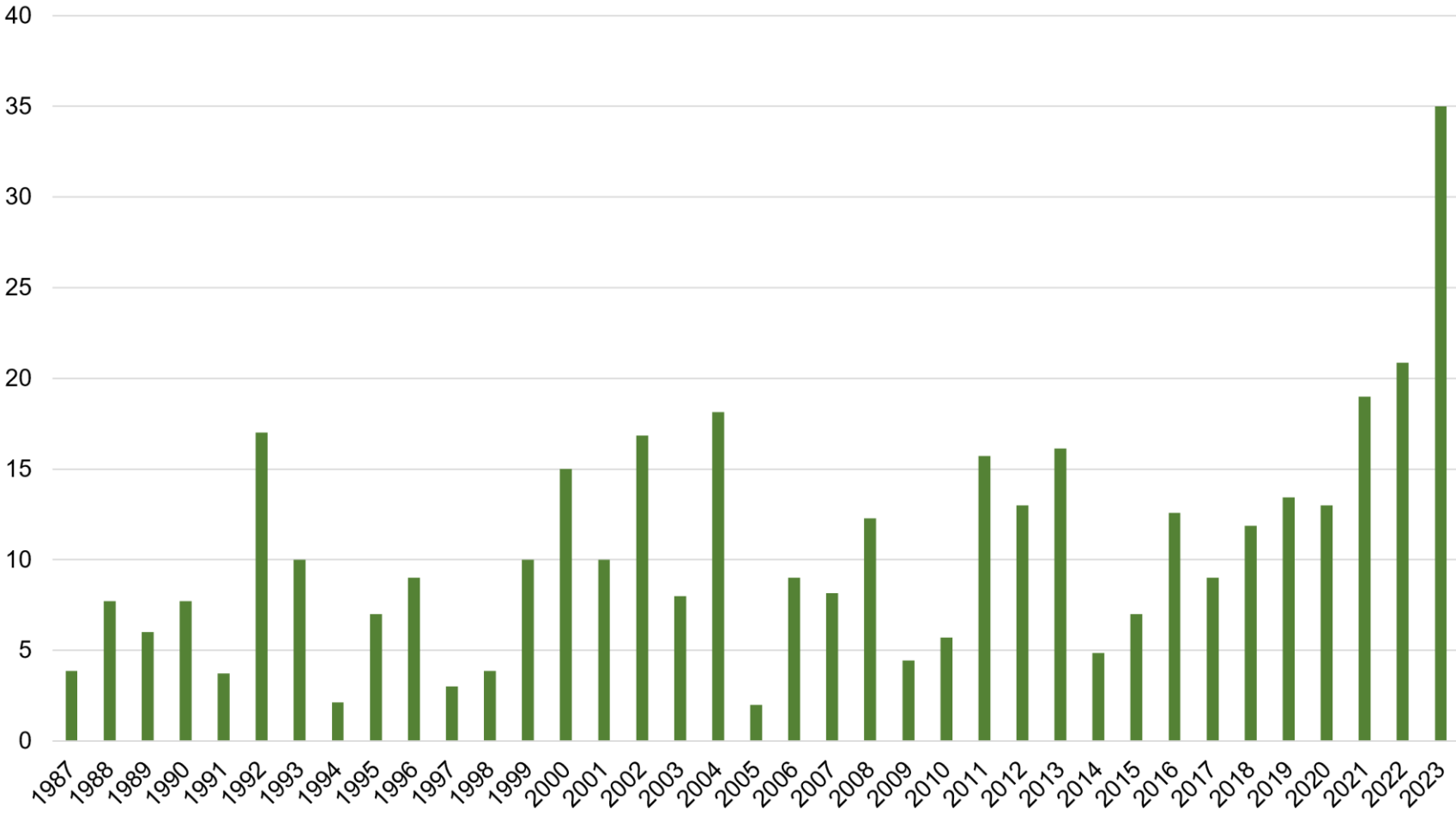
NO BULL — 



Current Mississippi River water levels are at historic lows dramatically impeding barge traffic and slowing US exports. The Mississippi River has been used to transport ~60% of US corn and soybean export with the remaining 40% by rail. You can see we have a BIG problem brewing.

U.S. Winter Wheat Conditions October 30

% rated poor/very poor

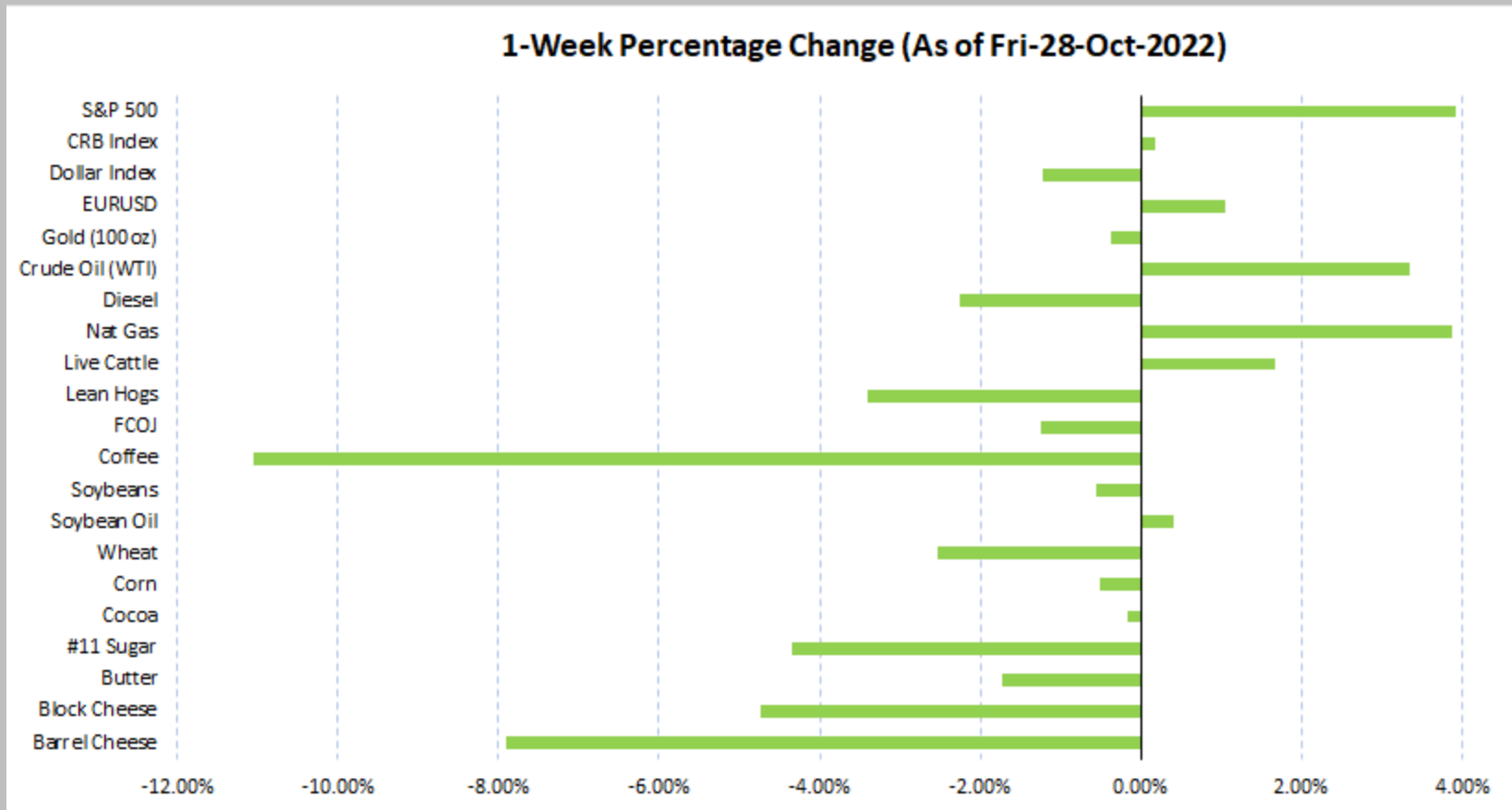


Note: date was a few days after Oct. 30 in a small number of years due to data availability

Data source: USDA/NASS

@kannbwx

Past week losers vs. gainers



DAIRY Update

CME Spot	10/24	10/25	10/26	10/27	10/28	10/31
Block Cheddar	\$2.06	\$2.04	\$1.9975	\$1.96	\$1.96	\$1.96
Grade AA Butter	\$3.19	\$3.1525	\$3.15	\$3.1450	\$3.14	\$2.9450

CHEESE – 4 blocks & 3 barrels traded last week... Spot barrels now back to normal discount

- Midwest milk production is increasing, which should help availability in the coming weeks
- Spot milk is trading at \$0.25 under Class III (-\$1.00 WA; +\$0.50 YA; +\$0.65 5YA)
- Cheese production is steady, and is cause for the spot market to fall back below \$2.00
- Food service demand is steady, while retail is lagging a bit, and export sales are strong
- Some spot loads of blocks are available, while some say their inventories are committed through Dec
- Q1 block cheese futures average = \$1.9437 (-.0246)
- International: German edam = \$2.45 (+.06)

BUTTER – 11 lots traded... Spot Monday close = lowest since Aug, and largest 1-day drop since Jan (\$0.195)

- Butter availability is finally increasing steadily, and it finally showed in the marketplace too!
- Perhaps retailers and food buyers have already bought most of their needs? We shall see...
- More cream is available too... Midwest multiples = 129 (131 WA; 139 YA; 134 5YA)
- Butter production is steady in the West, and retail /food service demand is strong in Northeast / West.
- Q1 futures average = \$2.5032 (-.0021)
- International: German = \$2.98 (+.02)... Dutch = \$2.86 (-.06)