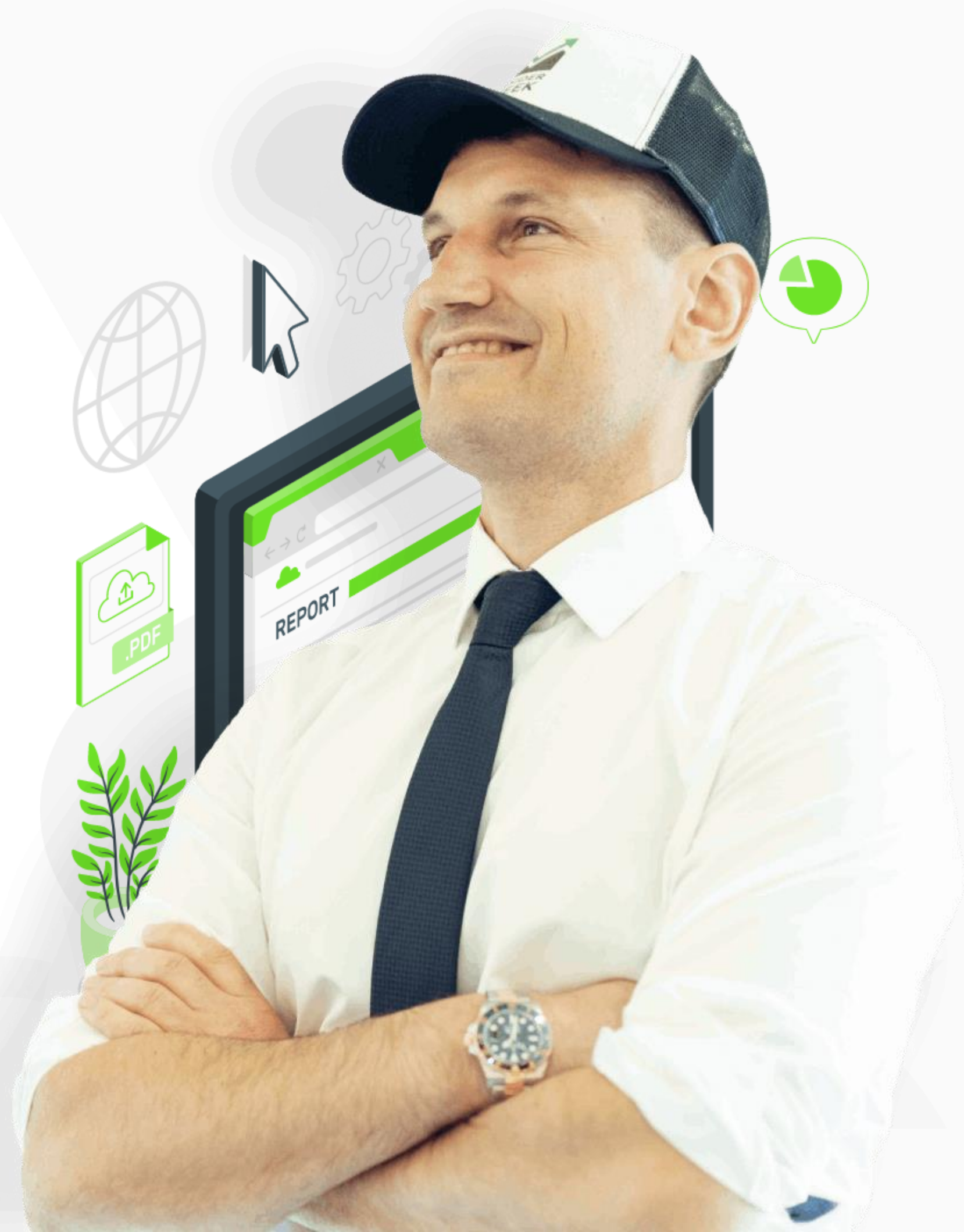


# Commodities Markets Report

By **Max Schulz**

🕒 | Week 45 | **November 7th**



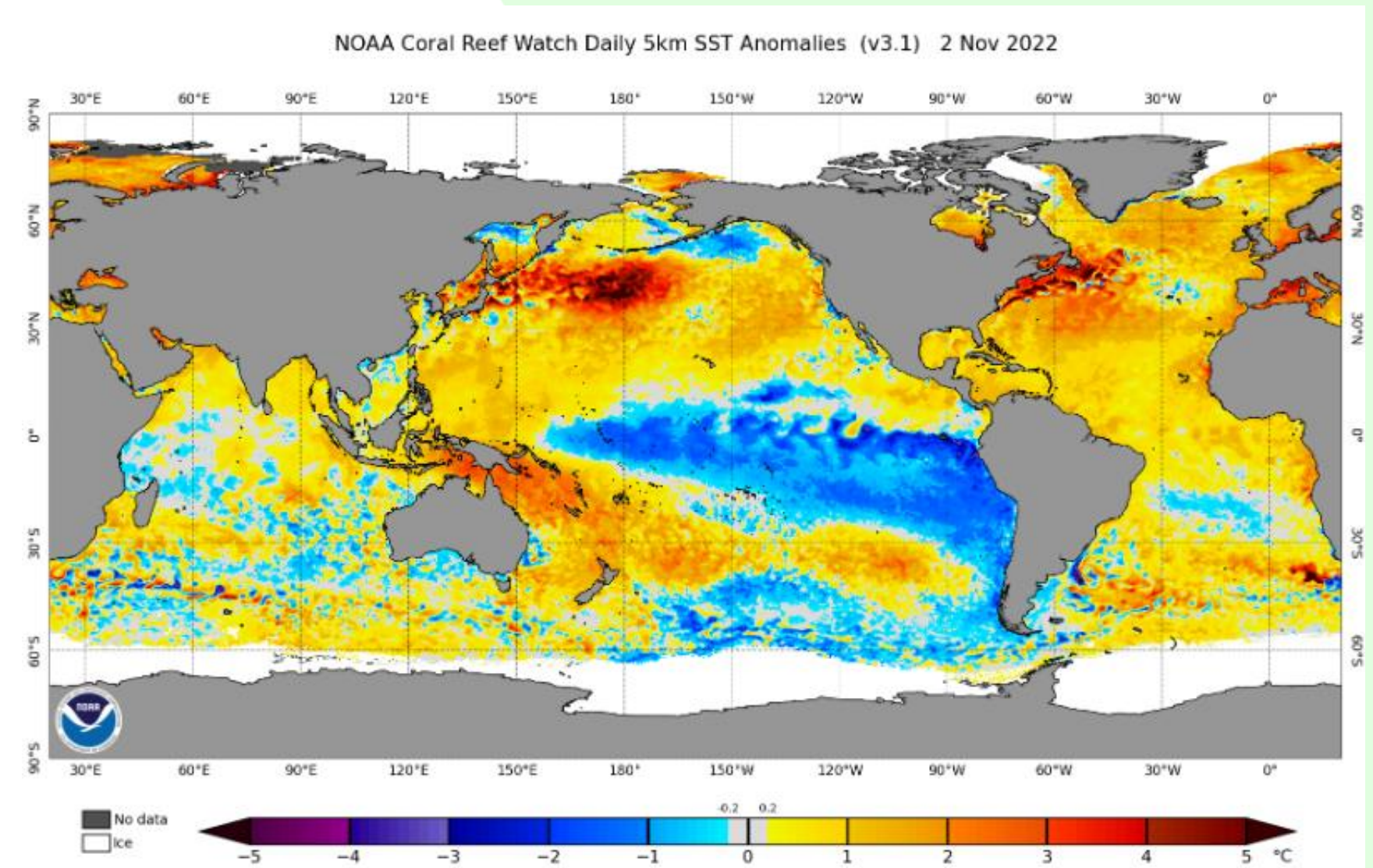
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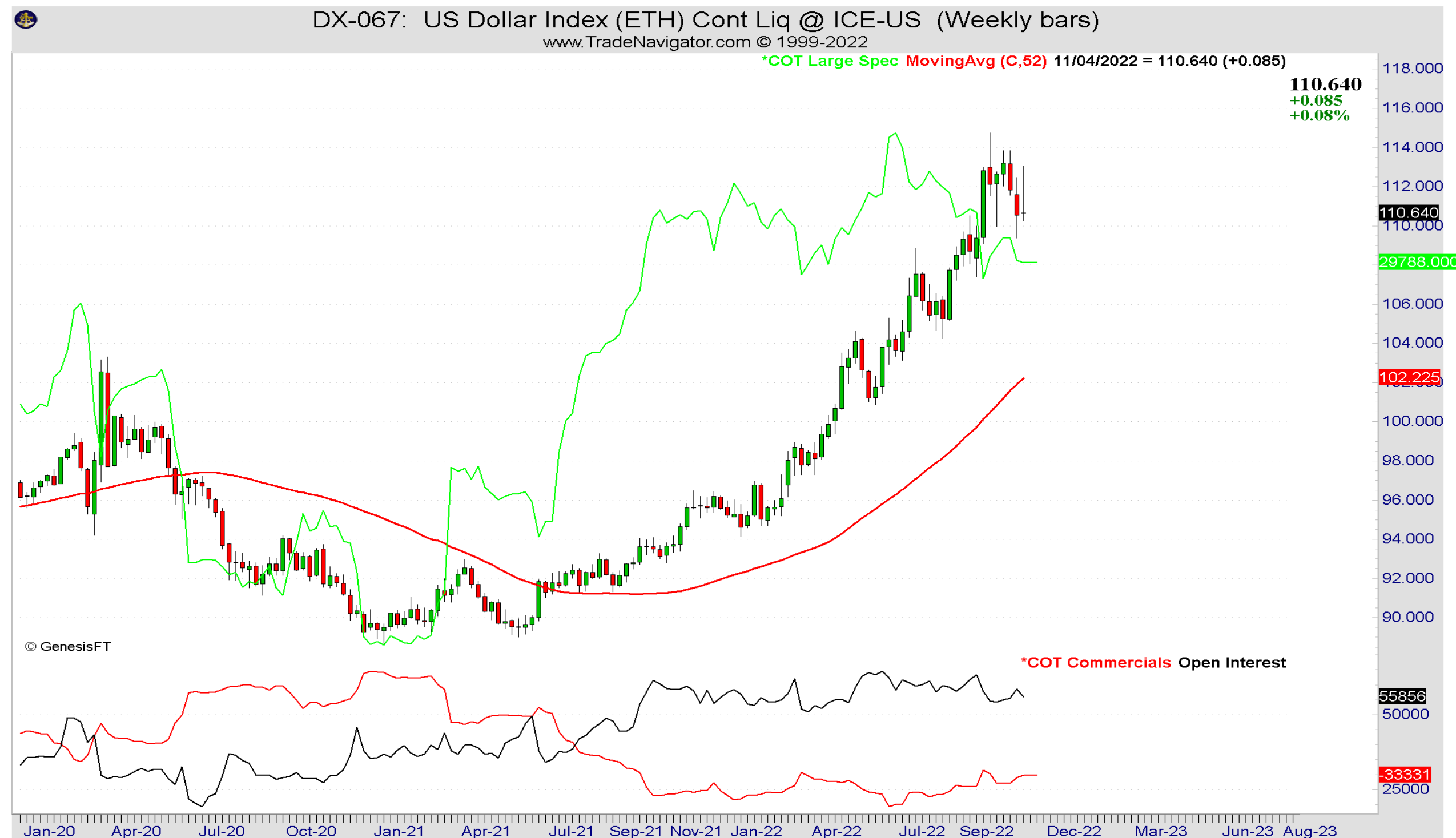


# Global weather review

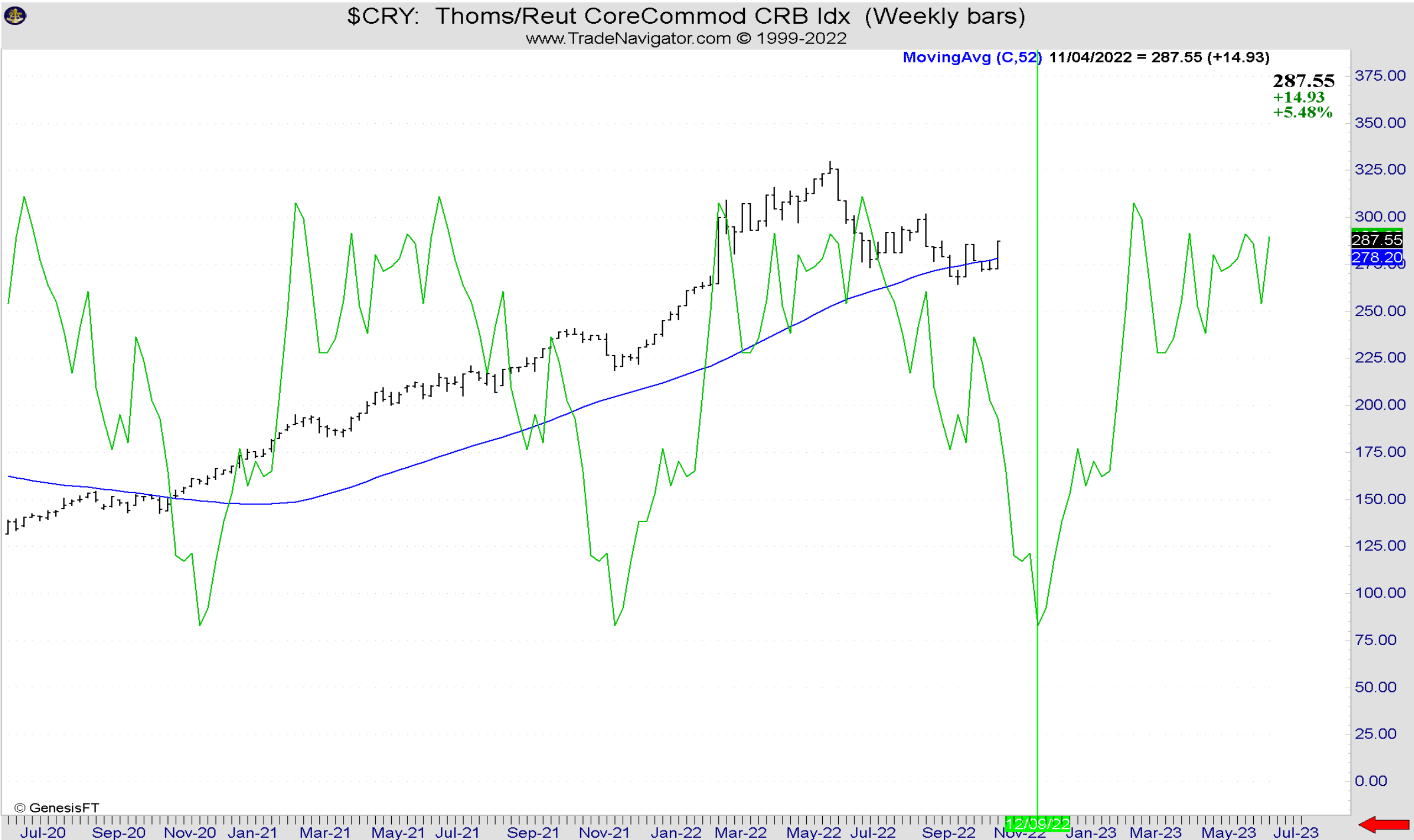
- This year La Niña returns for the third consecutive winter, driving warmer-than-average temperatures for the Southwest and along the Gulf Coast and eastern seaboard, according to NOAA's U.S.
- La Nina being around implies drier than normal Argentina and some parts of Brazil, as well as drying of North America.
- Drought conditions are now present across approximately 59% of the country, but parts of the Western U.S and southern Great Plains will continue to be the hardest hit this winter
- This autumn is warm in Northern Hemisphere on the both sides of Atlantics.
- Freezing temperatures in Argentina continue and may damage soybean and wheat crops.
- The withdrawal of the southwest monsoon accelerated, bringing needed drier weather to most of India.
- Excessive rain in Brazil complicated sugar processing.
- In most of US warm, dry weather is ideal for late-season corn and soybean harvest efforts.
- West African region experienced more than normal amount of rain with flooding some ways of delivery of cocoa beans.



# Dollar Index



# Commodities Index





# Sugar: Sell

- New York sugar closed higher on Wednesday.
- Recent heavy rain in Brazil has made some damage for sugar processing and delayed export operations at ports. As a result of excessive rain, commodity trader Czarnikow reduced its forecast for Brazilian 2022/23 sugar production by 100,000 MT from its early-October forecast.
- Left-wing candidate Lula beat right-wing incumbent Bolsonaro in the second-round run-off of the country's presidential election, raising expectations that Brazil's fuel price-cap in will be lifted in January and incentivizing producers to use sugarcane to produce biofuels instead of crushing sugar, decreasing the supply of sweeteners.
- Strength in crude oil supports high sugar prices.
- According to Bloomberg report India may limit exports to 9 million MT, lower than the 2021/22 quota of 11.2 million MT. 9 million MT export quota would be higher than the 8 million MT quota that the Indian government previously considered due to a larger-than-expected Indian sugar surplus
- International Sugar Organization (ISO) projected that global 2022/23 sugar production to grow +4.5% y/y to 181.9 MMT a 5-year high.
- ISO projected 2022/23 global sugar market would be in a surplus of +5.6 MMT.

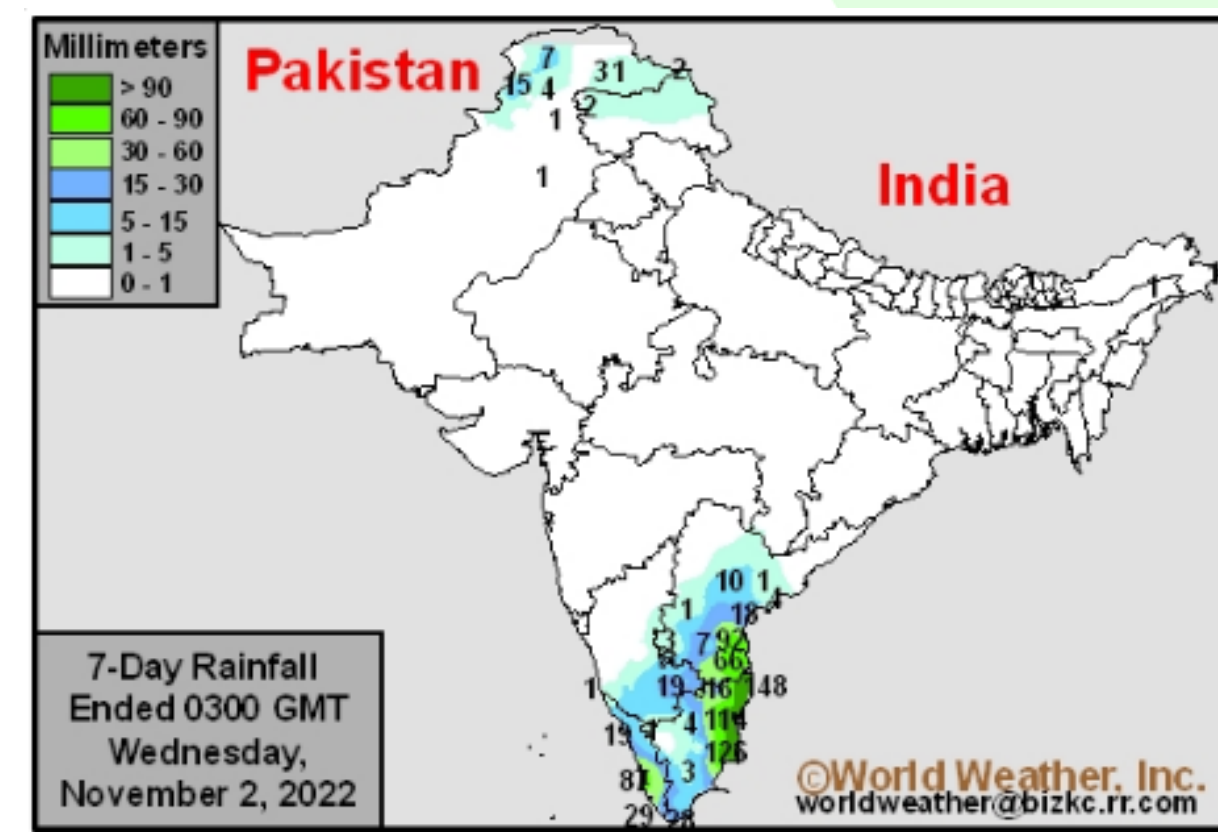
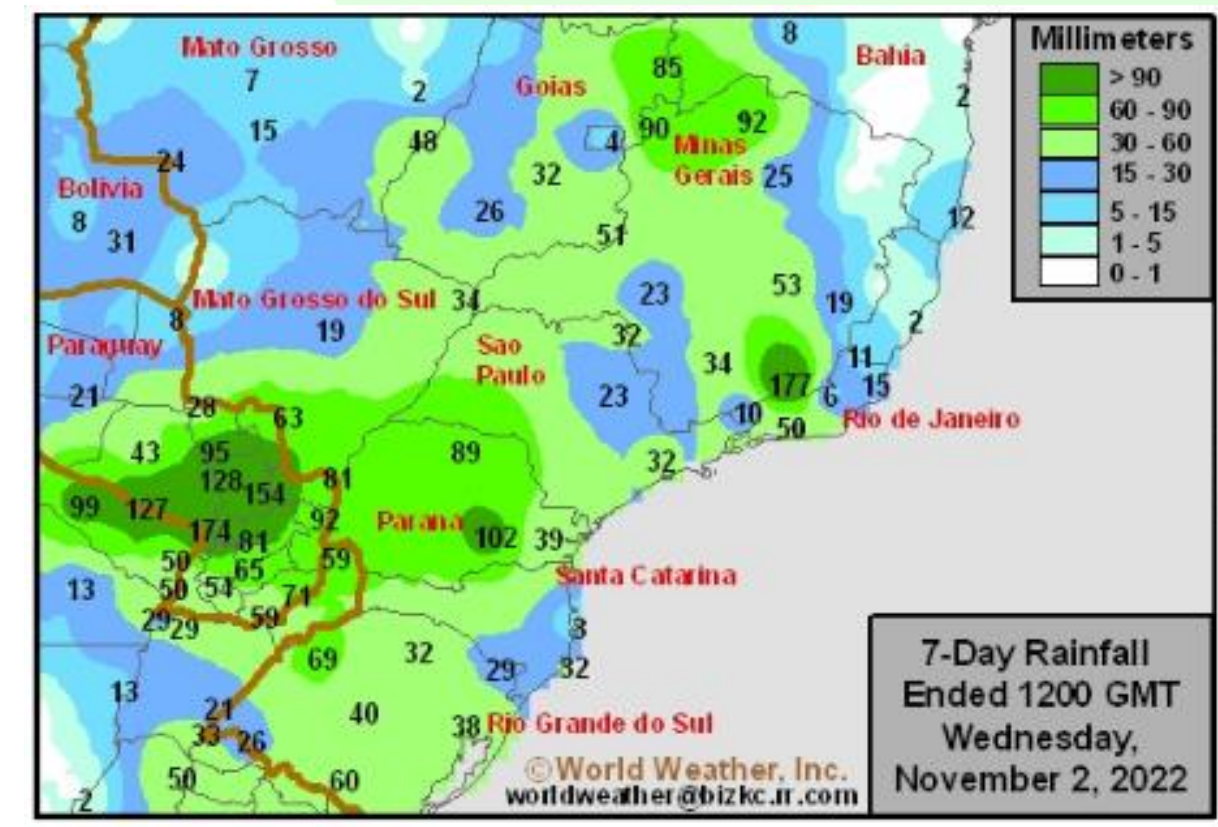


- Indian Sugar Mills Association reported India's 2022/23 sugar production (Oct 1-Sep 30) climb +2% y/y to 36.5 MMT as Indian farmers boosted their planted cane acreage by +5.4% y/y to 5.6 mln hectares.
- StoneX on September 18th projected that Brazil Center-South 2023/24 sugar production to climb +5.7% y/y to 35.2 MMT.
- Global 2023/24 sugar production growth +3% y/y to 194.4 MMT on rising supplies from Brazil, India, and Thailand.
- **Sugar is bearish on the back of larger sugar production from India and Brazil, Thailand, larger sugar export from India and global surplus of sugar.**
- **However recent Indian quota, delays with delivery and elections in Brazil may cause short term bullish reaction.**

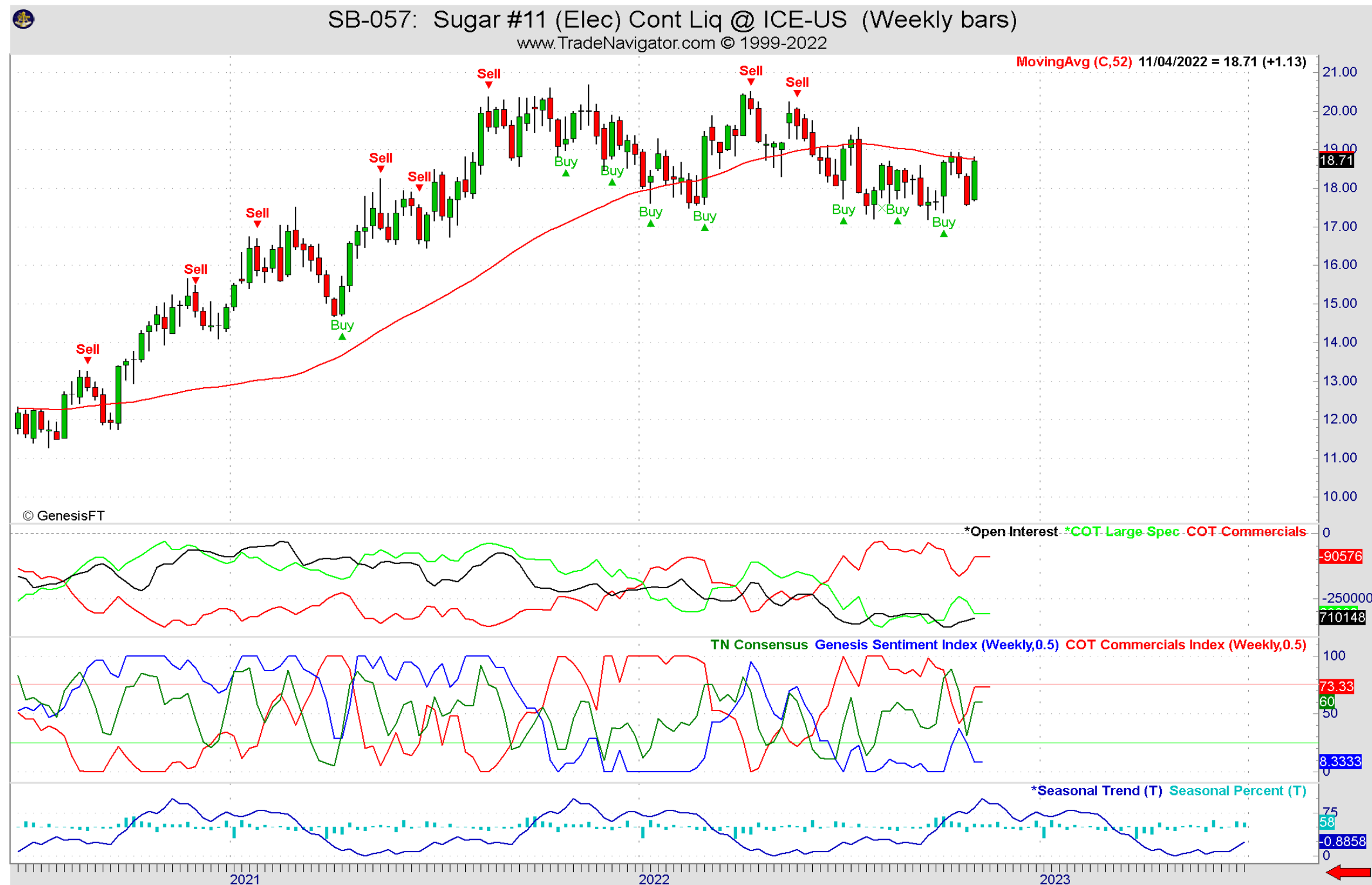


# Weather review

- Weather outlook for Brazil is a too wet some sugar processing was affected as well export operations.
- The southwest monsoon fully withdrew from the region during the first part of the reporting period, ushering in dry weather throughout Pakistan and India. Only lingering showers (less than 25 mm, more near coastal areas) occurred in far southern India.



# Sugar Price Chart





# Cocoa: Buy

- Cocoa Dec futures closed higher on Wednesday both in NY and London.
- NY cocoa posting a 2-week high and London cocoa posting a 1-week high
- The cocoa prices were surging on the back of rising global demand and weather problems in West Africa region were rain complicated delivery of ready to export cocoa beans. It also caused an outbreak of black pod disease in some west-African growing areas alongside ongoing problems with fertilizers as war in Russia/Ukraine complicated delivery to the region.
- Ivory Coast government reported that Ivory Coast cocoa farmers sent a 295,432 MT of cocoa to Ivory Coast ports for the 2022/23 season (which began Oct 1), -20.6% from the same time last year.
- ICCO on September 1st cut its 2021/22 global cocoa production estimate to 4.890 MMT from a June forecast of 4.923 MMT and raised its 2021/22 global cocoa deficit estimate to -230,000 MT from a June forecast of -174,000 MT.
- Ghana reported on July 27 that its 2021/22 cocoa crop fell by -35% y/y to 685,000 MT, the smallest crop in 12 years, due to drought and swollen shoot virus.
- Smaller cocoa supplies from Nigeria as Sep cocoa exports fell -16% y/y to 11,094 MT due to excessive rain. Nigeria is 4<sup>th</sup> largest cocoa producer globally.
- Barry Callebaut, the world's largest chocolate maker, reported full-year sales of 8.09 billion Swiss francs, better than expectations of 7.94 billion Swiss francs

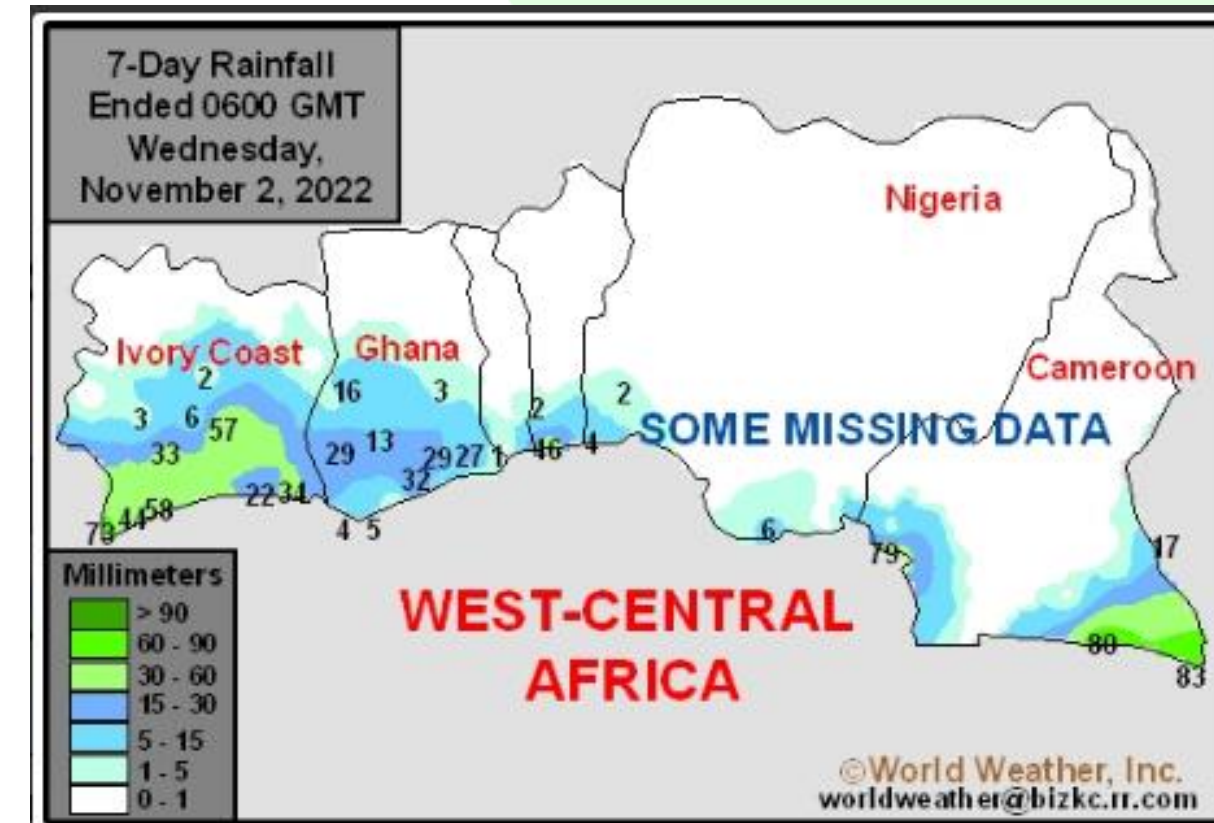


- **Cocoa is bullish on the back of lower global supply due lack of fertilizers and unfavorable weather, recovery of global demand for cocoa beans.**

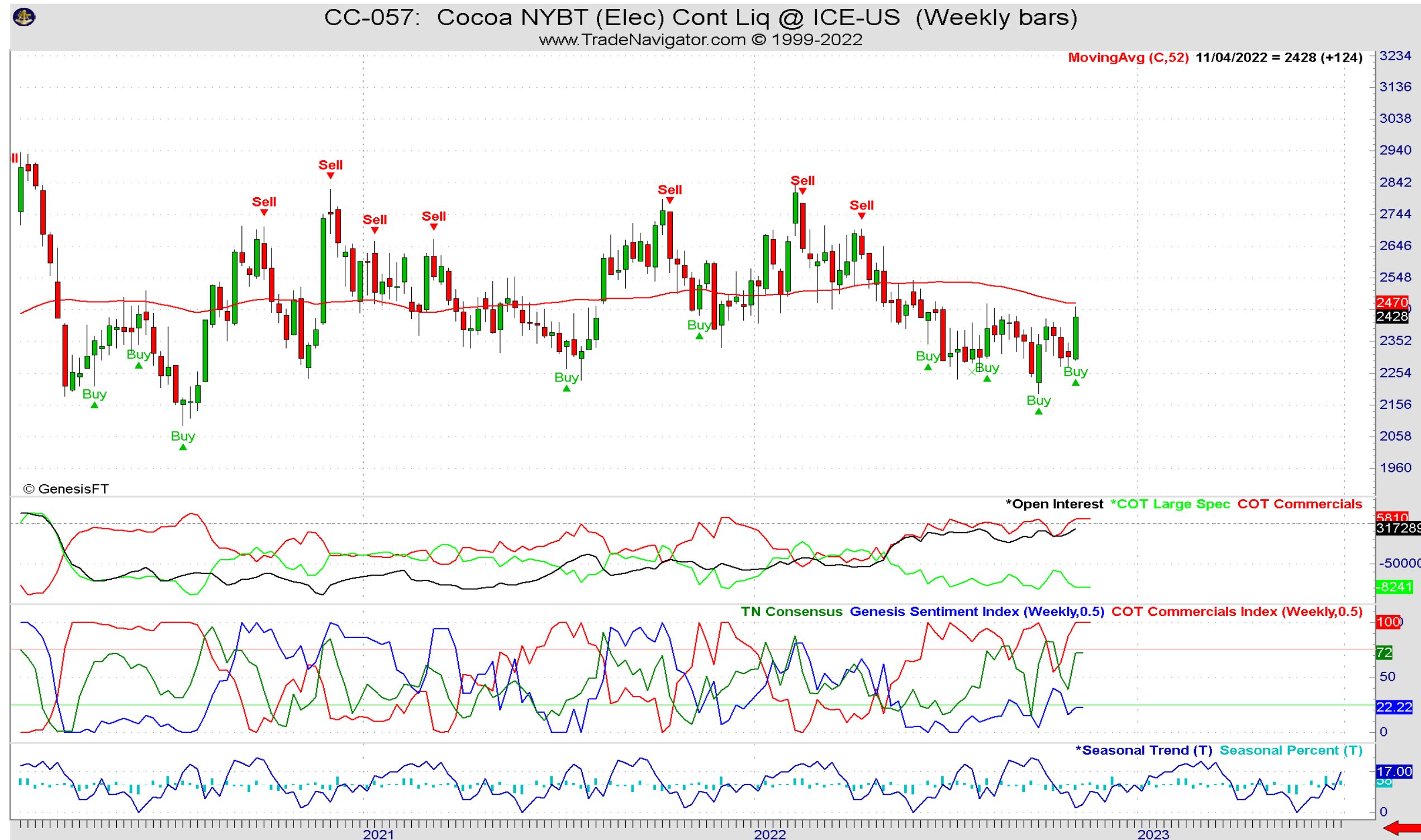


# Weather review

- Ivory cost saw more that excessive amount of rain in the last few weeks, some roads to ports are blocked complicating delivery of cocoa beans to overseas clients
- Ghana was under conditions of drought all summer and now seeing moderate amount of rain which was insufficient to promote good crops development.



# Cocoa Price Chart



# Rice: Buy

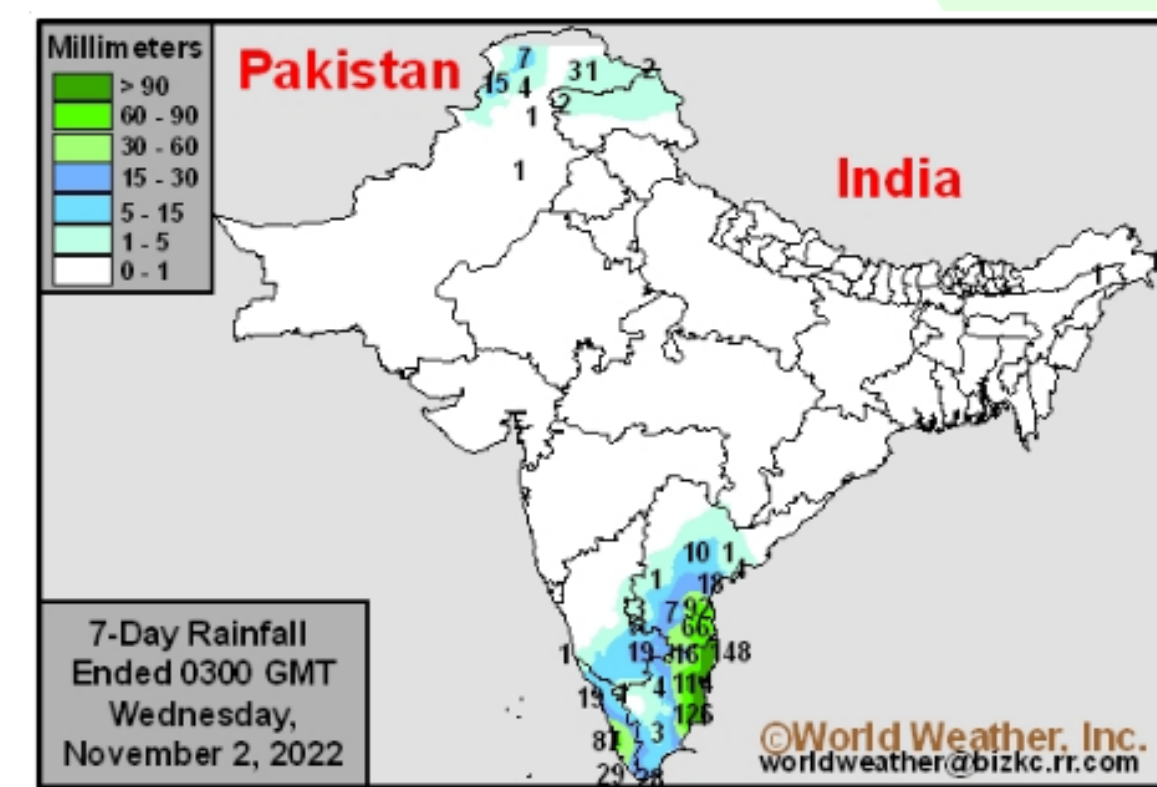
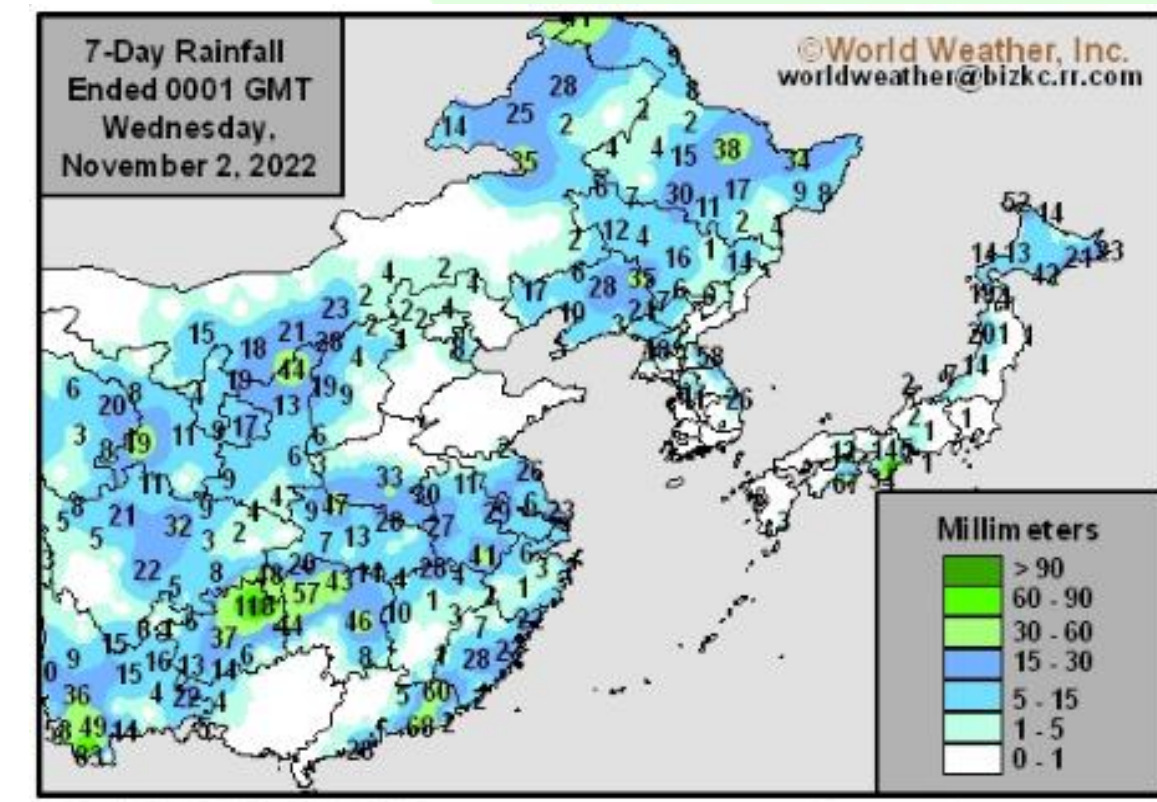
- Rice futures closed a little lower on Thursday.
- Rice increased 15.7% since the beginning of 2022.
- The 2022/23 global rice outlook this month is for lower supplies, consumption, trade, and ending stocks.
- Supplies are lowered by 3.6 million tons to 689.3 million for 2022/23, primarily on decreases in production for India and Pakistan.
- India's production is lowered 2.5 million tons to 124.0 million based on the government's first estimate of the 2022/23 kharif crop. Production in Pakistan is lowered 1.0 million tons to 7.4 million as widespread and prolonged flooding, particularly in the Sindh province, reduced harvested area and yields.
- Global exports are lowered 0.4 million tons to 53.2 million as decreases for India and Pakistan are partly offset by increases for Vietnam, Thailand, and Brazil.
- Global 2022/23 ending stocks are lowered 2.4 million tons to 171.2 million, primarily due to a decrease for India, and would be the lowest level since 2017/18.
- **Rice prices find bullish support on the back of lower global ending stocks and supply**



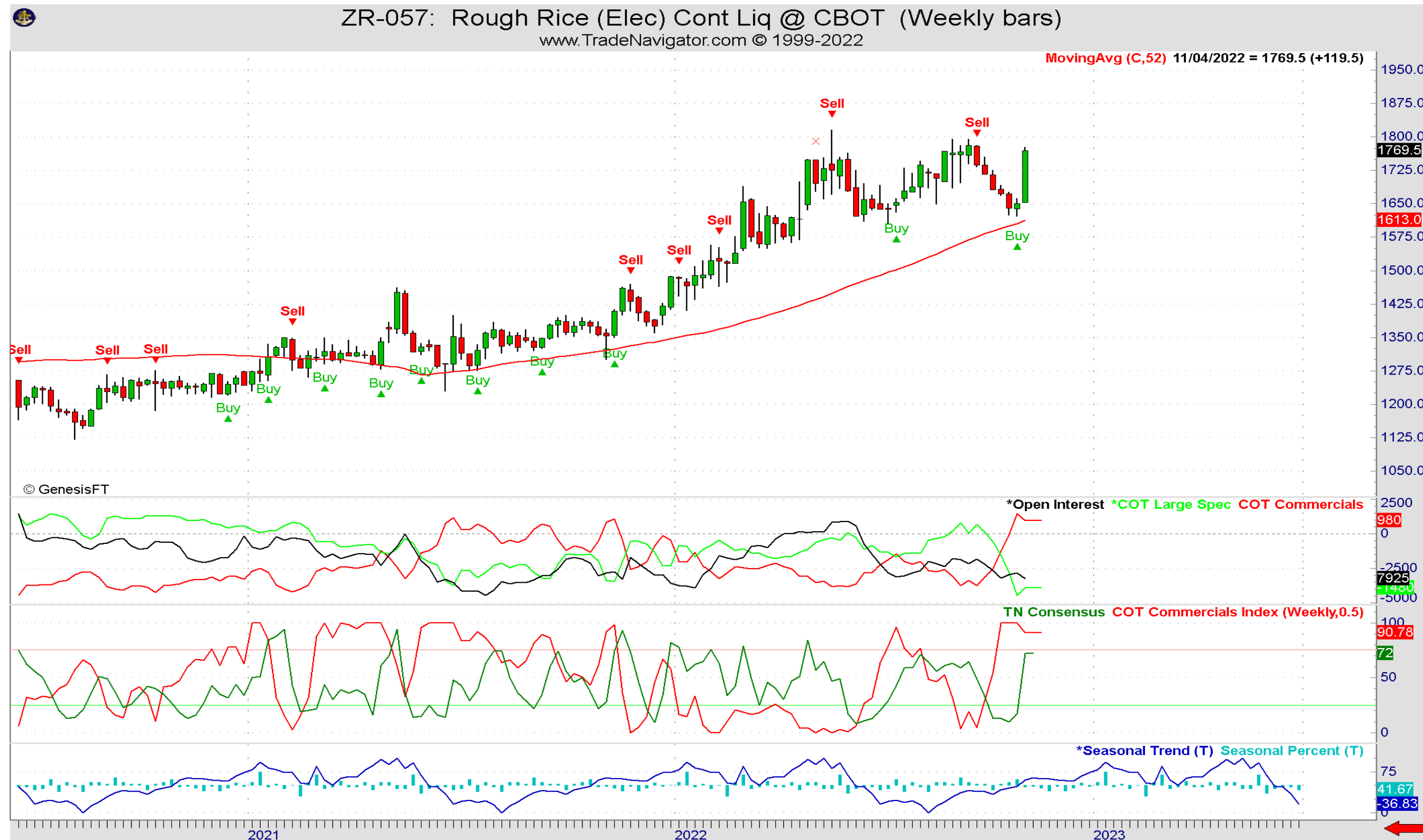


# Weather review

- Unseasonably mild conditions continued across eastern and southern China. Temperatures remained 1 to 3°C above normal in most locales, and along with dry weather supported seasonal fieldwork including wheat and rapeseed sowing. Showers (10-24 mm or more) were generally confined to portions of the Yangtze Valley, providing some much-needed moisture following a prolonged period of unusual dryness; the last appreciable rain was October 8. There is no weather associated risk autumn crop was mostly harvested.
- The southwest monsoon fully withdrew from the region during the first part of the reporting period, ushering in dry weather throughout Pakistan and India. Only lingering showers (less than 25 mm, more near coastal areas) occurred in far southern India. The drier conditions supported maturation of kharif crops as well as rabi crop sowing. Meanwhile, Cyclonic Storm Sitrang (maximum sustained winds of 45 kts) made landfall in Bangladesh early in the week, bringing drenching rainfall (over 100 mm) in the immediate vicinity of its path. The deluge caused localized damage to seasonal rice (aman crop), but generally avoided the main-producing area in northwestern Bangladesh.



# Rice Price Chart



# Soybeans: Buy

- Soybeans CBOT are trading higher today at 1439 vs previous close of 1426. A 5-day change is growth of 3.75%.
- Soybean production is forecast at 4.3 billion bushels, down 65 million on lower yields. Harvested area is unchanged at 86.6 million acres.
- The soybean yield is projected at 49.8 bushels per acre, down 0.7 bushels from the September forecast. With lower production partly offset by higher beginning stocks, supplies are reduced 31 million bushels.
- Soybean exports are reduced 40 million bushels to 2.05 billion with increased competition from South America.
- With lower exports partly offset by increased crush, ending stocks are unchanged from last month at 200 million bushels
- Global 2022/23 oilseed outlook includes higher production, crush, trade, and ending stocks. Foreign production is increased 3.3 million tons to 519.7 million mainly on higher soybean and rapeseed production.
- Soybean production for Brazil is increased 3.0 million tons to 152.0 million, reflecting higher area reported by Brazil's National Supply Company (CONAB).
- Global 2022/23 soybean exports are raised 1.0 million tons to 168.8 million with higher exports for Argentina and Brazil that are partly offset by lower exports for the United States and Paraguay.
- China's soybean imports are raised 1.0 million tons to 98.0 million with higher global supplies. C



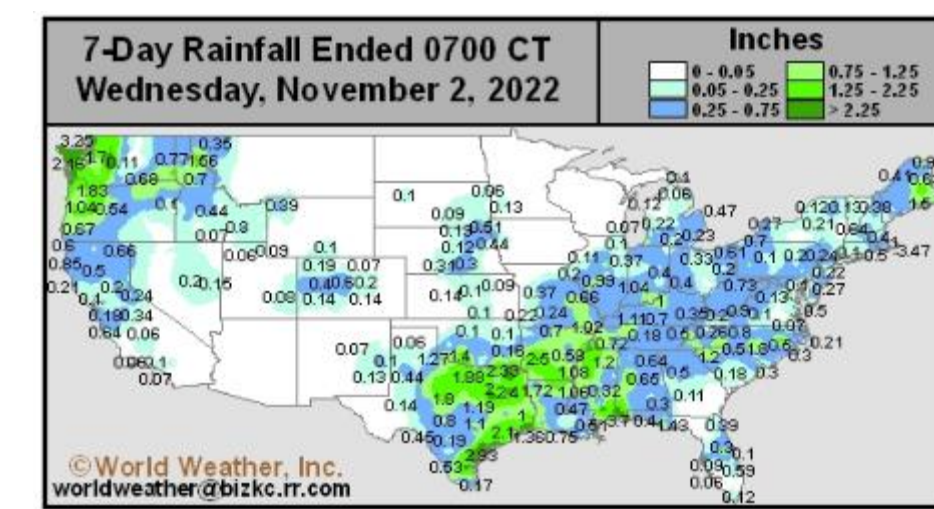
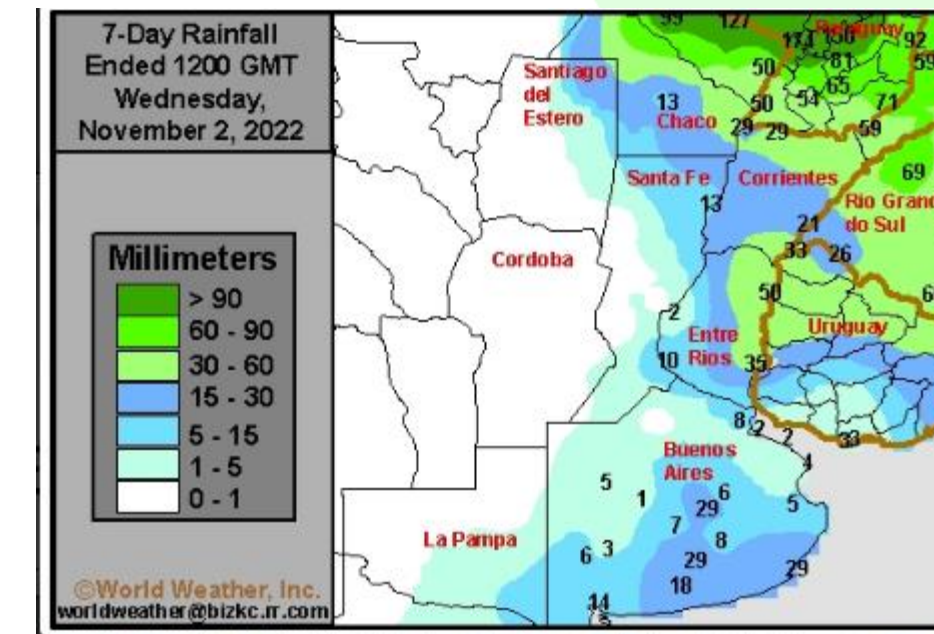
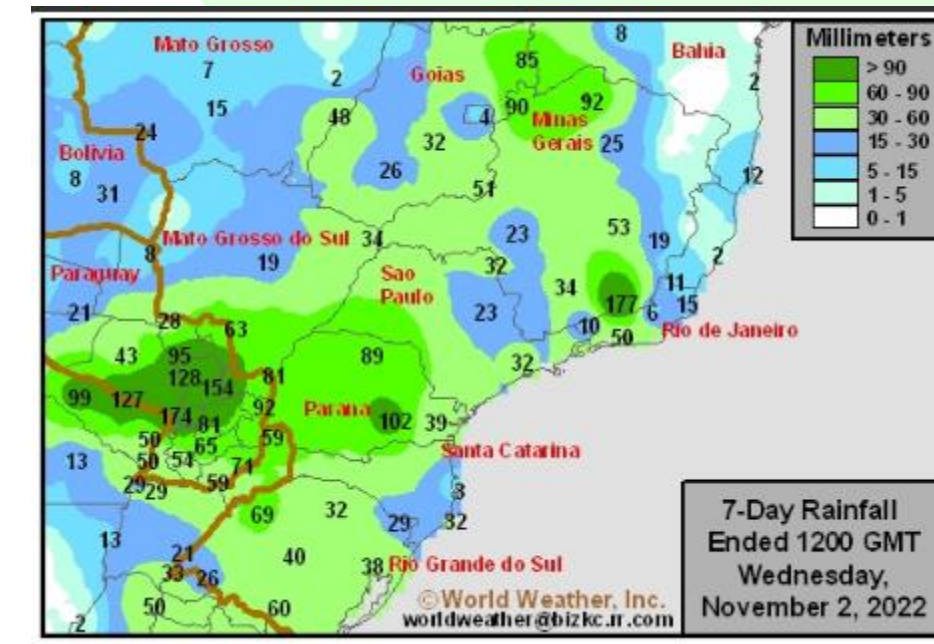
- Global soybean ending stocks are raised 1.6 million tons to 100.5 million, mainly on higher stocks for Brazil.
- Soybeans price find bullish support in lower production however this is short to midterm term opportunity as global supply and trade are increasing and putting downward pressure on US soybeans price.





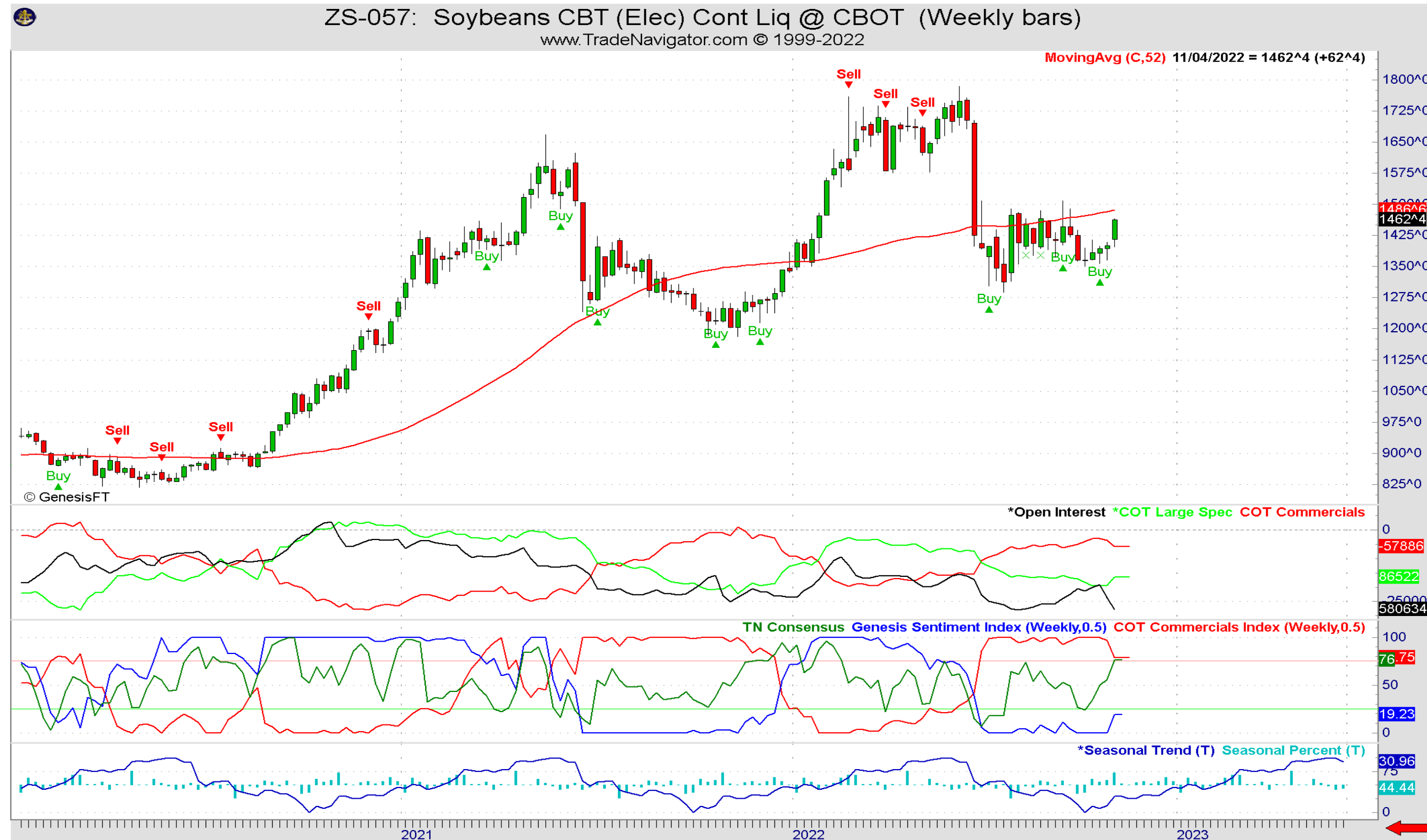
# Weather review

- In Brazil The first significant rain of the season fell in Brazil's northeastern interior, providing timely moisture for planting and germination of soybeans. The heaviest rainfall (25-100 mm) was concentrated over Tocantins and neighboring locations in Goiás, Maranhão, and Piauí, with lower accumulations (25 mm or less) in western Bahia. Elsewhere, showers (10-25 mm, locally reaching 50 mm) continued over central and northern Mato Grosso, but generally lighter rain fell elsewhere, favoring seasonal fieldwork. According to the government of Mato Grosso, soybeans were 83% planted as of October 28, equal to last season's pace. Seasonal fieldwork also continued to make good progress farther south; according to the government of Paraná, first-crop soybeans were 44% planted as of October 24.
- Locally heavy showers brought needed relief from dryness to farming districts in central and northeastern Argentina. Dry weather persisted, however, over the northwest (Salta and environs), where daytime highs locally exceeded 40°C. Warmer-than normal weather also prevailed in the aforementioned rainier parts of the country, with highest daytime temperatures ranging from the upper 20s (degrees C) in southern Buenos Aires to the middle 30s farther north. Lingering cold (nighttime lows dropping near or below freezing) slowed vegetative growth.
- In US dry weather continued to dominate many parts of the country, allowing a rapid harvest pace to proceed for a variety of crops. Little or no precipitation fell across large sections of the East, High Plains, Far West, and upper Midwest. 88% of soybean harvest is complete.





# Soybeans Price Chart





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