

Weekly bulletin

Week30 July25th

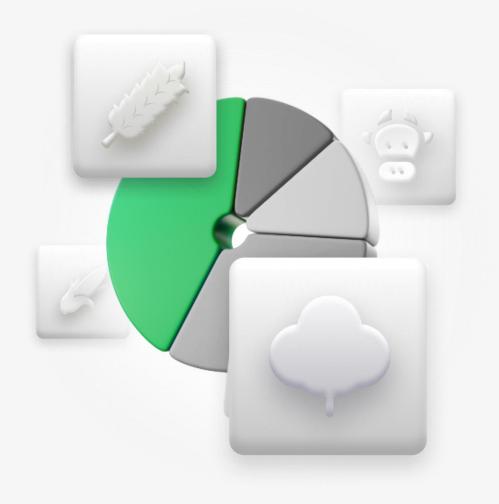


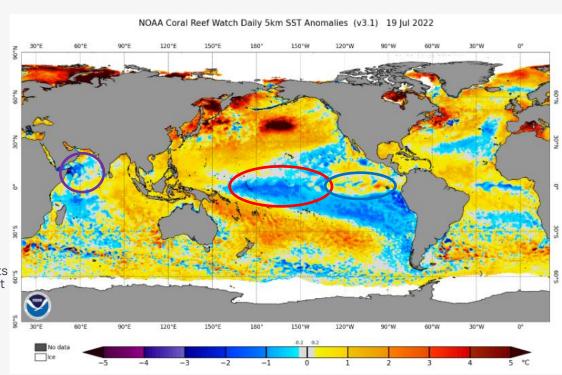
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Global weather review

- In US drought continues although it is mixed with insufficient rain. Vast majority of US has above-normal chances of warmer-than-normal temperatures. The greatest probability of above-normal temperatures will be over the Central to Southern Plains
- China continues to be hot, with temperatures above 40C after extended period of heavy rainfall.
- Erratic monsoon season in India continues. IMD has predicted "enhanced rainfall activity" over northwest India for two-three days, red alert was issued for Gujarat
- Western Africa saw more that average amount of rain.
- EU was extremely hot with potential to damage crops.
- La Niña is expected to continue through the summer and into the fall and early winter. Sea surface temperatures around the equator in the central and eastern Pacific were mostly cooler than average (red circle). A few warm pockets (blue circle) dotted the far eastern Pacific. Thus, more heat in Western Hemisphere to come.
- Indian Dipole (violet circle) is more negative (at or below -0.4 °C) over the past six weeks) with more rain in SE Asia, China, India and Australia.





Rice: Buy

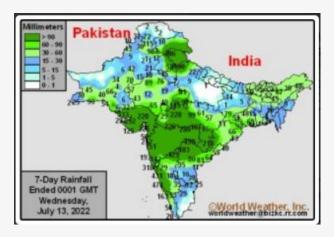
- Production was lowered 9%, based primarily on a smaller harvested area estimate reported by USDA's National Agricultural Statistics Service
- On the 2022/23 use side, all rice exports were lowered 3.0 million cwt all milled rice to 79.0 million, with medium and short grain accounting for most of the reduction by class.
- In the global rice market, 2022/23 production was lowered based on smaller crop forecasts for the European Union, South Korea, and the United States
- 2022/23 global consumption and residual use forecast was lowered slightly but is still the highest on record.
- The global ending stocks forecast was lowered to 182.8 million tons, the third consecutive year-to-year decline.
- Global rice trade in calendar year 2023 was revised up slightly to a record 54.7 million tons, with upward export revisions for Cambodia and Pakistan.
- Lower ending stocks and smaller global production puts rice in BUY zone.

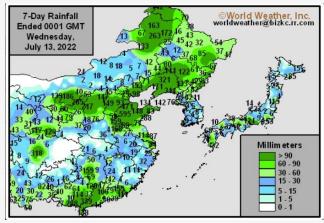




Rice weather review

- Major India states (Uttar Pradesh 13%, West Bengal 14%, Odisha 7%) saw good amount of rain, monsoon is 13% above normal so far. However, slow monsoon delayed plant progress and area planted has shrunk 17% y/y. Possible ban on rice export may occur due to limited internal supply by year end.
- Most of Chinese rice regions (Hunan, Jiangxi, Guangxi, Zhejiang) saw moderate amount of rain this week, without extreme temperatures. Now is the time to plant second time this year and harvest in October, if such weather persists the crops are out of weather associated shock.







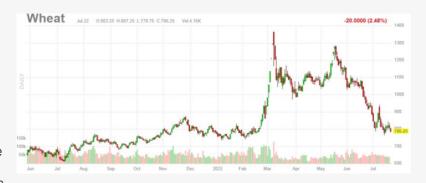
Rice price chart





Wheat: Sell

- Global wheat production in 2022/23 is projected down 1.8 million metric tons (MT) to 771.6MT as downward revisions for the European Union (EU), Ukraine, and Argentina. It is partially offset with increases for Canada. Russia, and the United States.
- Consumer prices for cereal products as measured through the Consumer Price Index (CPI)—a widely used measure of inflation—rose about 11% during January to June 2022 y/y. This marked the largest year-over-year increase in this 6-month period since 1981. The rise in consumer prices for cereal products tracks a relatively greater increase in wheat prices.
- USDA predict a sharp increase in the supply, exports, and ending stocks in the United States, and a decrease in consumption for the rest of the world for the 2022/23 marketing year.
- Despite lower production, wheat is in Sell category due to high food inflation, appreciating USD, high gasoline prices and expected sharp increase in supply from the US, Canada, Russia in short term outlook.
- However, medium-term outlook for wheat is bullish on lower global production closer to the year end.



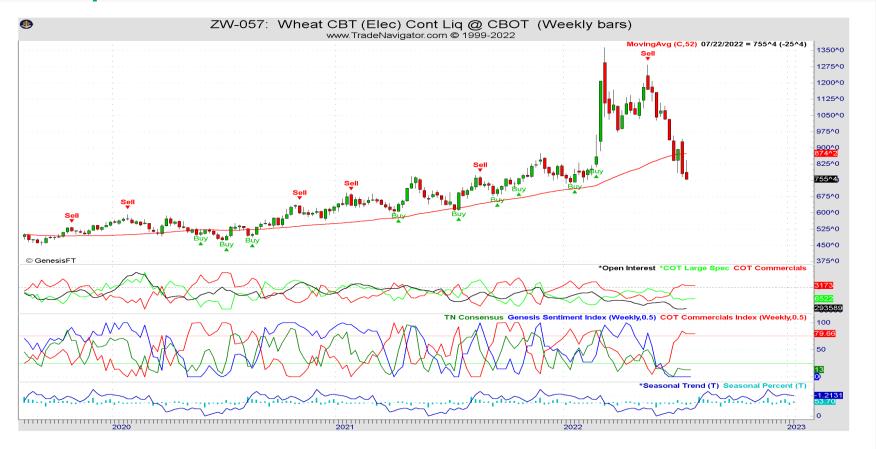


Wheat weather review

- Most of China wheat producing regions are under normal conditions of rain without extreme temperatures.
- US wheat weather is good, mostly dry. 70% of 2022 winter wheat acreage had been harvested by July 17, drop of 1% y/y and the 5-year average. During the week, winter wheat harvest progress advanced 25% or more in Colorado, Michigan, and Nebraska. 71% the nation's spring wheat was rated in good to excellent condition.
- Major indian states producing wheat Punjab, Madhiya Pradesh, Uttar Pradesh saw normal amout of rain, there is no immediate threat for wheat crops.
- EU is under conditions of extreme heat for the last two weeks, the crops are in severe danger.
- Russia weather is favorable for wheat production.



Wheat price chart







- September ICE NY cocoa (CCU22) on Wednesday closed up +21 (+0.89%), and September ICE London cocoa #7 (CAU22) closed up +13 (+0.75%).
- Cocoa prices Wednesday rallied moderately, with NY cocoa climbing to a 1-1/2 week high.
- Signs of strength in global chocolate demand supported cocoa prices after Barry Callebaut, the world's leading manufacturer of chocolate and cocoa products, reported that its chocolate sales grew +9.1% in the first nine months of the fiscal year 2021/22 ended May 31. It is a clear sign of demand recovery.
- ICCO predicts that 2022 demand will overtake supply and create bullish market potential.
- Cocoa prices also have support from heavy rain in the Ivory Coast that has flooded roads and prevented cocoa farmers from reaching plantations or getting harvested cocoa to buyers.
- Another bullish factor, ICCO on June 1 said that weather conditions and disease of cocoa trees are negatively affecting cocoa production this year. Also, trade disruptions and high freight rates are impacting the cocoa and fertilizer trade. ICCO said the shortage of fertilizers on cocoa farms would likely hurt cocoa bean crop quantity, quality, and size next year.

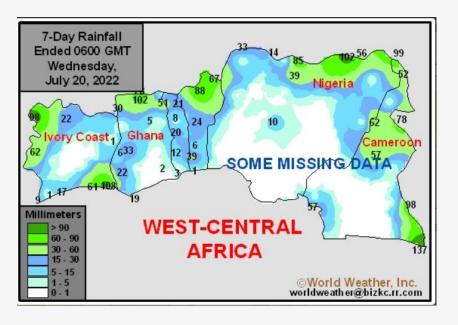


- A decline in cocoa supplies from Nigeria, the world's fourthlargest cocoa producer, was supportive of cocoa prices after data released July 4 showed that Nigeria's May cocoa exports fell -46% y/y to 12,497 MT.
- On Feb 28, ICCO projected global 2022 cocoa production to fall -by 5.2% y/y to 4.955 MMT from 5.226 MMT y/y. Also, estimates the global 2022 cocoa market will fall into a deficit of -181,000 MT from a surplus of +215,000 in 2020.



Cocoa weather review

 Both Cote D'Ivoire and Ghana saw more than average amount of rain, there was no reports that cocoa crops had been damaged, however, infrastructure objects like roads had been damaged making delivery to shipping limited or impossible.





Cocoa price chart







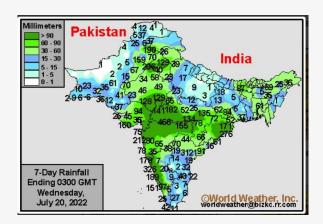
- The latest U.S. Department of Agriculture (USDA) cotton projections for 2022/23 (August-July) indicate a slight decline in global cotton ending stocks, compared with 2021/22, as mill use remains above production.
- World stocks are projected at 82.8 million bales at the end of 2022/23, the lowest in 4 year. This season's stock decline is led by the United States and India, although moderated somewhat by a projected increase for Brazil. China the largest stockholder is forecast to account for 44% of the 2022/23 global cotton stock total, while Brazil and India contribute an additional 16% and 9%, respectively.
- As global economic growth slows and shifts in spending from goods to services reduces consumer demand for clothing, cotton mill use which generally follows global economic activity is affected. Global cotton mill use is forecast at 121.5 million bales in 2022/23, marginally (150,000 bales) below both 2021/22 and 2020/21
- Despite a slight decrease in world cotton mill use in 2022/23, global cotton trade is forecast to increase 5% from 2021/22.
- Lower ending stocks, bad cotton weather in US and India puts cotton in BUY category.

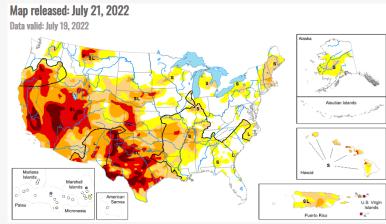




Cotton weather review

- All key Indian cotton producing regions under conditions of heavy rain. Nearly 50% of India has received excess to large excess rainfall this season, most of it in July, that may damage cotton crops
- US major cotton producing states are under conditions of extreme temperatures and drought at least for the last 3 weeks, US cotton crops is in danger.







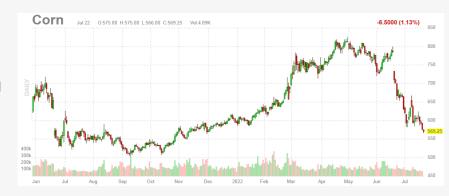
Cotton price chart







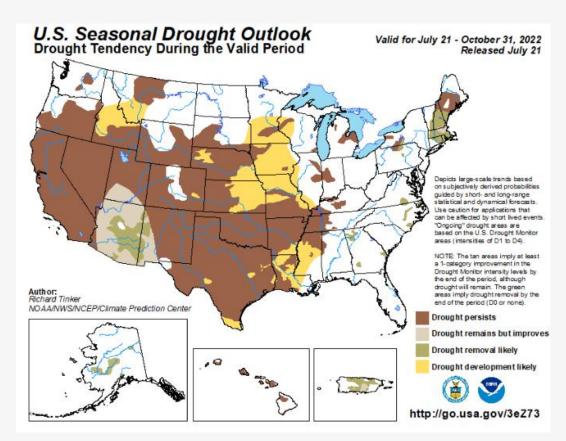
- U.S. feed grain production in 2022 is expected to be slightly higher than last month, reflecting higher planted acreage for corn in the June 30 Acreage report.
- U.S. corn production is raised 45 million bushels on increased harvested acreage. Corn yield remains unchanged, leading to corn production totaling 14,505 million bushels.
- The NASS June 30 Acreage report projects 2022/23 marketing year planted area for corn to be 431,000 acres higher and harvested area to rise 240,000 acres from the estimates reported in the June World Agricultural Supply and Demand Estimate (WASDE) report
- Corn usage fell by 25 million bushels for 2021/22 on lower feed and residual, due to adjustments from June 1 stock estimates.
- Corn ending stocks for 2021/22 increased 25million bushels to 1,510 million bushels.
- Corn usage in the 2022/23 marketing year remains unchanged.
- Due to larger ending stocks, higher production, larger planted areas and lower residual use corn is clearly is in SELL zone in medium term outlook.





Corn weather review

 Corn Belt in US saw moderate amount of rain in the last two weeks, region is out of drought however extreme heat is going to hit the region in the following week. Despite mostly favorable temperatures across the remainder of the Midwest, pockets of drought remain a concern as corn move into the reproductive stage of development.





Corn price chart





10-year T-notes: Sell

- U.S. Treasury yields fell on Thursday, with the benchmark 10-year note below 2.9%, weighed by soft economic data and after the first interest rate hike in 11 years by the European Central Bank turned investors' focus toward an economic slowdown.
- The 16 basis points drop in the 10-year yield was its largest for any day since March 2020.
- The number of Americans enrolling for unemployment benefits rose last week to the highest in 8 months,
- The ECB raised its benchmark deposit rate by 50 basis points to zero percent, breaking its own guidance for a 25 basis points move, for the first time in 11 years.
- FED more likely to hike rates again in July meeting by another 75bps.
- Main bearish factor is rising inflation and tightening monetary policy globally in observable future it is unlikely that inflation or interest rates will go down. More likely bearish mood will persists further into 2022.





10-year T-notes price chart





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