

# Key Market Drivers – 8/2/2022 (Page 1)

## Top Headlines

- **RUSSIA-UKRAINE WAR:** War now in the 6<sup>th</sup> month... The first ship of UKR grain under the new deal left Odessa Monday AM (corn to Lebanon). Zelensky's office reporting there are 16 more ships with 580 TMT of grain ready to leave.
- **FOMC** raised the FFR by 75-basis points at their 7/26-27 meeting. Yawner, as that is what the trade was expecting.
- **US Equities** post the largest monthly gain since November of 2020.... WTH??

## Recent/Upcoming Reports

- **USDA August WASDE** – 8/12

## Weather Headlines

- **NOAM:** Past 7-day precip not looking too bad with a 7-day forecast with some good rains across parts of the corn belt but still looking hot for the next couple weeks.

## Corn

- **Crop Conditions:** see slides
- **Futures:** September futures ↑ 52¢ (9.2%)...
- Dry weather in France has sent that countries corn conditions down sharply in recent weeks; 68% of the crop is rated as either good or excellent, down from 75% LW & 84% the week before.
- **BRAZIL: Cordonnier** unchanged at 112 MT with a neutral to slightly higher bias going forward.... Safrinha harvest 72.7% complete vs. 49.2% YA
- **ARGENTINA: Cordonnier** unchanged at 50 MMT, and neutral to slightly higher bias... Crop is 74.2% harvested

## Wheat

- **Crop Conditions:** See slides...
- **Futures WoW:** Chicago ↑48¢ (+6.3%); KC ↑17¢ (+6.5%); and MPLS ↑35¢ (+4.0%)...
- **WINTER WHEAT HARVEST:** National progress still moving slowly at only +5, to 82%. The main areas to complete are the PNW, SD & MI. **HRW-** With 80% of their expected samples tested, US Wheat Assoc. is showing avg protein still at 12.9% (5-yr avg 11.8%)... **SRW-** With 76% of their samples tested, US Wheat Assoc, show an outstanding crop

with FN of 328, well above the 5 yr avg, and vomitoxin below YA levels.

- **US-HRS WQC Tour:** The annual Wheat Quality Tour, finished up last week with very good results, estimating average yields at 49.1 bpa, the highest since 2015 and well over the 5-yr avg of 39.4 bpa.
- **KAZAKHSTAN:** Ag minister estimates this year's production at 13-13.5 MMT, +15% YoY, and they expect domestic needs to top out at 6.0 MMT, leaving the balance for exports.
- **RUSSIA:** SovEcon is reporting recent rains have been detrimental to winter wheat quality, but not yield as they estimate 33 MMT has been harvested thus far, at just below record level of 4.37 T/ha (record of 4.44 in 2017). Spring wheat is in great conditions.
- **INTERNATIONAL PRICING:** Friday's market, with WoW change in ( )... US-HRW, Fob Gulf = \$384 (+27); US-SRW, Fob Gulf = \$341 (+18); ARG, Fob BA = \$410 (-10); FRA, Fob Rouen = \$359 (+16); UKR = No Quote; RUS = No Quote, *but sources report trading at \$358/ton FOB (+3)*

## Oilseeds/Vegetable Oils

- **Crop Conditions:** see slides
- **Soybeans/SBO:** Soybeans (Sept) ↑\$1.60 (12.1%); SBO ↑767 points 13%...
- Soy complex up strong last week, but under serious pressure this week as market braces for possible backlash from China over Speakers Pelosi's visit to Taiwan.
  - **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) ↑ \$100 (10.6%) on the week...
  - **Indonesia:** Indo gov't decides NOT to cancel DMO; for now. They did, however, raise export quote to 9 times the DMO vs 7x prior.
  - **Malaysia:** PO historically cheap vs SBO; discount back over \$500 again (futures).
  - **China** – June PO imports lowest monthly total since 2004. See slide.

- **Rapeseed/Canola Oil:** Canola futures (Nov) ↑ \$90.40 (11.3%)...

- **Canada:** 70% of AB canola crop is rated as GE. AB gov't estimates yield at a large 40.6 bu/acre; well above 5-year average of 37.5.
- SD canola offered at +800 FOB Vancouver for NC. This value yields a negative \$150/MT import margin into China.
- Canada has imposed a 35% import tariff on Russian fertilizer AND has proposed a plan to cut nitrogen emissions from fertilizer by 30% from 2020 levels by 2030. Farmers are NOT happy.
- **ND canola** is rated at 68% good or excellent; up 1% from LW. 31% coloring, well behind last year of 53% and 49% on average.
- **YTD Canadian canola crush** -18.3% behind LY; exports - 52.2%.
- **Sunflower:** ND sunflowers rated 82% good or excellent; up 4% from LW.
- Strategie Grains lowers estimate of EU sunflower crop to 10.35 MMT, down from 10.87 last month. Dry weather sited.

## Biofuels

- The "Inflation Reduction Act of 2022" contains wording to extend the \$1/gallon biodiesel production tax credit and create a separate credit for sustainable aviation fuel through 2024.

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## Coffee

- **September finished** the week with a gain of 10.50 cents (5.1%) for second positive weekly result in a row.
- **The Brazilian currency** rebounded to a new 5-week high helping prices off their recent lows.
- **Talk of 23/24 Brazilian** “off year” coffee crop being larger than 22/23 “on year” crop.

## Cocoa

- **September finished** the week with a gain of 26 points (1.1%) for third positive weekly result in the last 4 weeks.
- **Near term demand** concerns soothed a bit with rebound in US & European equity markets.
- **Ghana 21/22 production** likely to reach 12 year low and come in below 700K tonnes.

## Sweeteners

- **October finished** the week with a loss of 35 ticks (2%) for the second negative weekly result in a row.
- **Brazil's 4% Petrobras** wholesale gasoline cut weighed on prices as that is likely to push mills to increase sugars share of crush.

## 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 stay below \$2, and dip even further, below \$1.90 (\$1.8475 on Monday). Milk is available for cheese production... spot prices at \$2.50 under Class III (-\$4.00 WA; -\$4.50 YA; -\$1.80 5YA). Retail demand remains soft, and food service demand is declining as well... International demand is strong. Q4 block cheese futures average = \$2.0843 (-.0140)... International pricing:

German Edam = \$2.48 (+.01)

- **BUTTER:** Big volume and high prices continue in Chicago as hot weather, high demand, and transportation/labor support values. Spot prices have stayed between \$2.90-3.00 range since the end of May. Cream is tight, and prices have jumped due to demand, hot weather, and continued transportation issues. Butter production in the Central region is steady, but declining in the Northeast/West due to labor. Inventories are tight, especially in the Northeast/Central regions. Retail demand for butter is softening in all regions, and food service sales are also slowing... Midwest cream multiples = 141 (134 WA; 131 YA; 134 5YA)... Q4 block cheese futures average = \$2.5733 (+.0558)... International pricing: Dutch = \$3.19 (+.01)... German = \$3.08 (-.07)

## Proteins (Beef, Pork, Poultry)

- **PROTEIN COMPLEX:** We are in August which means Summer will be ending soon along with smaller supplies of pork. Seasonally pork supplies are less as weights drop lower during the heat and there are less animals to market. Beef supplies continue to be higher year over year as producers impacted by drought continue to push animals to market. We will begin to see the impact of less cattle in Q4 of 2022 and probably well into 2024.
- **Beef:** Live cattle futures ended the week lower down .7% as the cash markets and cutout values moved lower with concerns going forward around demand.
- Last Friday, Spot Live Cattle futures closed at 136.5 down .7% vs LW; up 3.4% vs. YA. Spot Feeder Cattle closed at 178.6 down 1.6% vs LW; up 4.5% vs YA.
  - Choice Beef Cutout closed at 28.4 down .5% vs LW; down 1.6% vs YA; Ribs 403.2 up 3% vs. LW, down 6.2% vs YA; Round primal 214.9 down .4% vs LW, down 4.2% vs YA; Chuck primal 218.4 down 1.3% vs LW, down 2.6% vs YA; beef 50's 103.9 down 4.6% vs LW, down 26% vs YA; beef 90's 268.9 down 1.8% vs. LW, down 2.6% vs YA.

- **Pork:** Lean hog futures closed the week higher as seasonally supply becomes tight and less animals come to market.
- Lean Hog futures closed at 120.7 up 1.6% vs LW; up 33.2% vs. YA.
  - Pork Cutout closed at 127.5 up 2.6% vs LW, up 3% vs YA; Hams 117.6 up 4.8% vs LW, up 9.5% vs. YA; Bellies 211.7 up 7.7% vs LW, down 5.6% vs YA; Loins 104.6 down .4% vs LW, down 7.2% vs YA; 72's 132.4 up 6.3% vs LW, down 18.5% vs YA.
- **Poultry/Eggs/HPAI:** Last Friday, the National Composite Whole Bird Index closed at 143.2 down 5.7% vs LW, up 36.5% vs YA; NE Breast B/S 259.2 down 7.3% vs LW, up 42.4% vs YA; NE Leg quarters 61.8 up .2% vs LW, up 36.5% vs YA.
  - Bird flu (Eurasian H5N1) summary: 44 states with cases detected in wild birds (unchanged vs LW), 38 states with cases in poultry (up 1 state vs LW).
  - Current estimates of a total impact are over 40.1 million birds with the most recent being in the state of Utah at a commercial turkey facility.

## Major Currencies v. US Dollar

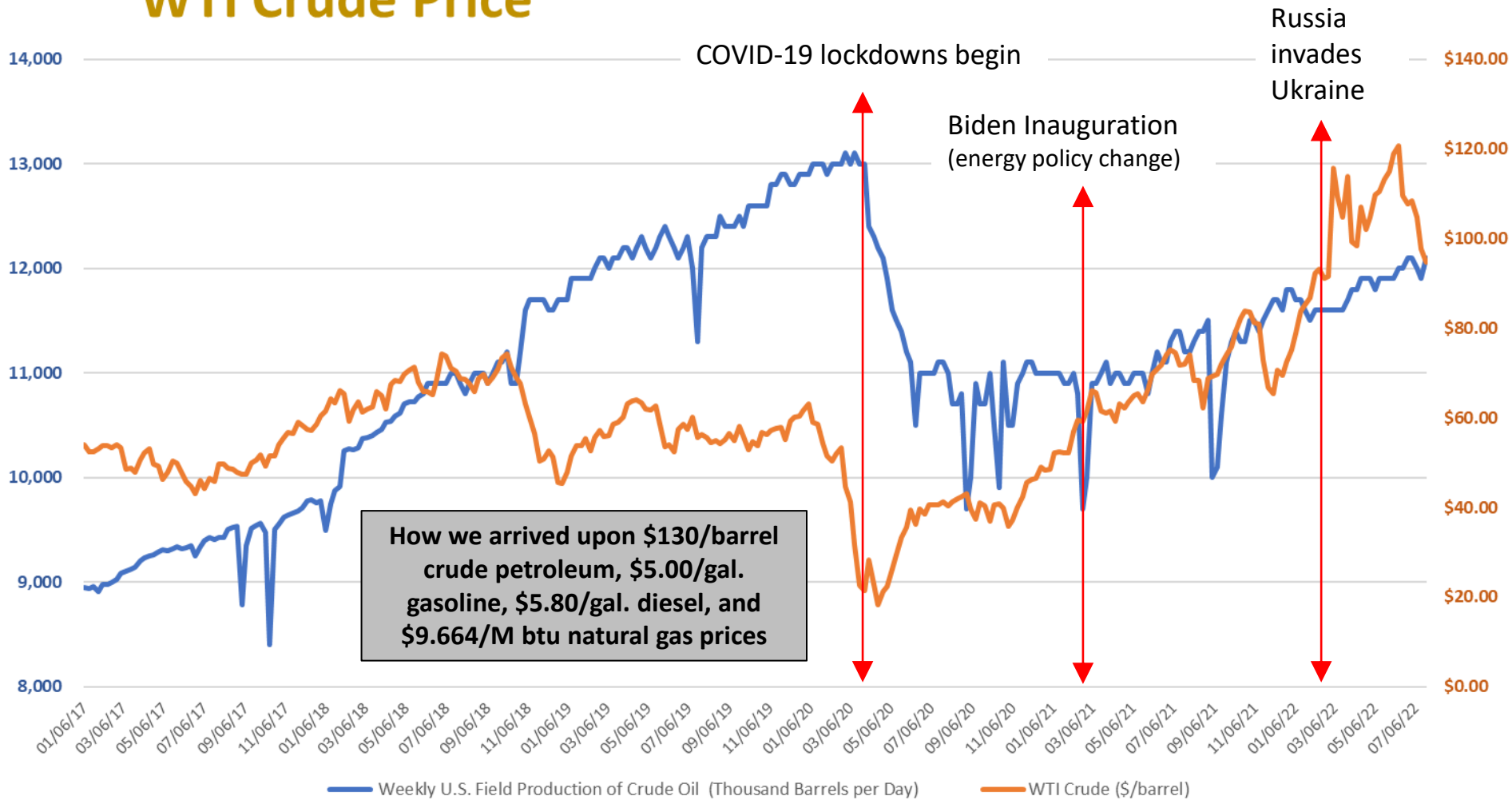
- **US \$:** 105.39 v. 106.45 LW and 92.049 LY
- **Canadian \$:** 1.2845 v. 1.2843 LW and 1.2509 LY
- **Euro €:** 1.0261 v. 1.0222 LW and 1.1867 LY
- **Chinese ¥:** 6.7843 v. 6.7526 LW and 6.4634 LY
- **Brazilian R\$:** 5.1838 v. 5.3742 LW and 5.1747 LY
- **Arg ₳:** 131.89 v. 130.39 LW and 96.79 LY

## Energy (Petroleum/Natural Gas)

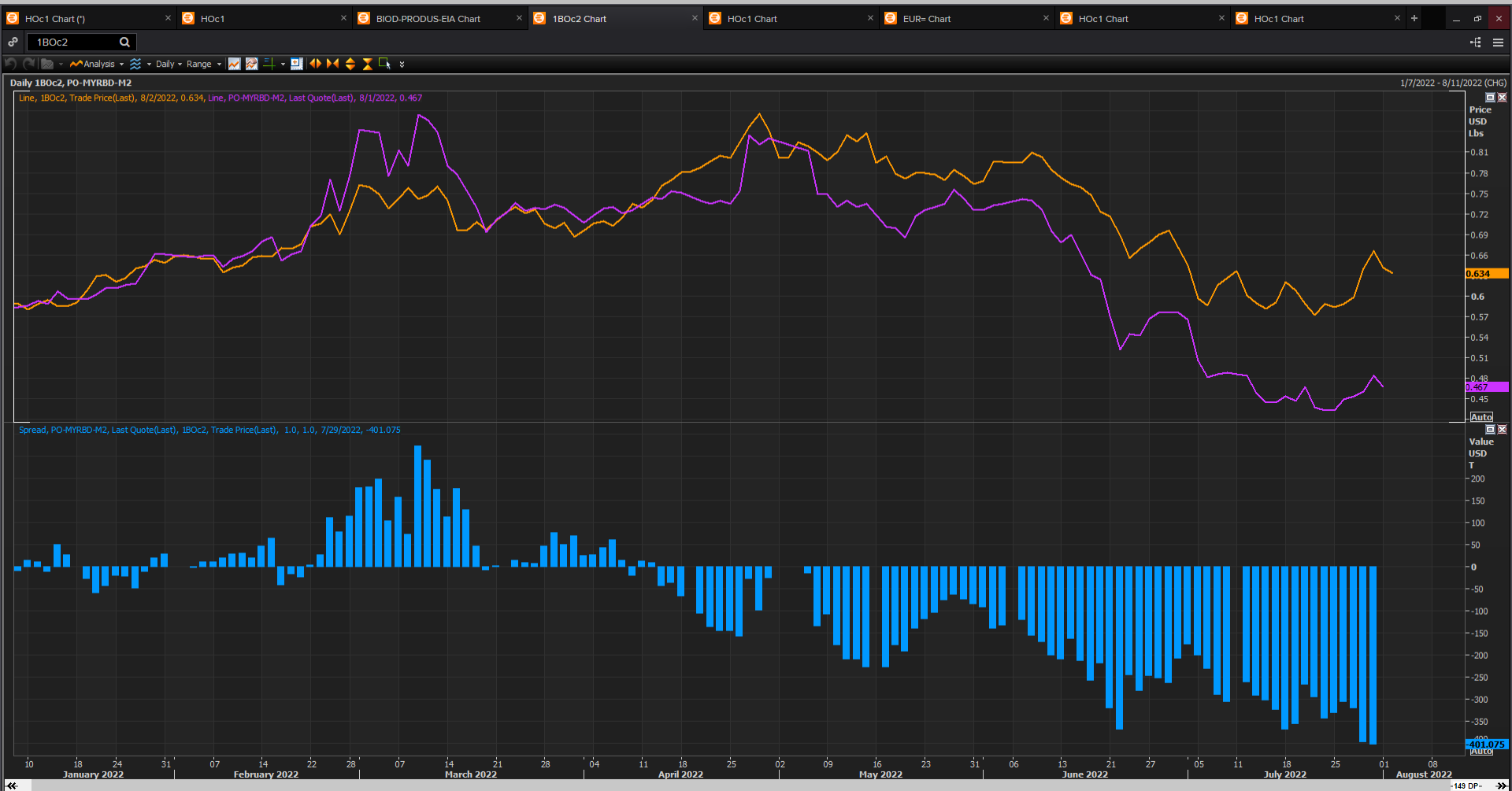
- **Baker Hughes Rig Count @ 605 +6** from last week.
- **US Weekly Crude Oil Production @ 12,100 +200** v. week ago.

# Weekly U.S. Field Production of Crude Oil

## WTI Crude Price

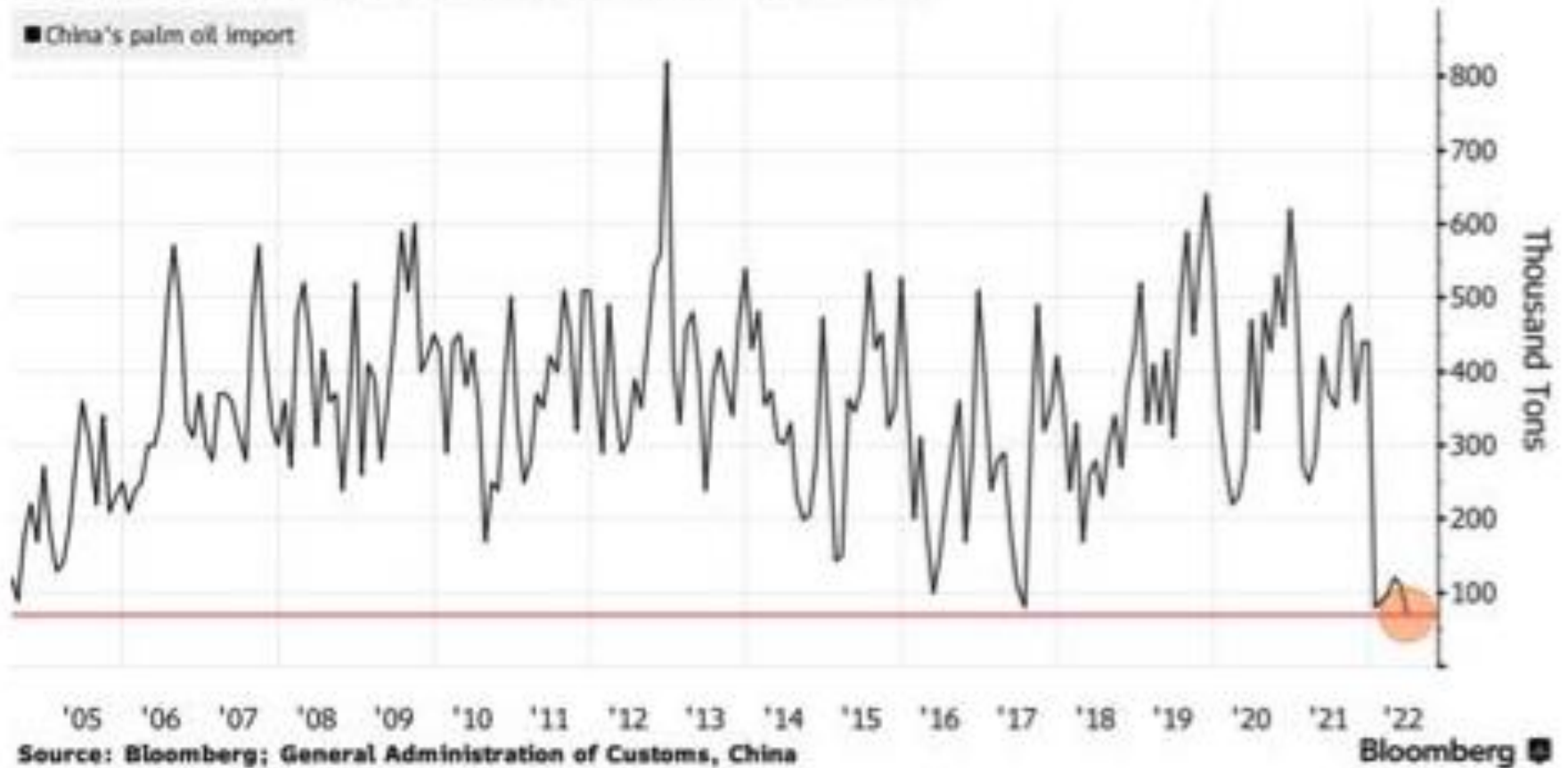


# Palm v. Soybean Oil

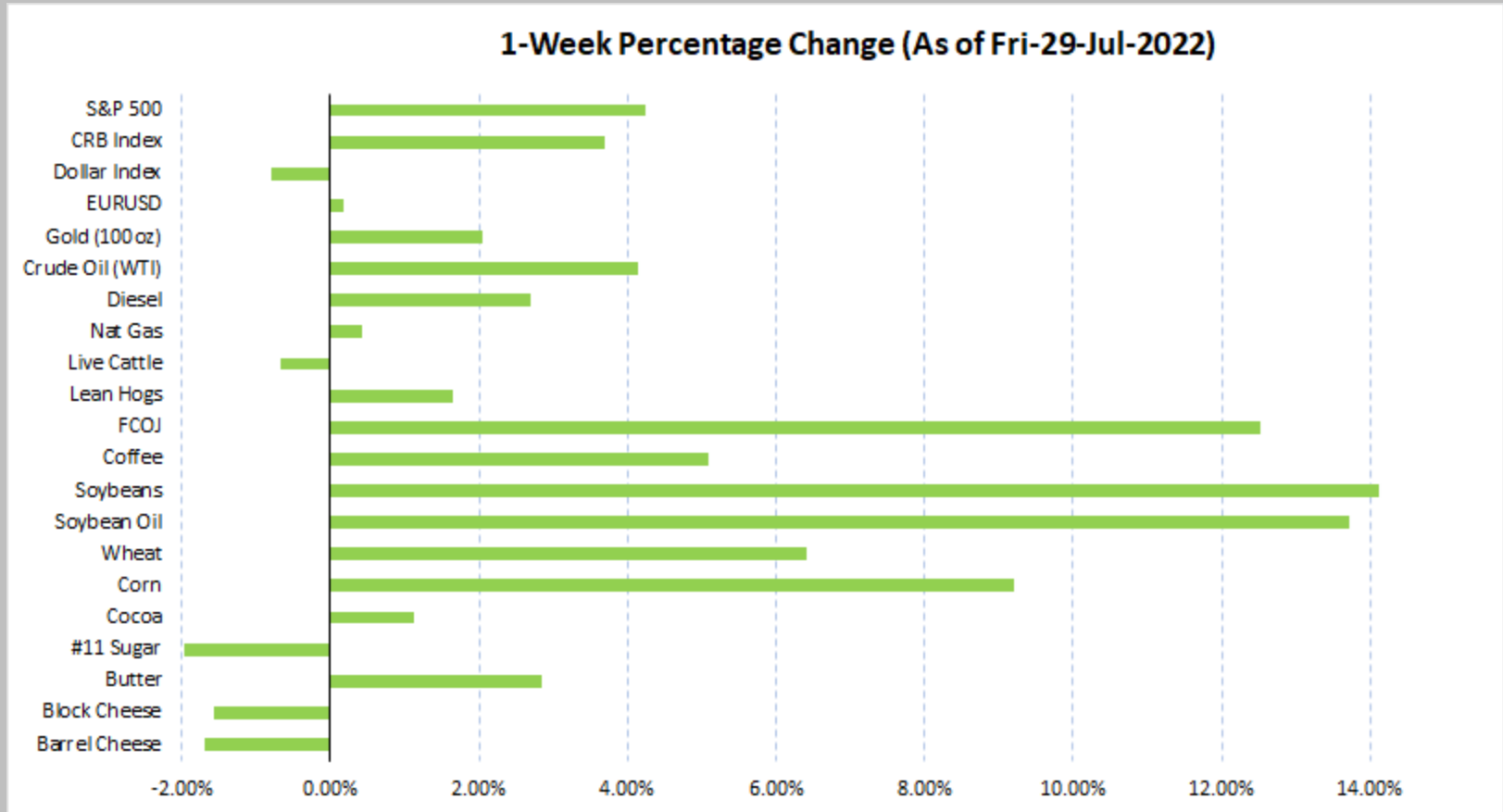


# Palm Oil Imports Historically Weak

## Volume in June was the lowest since at least 2004



# Past week losers vs. gainers



# DAIRY Update

CME Spot	7/25	7/26	7/27	7/28	7/29	8/1
Block Cheddar	\$1.9550	\$1.9975	\$1.9375	\$1.85	\$1.88	\$1.8475
Grade AA Butter	\$2.93	\$2.9575	\$2.9925	\$2.9550	\$2.99	\$2.9875

**CHEESE** – 12 blocks & 10 barrels traded last week... First dip below \$1.90 since February

- Milk is available for cheese production... spot prices at \$2.50 under Class III (-\$4.00 WA; -\$4.50 YA; -\$1.80 5YA)
- Retail demand remains soft, and food service demand is declining as well... International demand is strong
- Q4 block cheese futures average = \$2.0843 (-.0140)
- International pricing: German Edam = \$2.48 (+.01)

**BUTTER** – Big volume continues, as well as the \$2.90-3.00 range (43 lots traded last week)

- Cream is tight, and prices have jumped due to demand, hot weather, and continued transportation issues
- Butter production in the Central region is steady, but declining in the Northeast/West due to labor
- Butter inventories are tight, especially in the Northeast/Central regions
- Retail demand for butter is softening in all regions, and food service sales are also slowing
- Midwest cream multiples = 141 (134 WA; 131 YA; 134 5YA)
- Q4 block cheese futures average = \$2.5733 (+.0558)
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