

Commodities Markets Report

By Max Schulz

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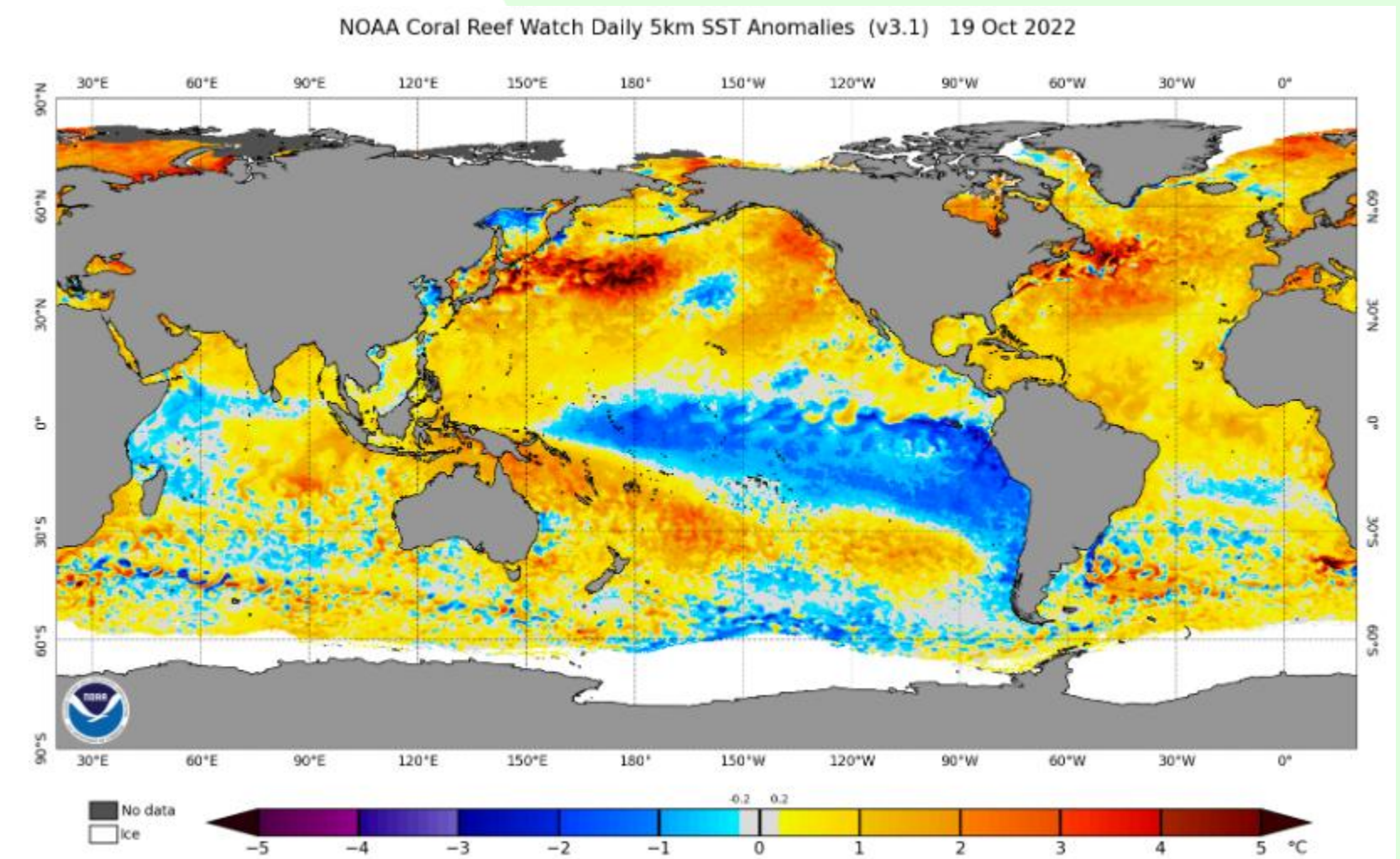


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Global weather review

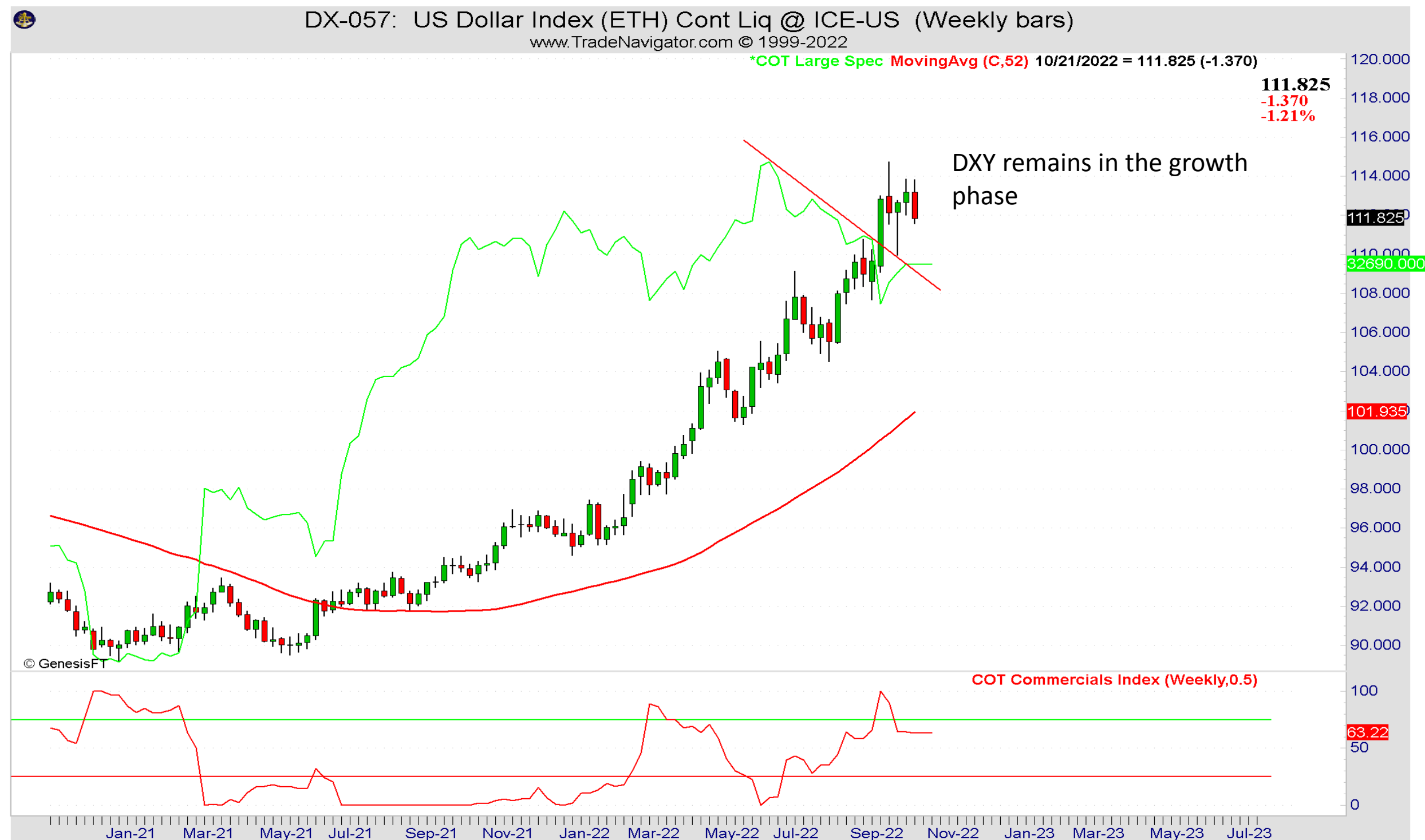
- Below-average sea surface temperatures (SSTs) continued across the central and eastern equatorial Pacific Ocean during September. Most of the Niño indices decreased during the past month, with the latest weekly index values spanning -0.8°C to -1.6°C .
- For the last couple of months, negative subsurface temperature anomalies remained mostly unchanged, reflecting the persistence of below-average temperatures cross the eastern Pacific Ocean. Low-level easterly wind anomalies and upper-level westerly wind anomalies prevailed across most of the equatorial Pacific. Convection was suppressed over the western and central tropical Pacific and was enhanced over Indonesia Overall, the coupled ocean-atmosphere system continued to reflect La Niña.
- La Niña will persist into the Northern Hemisphere winter 2022-23, and then transition to ENSO-neutral in January-March 2023
- La Niña typically increases the chance of above average rainfall for northern and eastern Australia during spring and summer. La Niña is expected to intensify drought across the southern and central Plains, eastern Gulf Coast, and in California in the coming months. La Nina contributes to drought in Argentina and Southern Brazil, whereas West and Central Brazil is promising to be moderately wet.



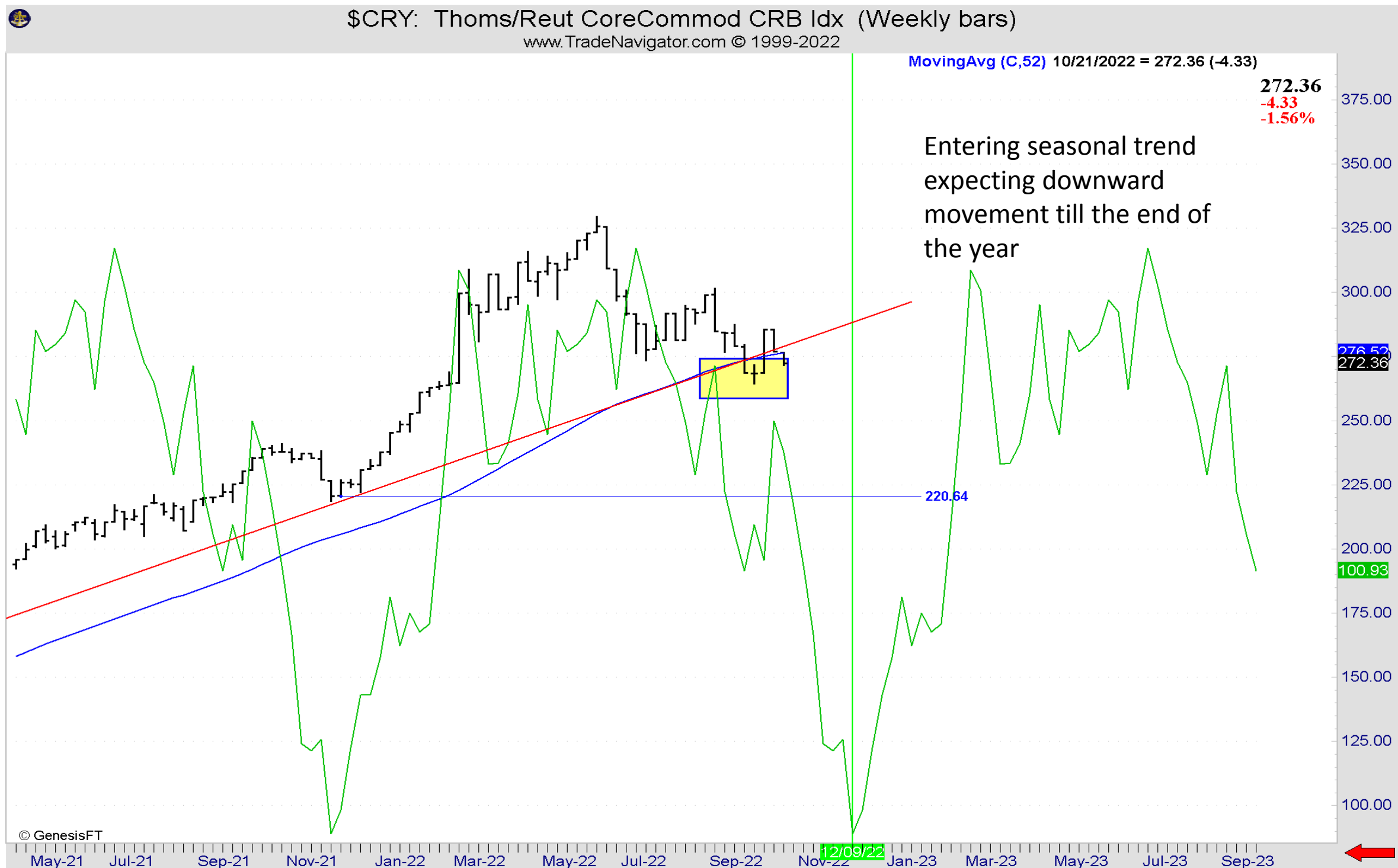
- The negative Indian Ocean Dipole (IOD) event also continues. The IOD index has satisfied negative IOD thresholds (i.e. at or below -0.4°C) since June. Models indicate that the negative IOD is likely to persist until late spring.
- A negative IOD typically increases the chance of above average spring rainfall for most of the eastern two thirds of Australia and South East Asia.



Dollar Index



Commodities Index



Rice: Buy

- 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.
- The outlook for 2022/23 U.S. rice this month is for slightly increased supplies, unchanged domestic use, lower exports, and larger ending stocks. Supplies are raised slightly as the NASS October 12
- US crop production report increased the all rice yield 13 pounds to 7,599 pounds per acre. The 2022/23 export forecast is lowered 2.0 million cwt to 75.0 million, all long-grain rice, as relatively higher U.S. prices contribute to a slow pace of sales this marketing year. If realized, this would be the lowest all rice export total since 1991/92.
- US ending stocks are raised 2.3 million cwt to 33.2 million, which would still be down more than 16% from the prior year.

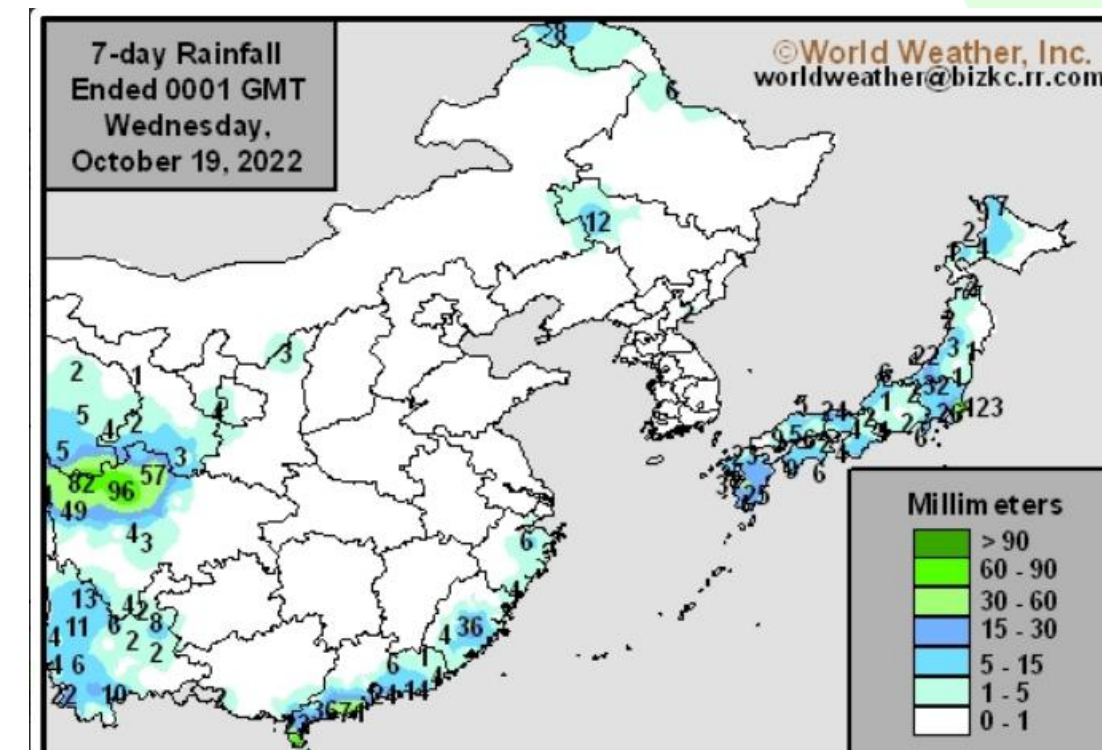
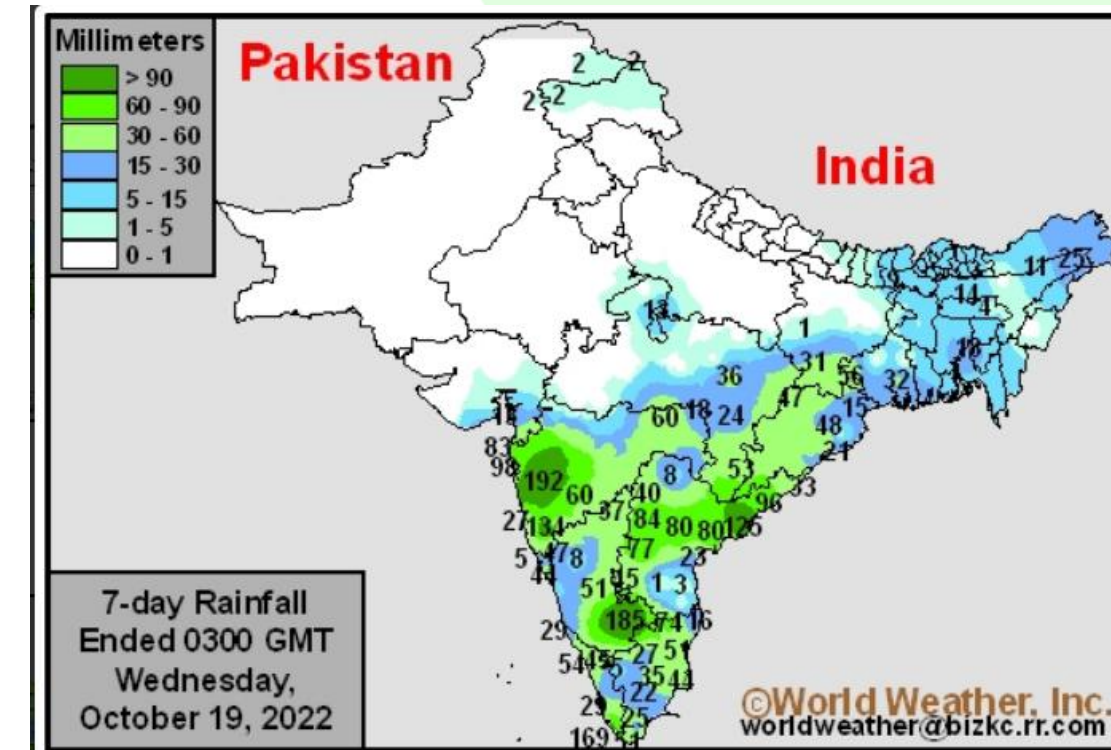


- **Rice is bullish on the back of lower global production, lower ending stocks.**

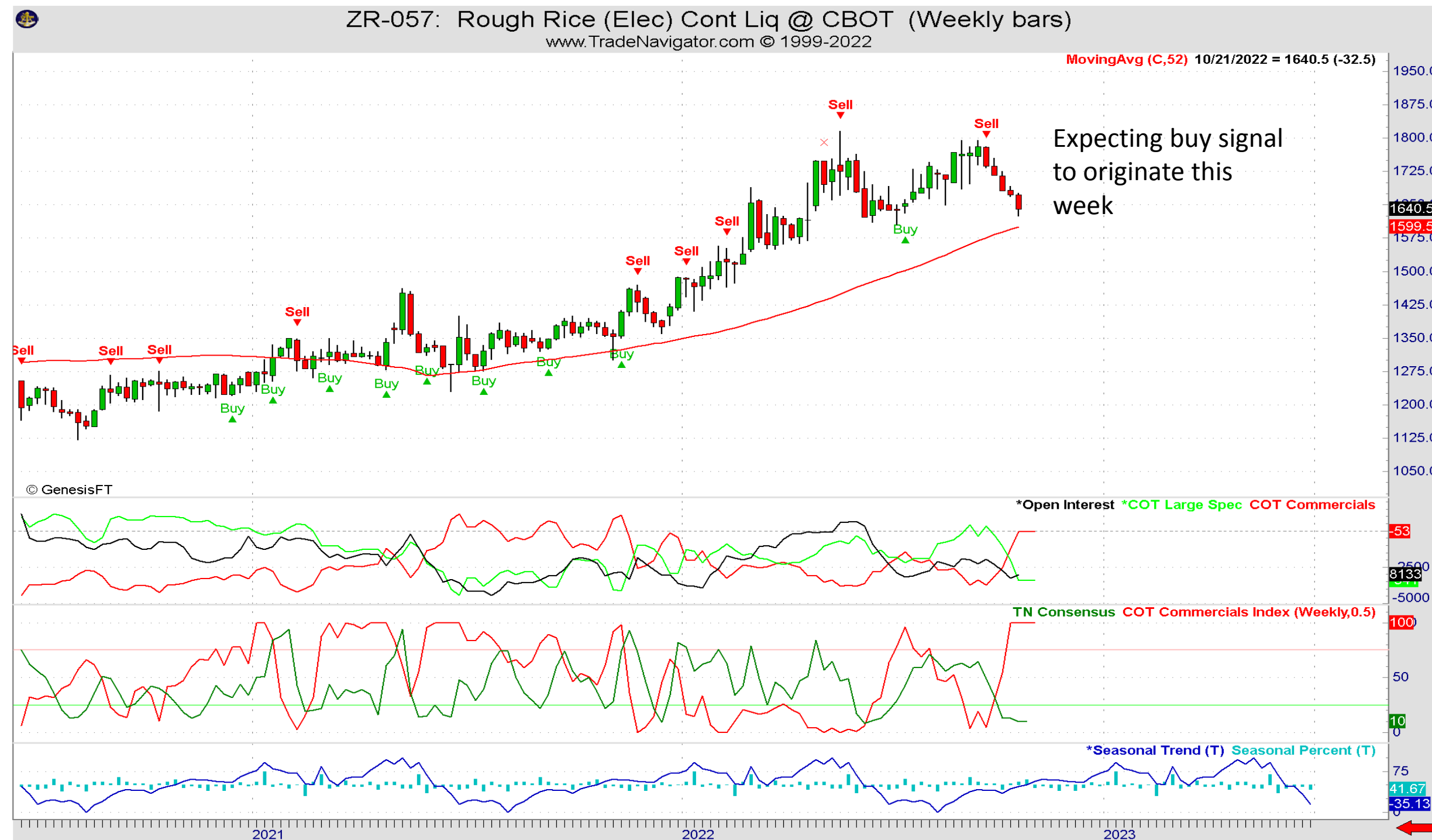


Weather review

- In India A slower-than-normal withdrawal of the southwest monsoon allowed showers to continue in many parts of India. Although most of the northwest was dry (including Pakistan), many other areas recorded 25 to 100 mm (or more) of rain. While the moisture benefited immature kharif crops in India, it was unwelcome for mature cotton and rice in the north. Nonetheless, drier weather began moving into northern growing areas by week's end. Typically, the southwest monsoon has fully withdrawn from the region by mid-October.
- Mostly dry weather prevailed across China, supporting summer crop harvesting as well as rice, wheat and rapeseed sowing in the east and south.



Rice Price Chart



Wheat: **Sell**

- Chicago wheat futures fell to \$8.4 per bushel in the third week of October, hovering at levels not seen in one month following European futures.
- European wheat futures fell on Monday, hit by increasing expectations that the safe shipping channel for Ukraine's grain exports will continue to operate.
- Ukrainian grain exports in the first 17 days of October were just 2.4% lower than in the same period of 2021.
- Progress in talks regarding grain trade deals out of Ukraine eased concerns of supply shortages. UN spokesman Dujarric stated that the ongoing discussions with Moscow concerning the extension of the current deal establishing a trade corridor for Black Sea ports have been positive and constructive, strengthening hopes that major exporter Ukraine will be able to ship wheat and free much-needed silo storage space for the ongoing harvest.
- **Global consumption is reduced 0.9 million tons to 790.2 million on lower food, seed, and industrial use more than offsetting higher feed and residual use.**
- **World trade is lowered 0.6 million tons to 208.3 million on reduced exports by the United States and Argentina more than offsetting higher EU exports.**
- 2022/23 ending stocks are lowered 1.0 million tons to 267.5 million mostly on a reduction for the United States.
- The outlook for 2022/23 U.S. wheat this month remained unchanged from last week and it is for lower supplies, domestic use, exports. Wheat exports are lowered 50 million bushels to 775 million on reduced supplies, **slow pace of export sales, and continued uncompetitive U.S. export prices. This would be the lowest U.S. wheat exports since 1971/72.**
- US domestic reserves have built up more than expected due to low Mississippi river level that complicates delivery of wheat to the markets.
- Supplies are lowered 1.9 million tons to 1,057.7 million on reduced production for the United States and Argentina more than offsetting higher EU production although world production remains at a record.
- Strong dollar weighs heavily on wheat prices.
- **Wheat is bearish due to end of panics around trade grains corridor in Black sea and global supply will remain in abundance, lower consumption and international trade, all times high US Dollar.**

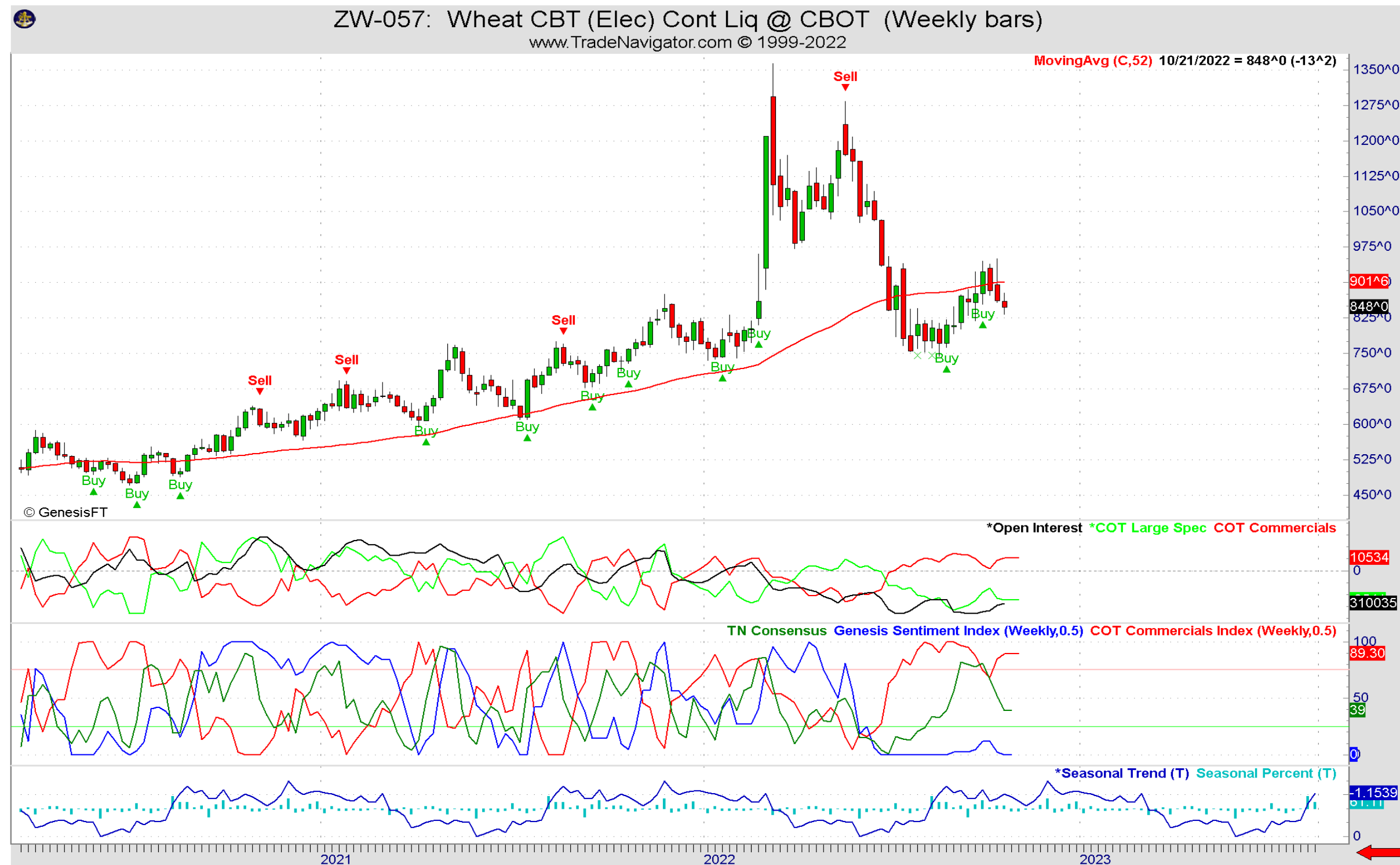


Weather review

- Mostly dry weather prevailed across China, supporting summer crop harvesting as well as winter wheat and rapeseed sowing in the east and south. One notable exception was lingering showers (10-50 mm) in portions of the northeast where usually wet autumn weather has occurred thus far; the wetness extended onto the Korean Peninsula and into Japan. Meanwhile, below-average temperatures (as much as 4°C below average) prevailed in most locales, with freezing temperatures extending into northern- and westernmost sections of the North China Plain. While not detrimental to harvest activities, the cooler-than-normal weather slowed emergence of any early planted winter crops.
- In US another week with minimal precipitation in many of the nation's key production areas continued to favor summer crop harvesting and other autumn fieldwork. However, lack of topsoil moisture remained an impediment to the even emergence and proper establishment of recently planted winter grains and cover crops. Expansive dryness also contributed to poor rangeland and pasture conditions, as well as ongoing low water levels in the Mississippi River Basin.
- Sunny skies facilitated summer crop harvesting in the west, while rain returned to central and eastern growing areas on Europe. Following a very wet September and early October, sunny skies across Moldova, Belarus, as well as central and western Ukraine allowed summer crop harvesting and other seasonal fieldwork to gain momentum. Conversely, a slow-moving storm system triggered widespread moderate to heavy showers (10- 45 mm) from eastern Ukraine into Russia, slowing late summer crop harvesting but boosting moisture supplies for winter wheat establishment. Temperatures during the week averaged near normal, allowing winter grains and oilseeds to add vegetative growth prior to the onset of dormancy in late October or early November.
- A slower-than-normal withdrawal of the southwest monsoon allowed showers to continue in many parts of India. Drier weather began moving into northern growing areas by week's end. Typically, the southwest monsoon has fully withdrawn from the region by mid-October.
- Showers maintained overall favorable levels of moisture for germination of soybeans and other main-season summer crops in key production areas of central and southern Brazil.
- In Argentina unseasonably cold weather dominated the country, slowing winter grain growth and possibly damaging reproductive crops in southern farming areas.
- In India A slower-than-normal withdrawal of the southwest monsoon allowed showers to continue in many parts of India.



Wheat Price Chart



Corn: Buy

- This month's 2022/23 U.S. corn outlook is for reduced supplies, greater feed and residual use, lower exports and corn used for ethanol, and smaller ending stocks.
- Corn production is forecast at 13.895 billion bushels, down 49 million on a reduction in yield to 171.9 bushels per acre. Corn supplies are forecast at 15.322 billion bushels, a decline of 172 million bushels from last month, as lower production and beginning stocks are partially offset by higher imports.
- Exports are lowered 125 million bushels reflecting smaller supplies and slow early-season demand.
- US Projected feed and residual use is raised 50 million bushels based on indicated disappearance during 2021/22.
- Global coarse grain production for 2022/23 is forecast down 3.8 million tons to 1,459.8 million. The 2022/23 foreign coarse grain outlook is for lower production, greater trade, and smaller stocks relative to last month.
- Global corn production is reduced as declines for the EU and Serbia are partly offset by an increase for India.
- EU corn production is lowered reflecting reductions for Romania, Bulgaria, Hungary, and France. India corn production is raised based on the latest government statistics.
- Corn ending stocks are down, mostly reflecting reductions for China and Ukraine. Global corn stocks, at 301.2 million tons, are down 3.3 million.

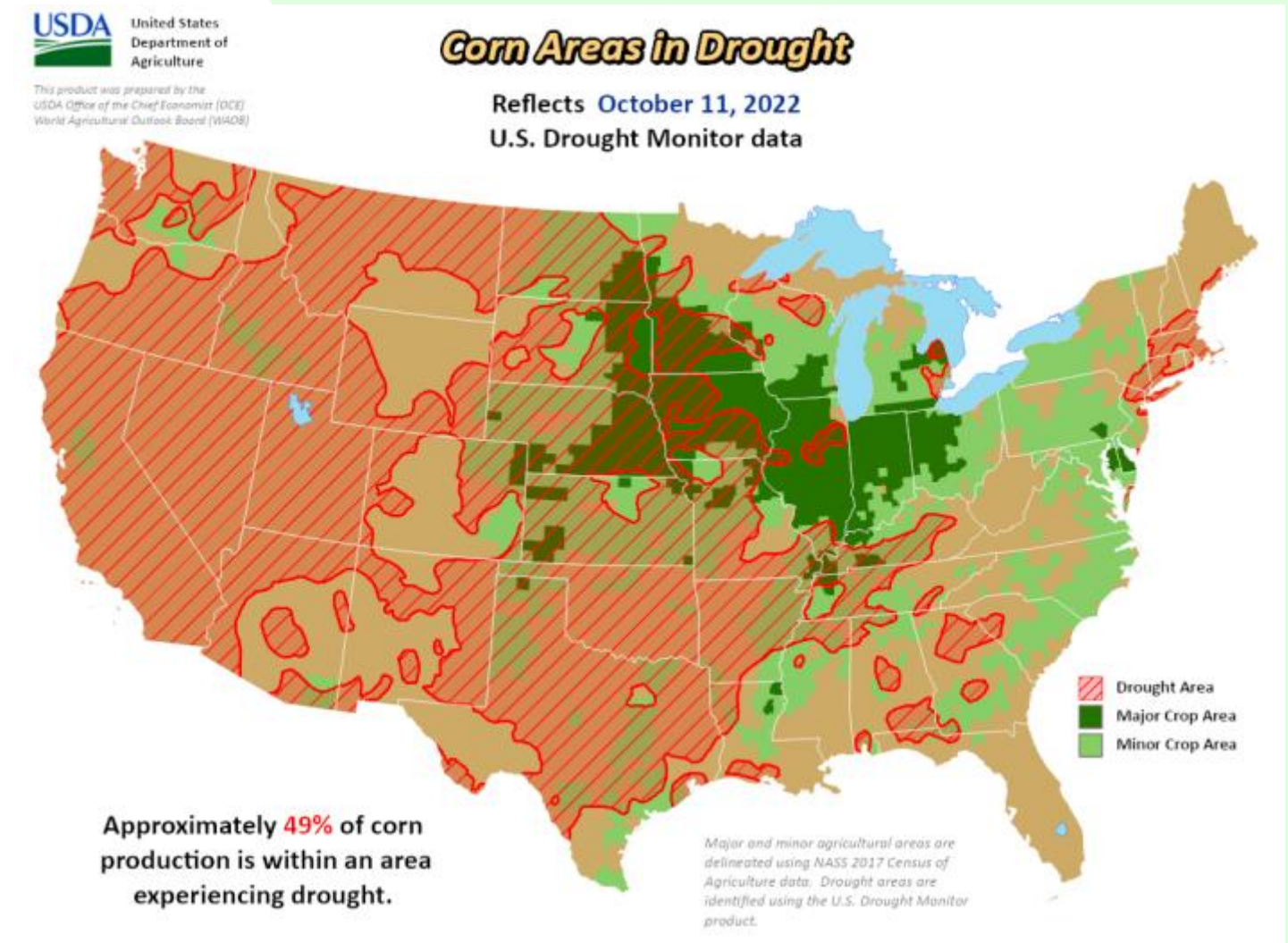
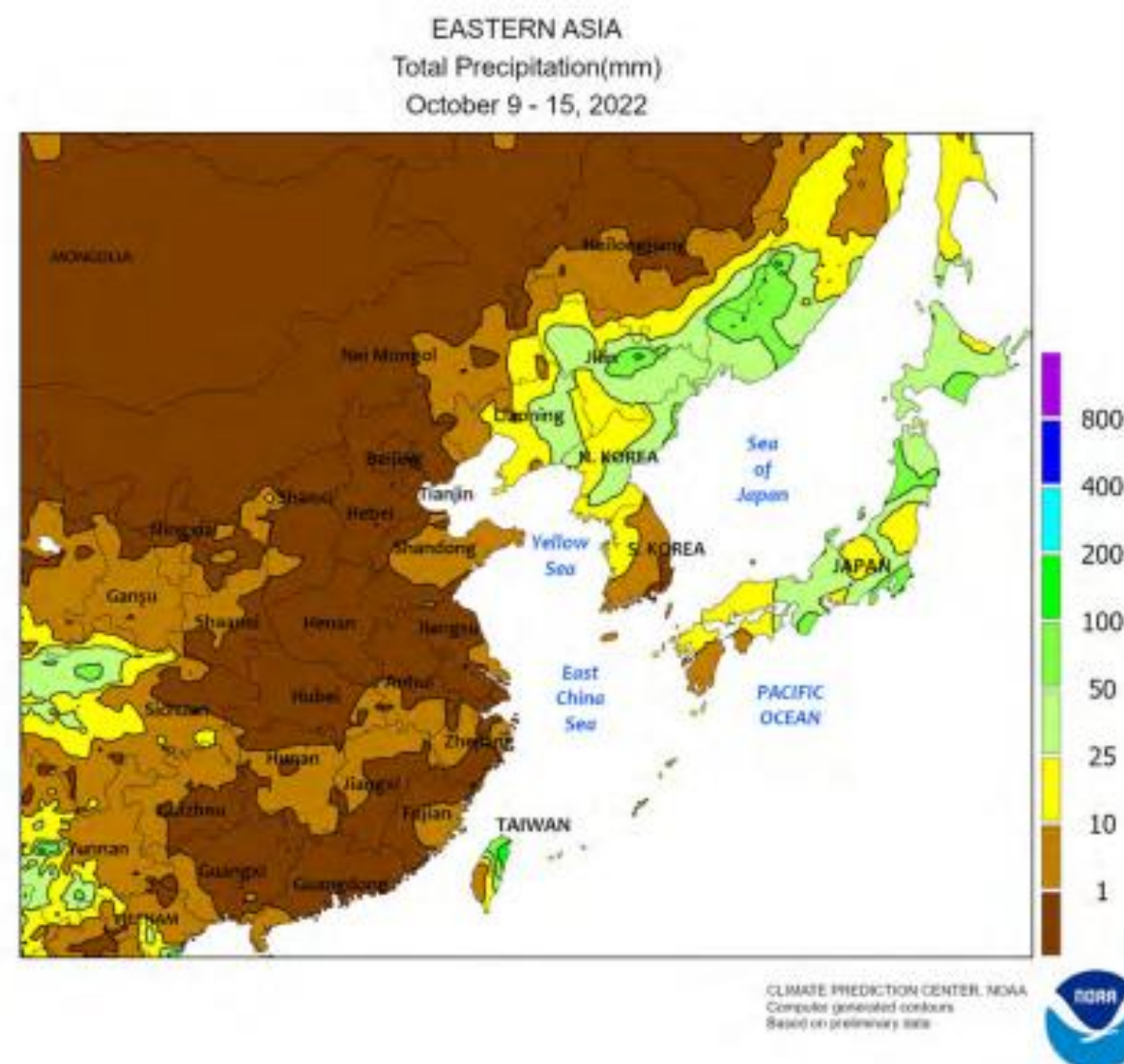


- **Corn prices find bullish support from reduced US supply, reduced EU supply, lower global ending stocks.**

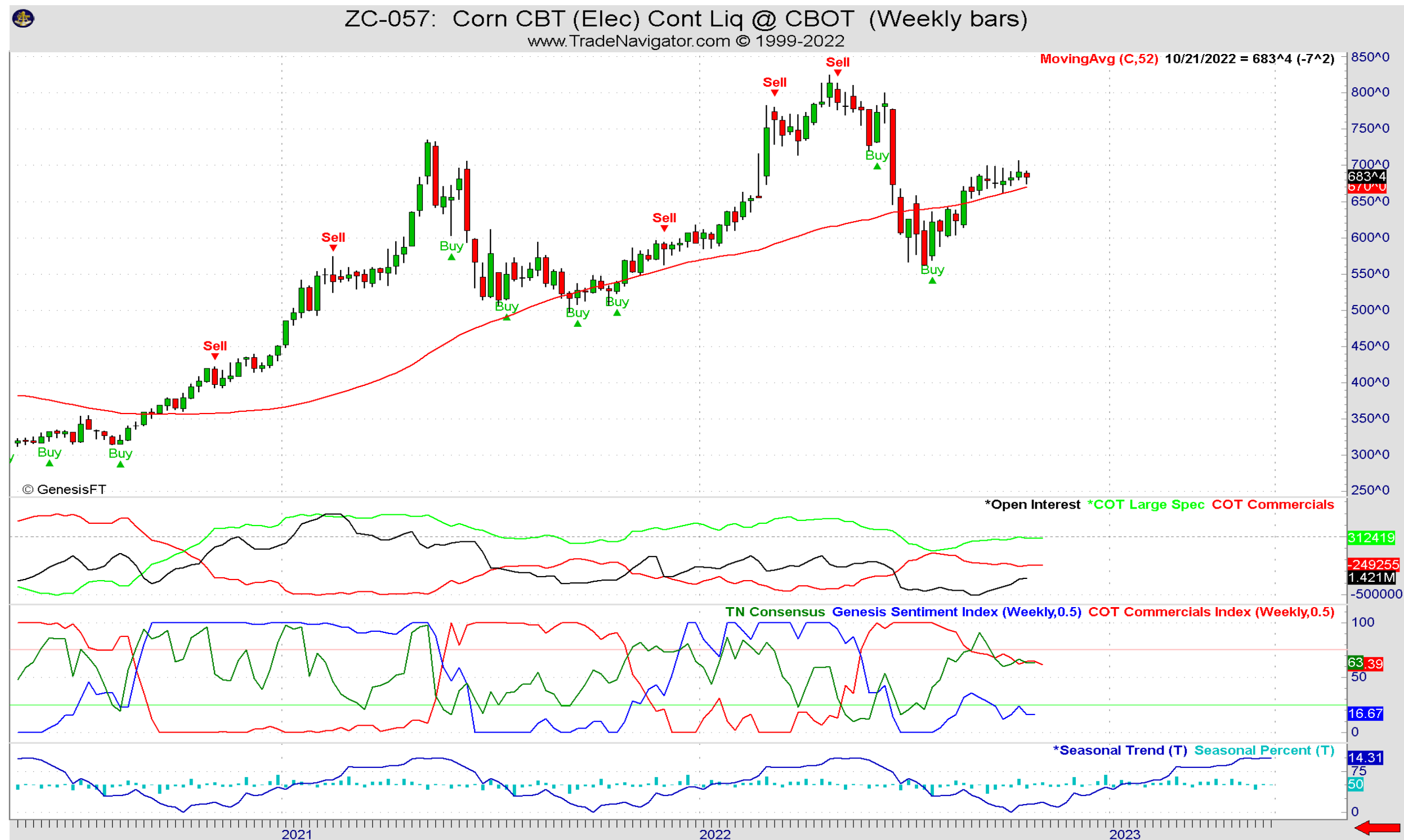


Weather review

- In US another week with minimal precipitation in many of the nation's key production areas continued to favor summer crop harvesting and other autumn fieldwork. Expansive dryness also contributed to poor rangeland and pasture conditions, as well as ongoing low water levels in the Mississippi River Basin. 49% of US corn is experiencing drought.
- China remained mostly dry without any threat to matured corn crops.



Corn Price Chart



Coffee: **Sell**

- December arabica coffee on Wednesday closed down -2.80 (-1.44%), and Nov ICE Robusta coffee closed down -45 (-2.19%).
- Increased coffee exports from Brazil are bearish for prices after Cecafe reported late Tuesday that Brazil Sep green coffee exports rose +7.1% y/y to 3.1 mln bags
- The outlook for a good coffee crop next year in Brazil is undermines prices as beneficial weather in Brazil has aided the flowering of coffee trees and bolstered the outlook for next year's coffee crop.
- Coffee harvest pressures in Brazil are a bearish factor for coffee prices. Coffee producer sales typically increase during harvest time to make space for storing their newly-picked crops.
- Vietnam's General Department of Customs reported last Friday that Vietnam exported 1.73 MMT of coffee in the 2021/22 season that ended Sep 30, a 4-year high. Vietnam is the world's biggest producer of robusta coffee beans.
- Cooxupe cooperative, one of Brazil's biggest coffee producers, reported Sep 21 that Brazil's coffee harvest was 99.4% completed as of Sep 16.
- The Green Coffee Association on Monday reported that U.S. Sep green coffee inventories rose +5.2% y/y to 6,378,478 mln bags.
- USDA forecast in June that Brazil's coffee production will rise to 64.3m 60-kg bags in MY 2022/2023 – an 11% increase from the last crop.

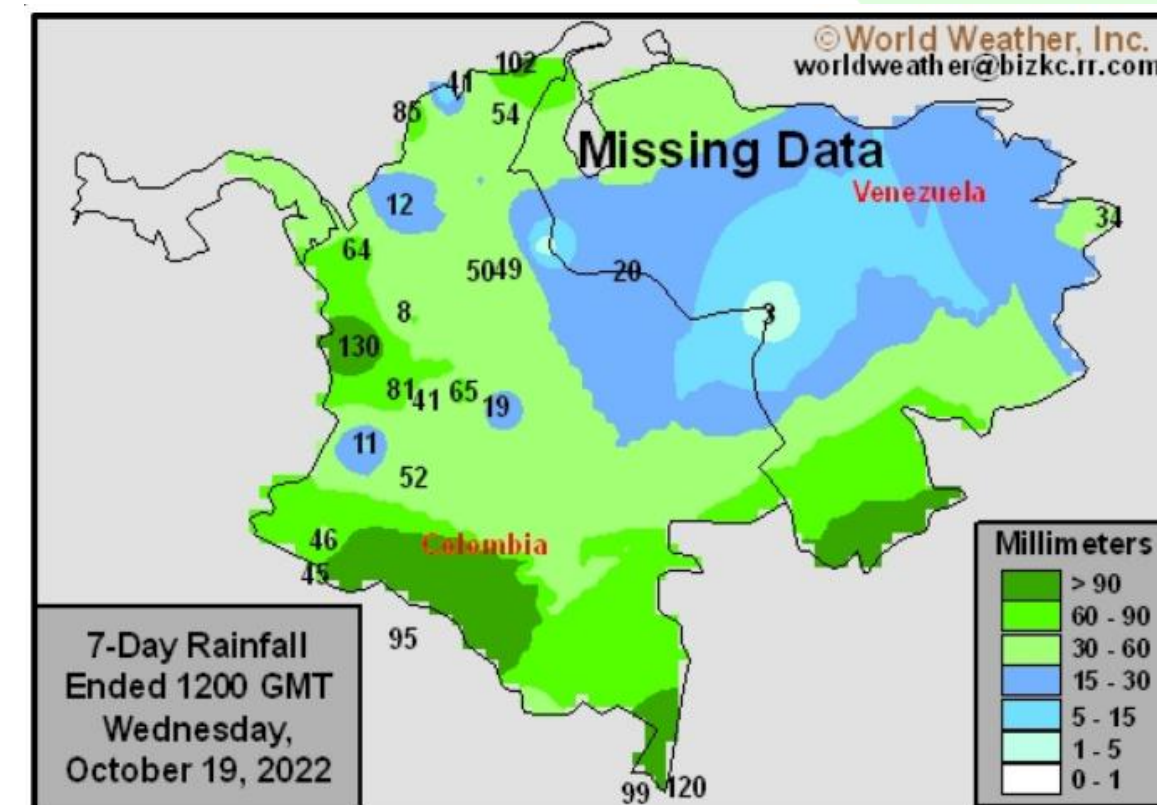
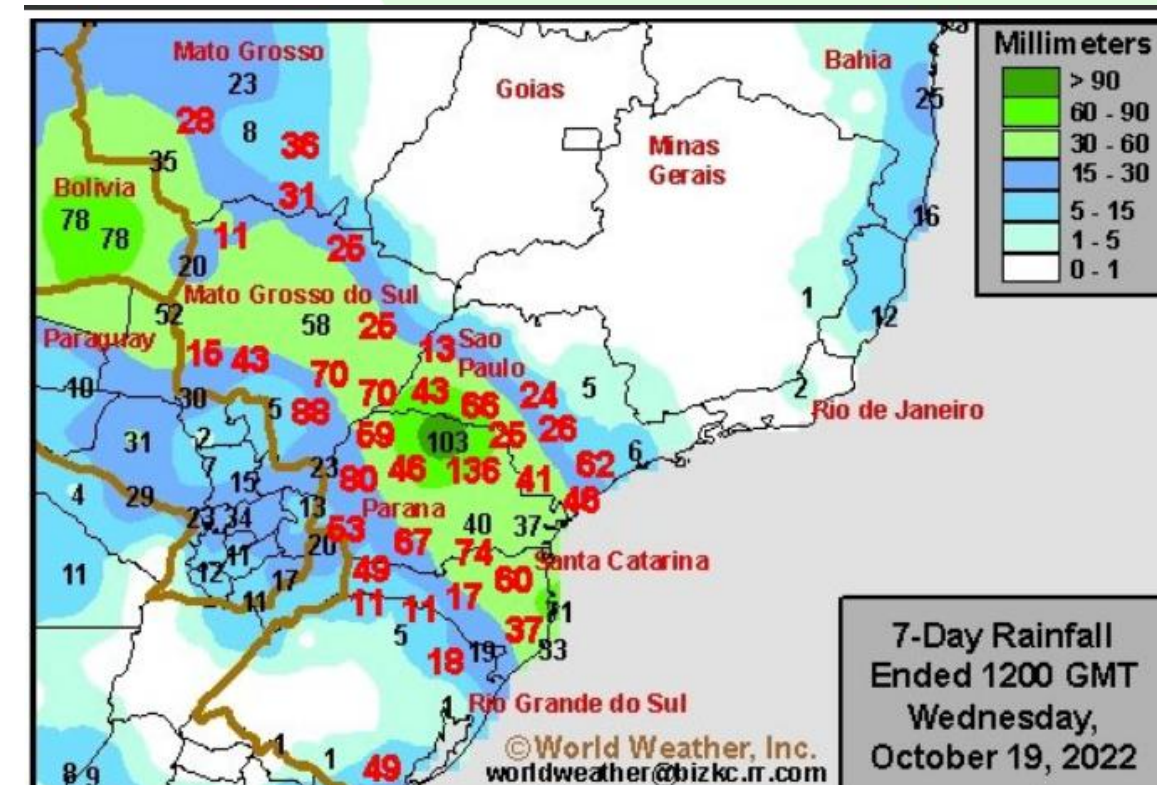


- The US dollar has strengthened against other currencies as the US Federal Reserve has kept a hawkish monetary tightening policy to combat high inflation. The US Dollar Index (DXY) has gained 18% year-to-date (YTD)
- The market thinks that coffee is in good supply worldwide. There is still a threat for a third year of La Nina which could negatively affect coffee production again next year but so far the crop conditions are called good.
- In its coffee futures price forecast for 2022 dated 13 October, Fitch Solutions expected arabica coffee futures to average \$2.15/lb in 2022 and \$1.90/lb in 2023.
- In the long term, the firm expected the coffee futures price to continue easing to \$1.80 in 2024, \$1.60 in 2025, and \$1.50 in 2026.
- **Coffee prices are undercut by abundant supply due to harvest season in Brazil and larger US certified stocks, larger Brazil exports.**

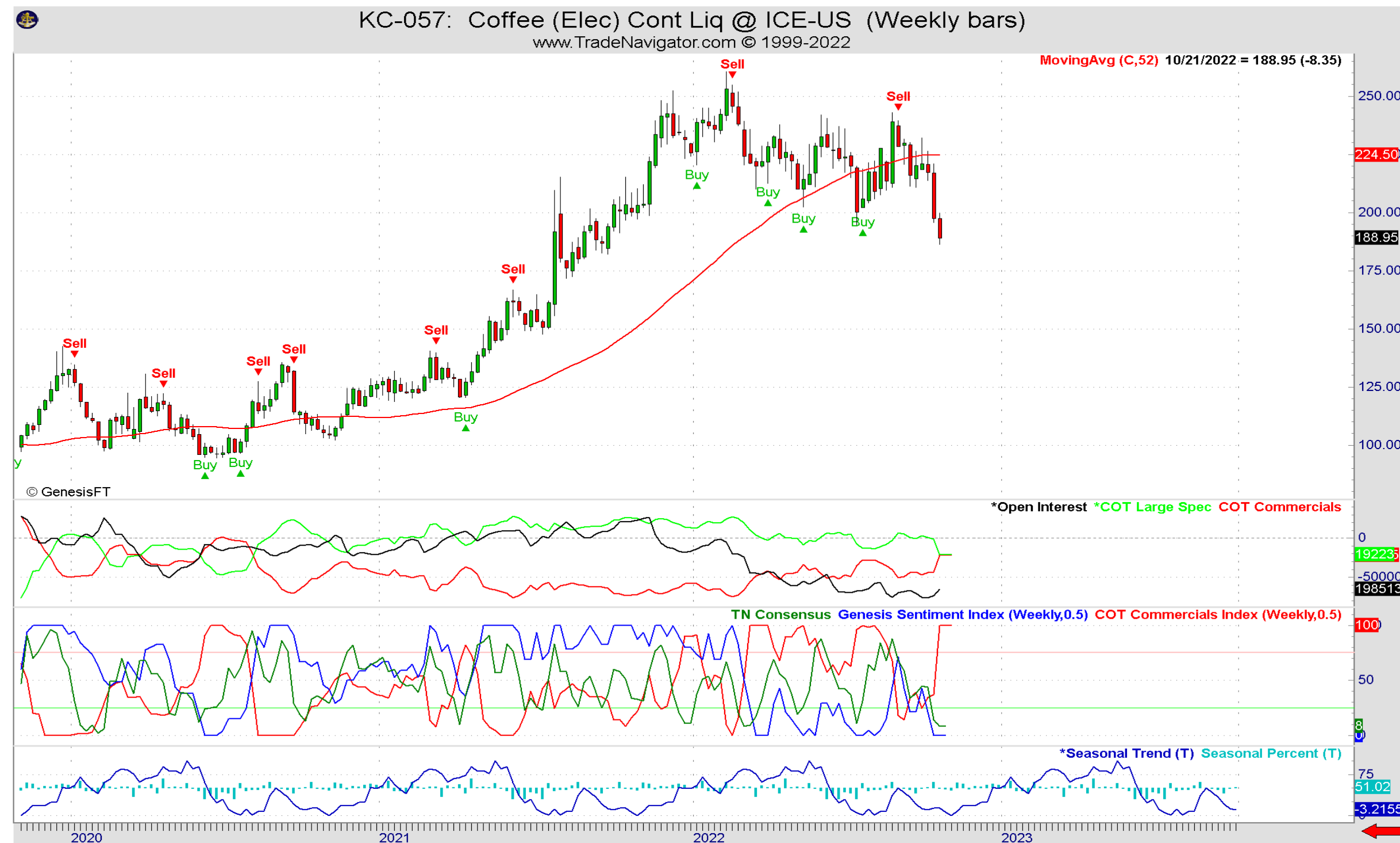


Weather review

- Somar Meteorologia reported that Minas Gerais had 13 mm of rain last week, or only 41% of the historical average. Minas Gerais accounts for about 30% of Brazil's arabica crop. Good conditions for coffee collection period most of coffee is already collected.
- Colombia experiencing extended period of extremely wet weather, however coffee most crops are already collected.



Coffee Price Chart





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