

Weekly bulletin

Week31
August 1st

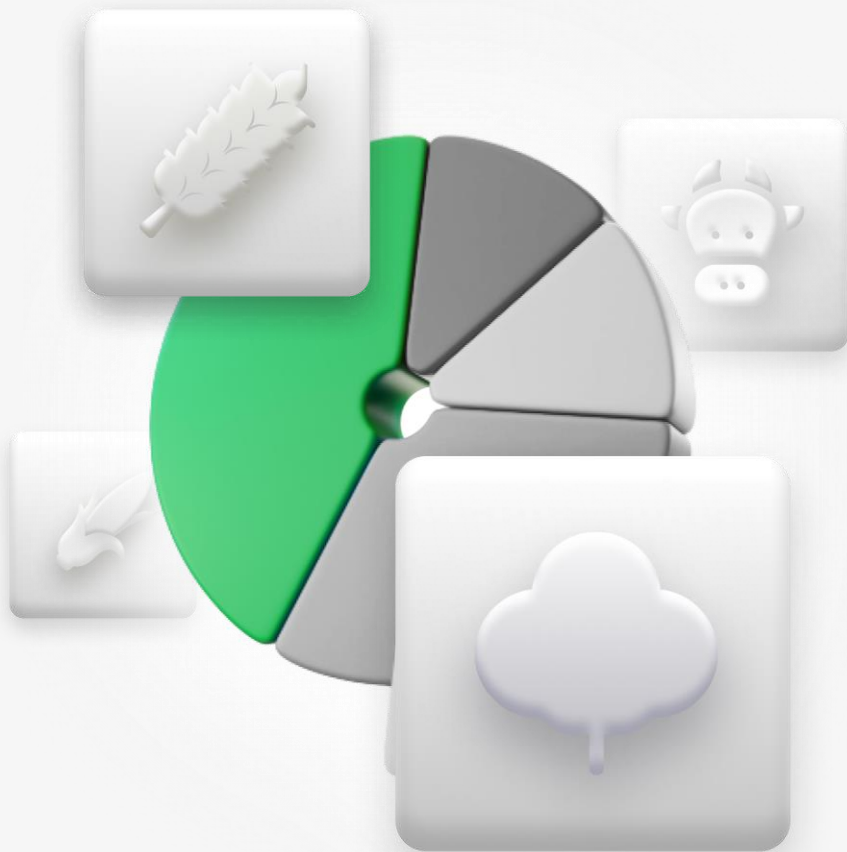
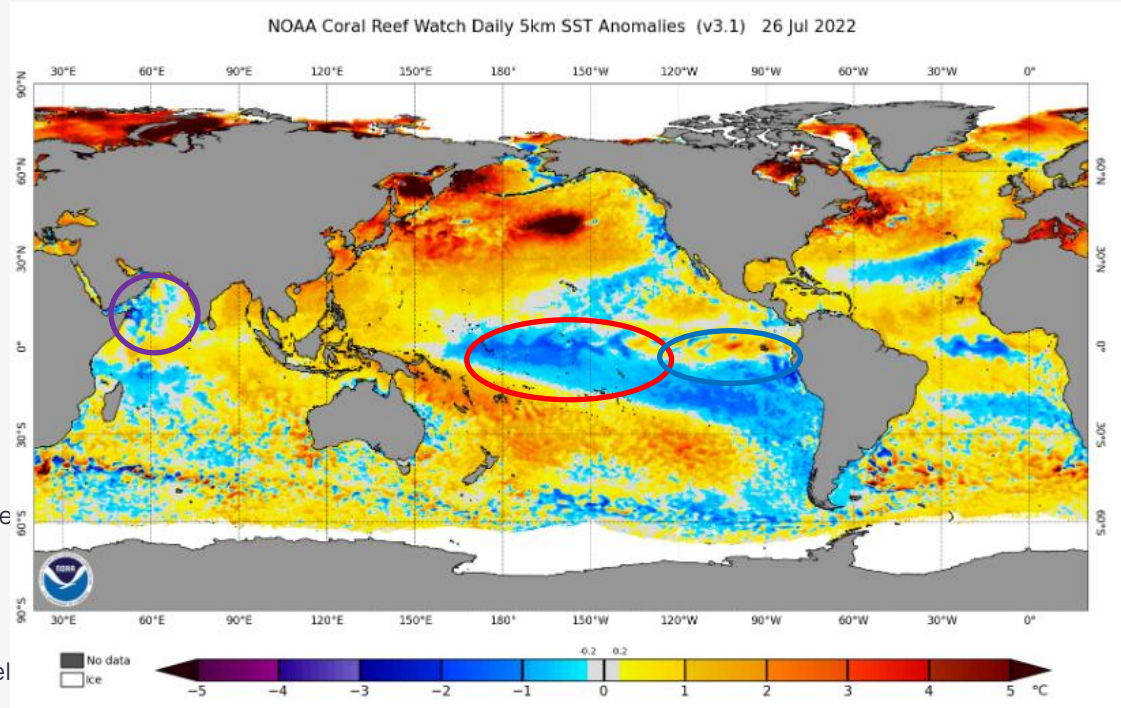


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Global weather review

- Texas major cotton region in US continues to be extremely dry. Topsoil moisture is rated 90% very short to short and rangeland and pastures are rated 89% very poor to poor, locations such as Del Rio and San Angelo have reported 23 consecutive days (July 4-26) with a high temperature of 100°F (40°C) or greater.
- China continues to be moderately hot, with temperatures at 28°C, while the minimum temperature will be 21°C with normal amount of rainfall across most of China.
- Erratic monsoon conditions are likely to prevail over the Arabian Sea, Bay of Bengal and Central & Southwestern parts of India.
- Western Africa rainfall has been below average in the past week, a bit dry for cocoa crops.
- Currently, the sea surface temperatures (SSTs) as well as the atmospheric conditions over Equatorial Pacific Ocean indicate La Niña conditions. La Niña conditions (red and blue circles) are likely to continue during remaining part of the monsoon season in India. In addition to ENSO conditions over Pacific, other factors such as the Indian Ocean Sea Surface Temperatures (SSTs) also have some influence on Indian monsoon. Currently, the SST conditions over Equatorial Indian Ocean are very close to the threshold level for negative Indian Ocean Dipole (IOD violet circle) conditions. The latest forecasts from MMCFS and other global models indicate negative IOD conditions are likely to develop during remaining part of the monsoon season.





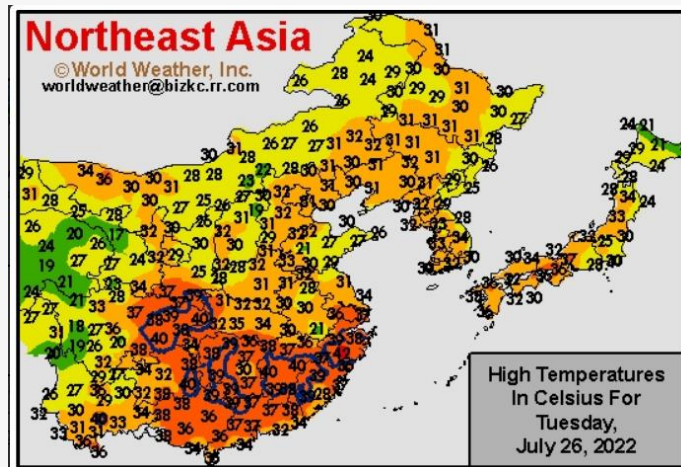
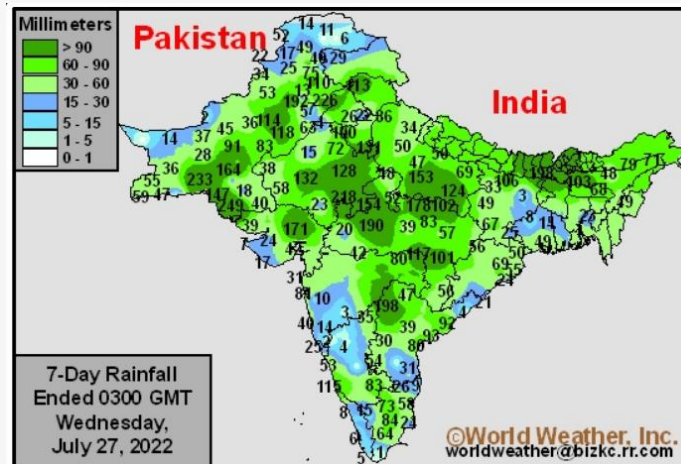
Rice: Buy

- Fundamental position remained unchanged from last week. US rice production forecast was lowered 8.2 million cwt to 174.5 million based on a smaller harvested area estimate and slightly lower yields, coupled with lower rice exports by 3.0 million cwt all milled rice to 79.0 million. Where as US imports is expected to increase by 3.0 million cwt to 38.5 million cwt.
- In US Rice plantings are estimated to be less than a year earlier in all reported States except Louisiana, with California accounting for the largest annual decline in rice plantings.
- 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, India and China.
- The global ending stocks remained unchanged at 182.8 million tons, which is 3rd consecutive y/y decline.
- In India rice received 11% more rain than needed according to IMD. A dry spell in June and heavy rains in July have hit rice production heavily. Where as Chinese rice was hit by extreme heat.
- Lower ending stocks, smaller global production and unfavorable weather in major rice producing countries puts rice in BUY zone.**

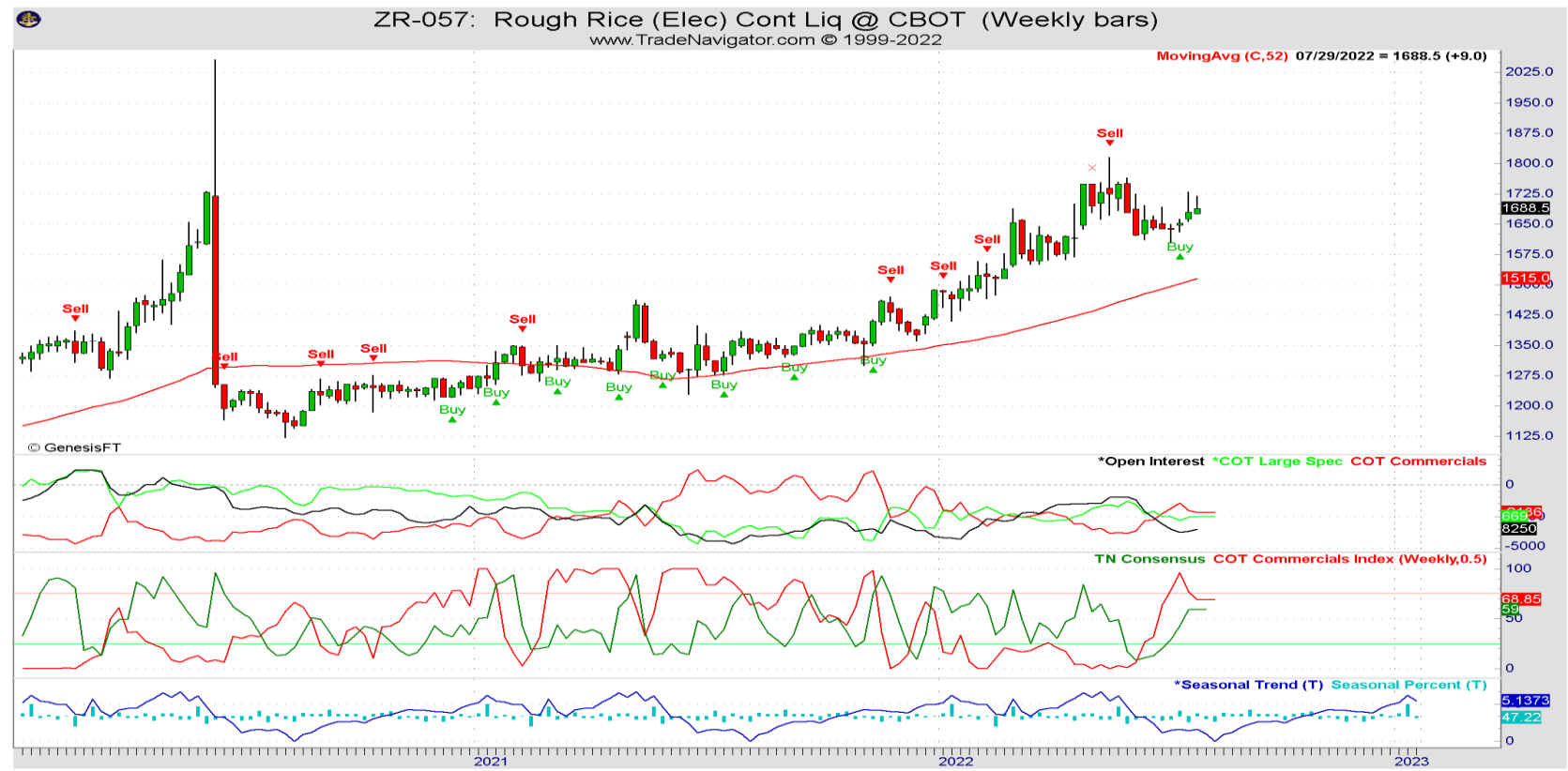


Rice weather review

- Major rice-growing states such as Uttar Pradesh, West Bengal, and Bihar have seen deficit rains so far during the ongoing monsoon season, while Assam has been affected by massive floods. - rainfall deficit reported as high as 57%. As a result, rice planting has dropped by 19% so far this season. Possible ban on rice export may occur due to limited internal supply by year end.
- Most of Chinese rice regions (Hunan, Jiangxi, Guangxi, Zhejiang) under conditions of heat. Several regions have already posted record power demand and have cut electricity to factories at peak hours to make sure there's enough to keep air conditioners running. Rice crops and fruit and vegetables in southern China are at risk of being damaged by the heat.



Rice price chart





Cocoa: Buy

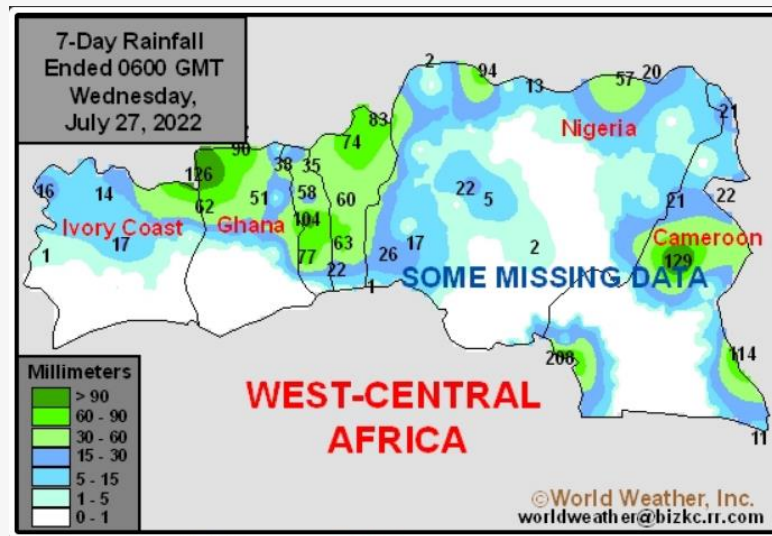
- September ICE NY cocoa (CCU22) on Wednesday closed down -45 (-1.88%), and September ICE London cocoa #7 (CAU22) closed down -26 (-1.47%).
- On Wednesday, cocoa prices initially moved higher, with NY cocoa posting a 4-week high and London cocoa climbing to a 2-week high, on positive carry-over from Tuesday when data showed smaller cocoa exports from Nigeria, the world's fifth-largest cocoa producer. Tuesday's data showed that Nigeria's June cocoa exports fell -38% y/y to 13,385 MT.
- Recent reports on chocolate demand have been mixed. Researcher IRI reported July 14 that the volume of chocolate products sold in the U.S. dropped -1.5% y/y in the 13 weeks ended June 12. However, Barry Callebaut, reported last week that its global chocolate sales grew +9.1% in the first nine months of the fiscal year 2021/22 ended May. Global demand is rising on the back of Asian consumers.
- In February 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



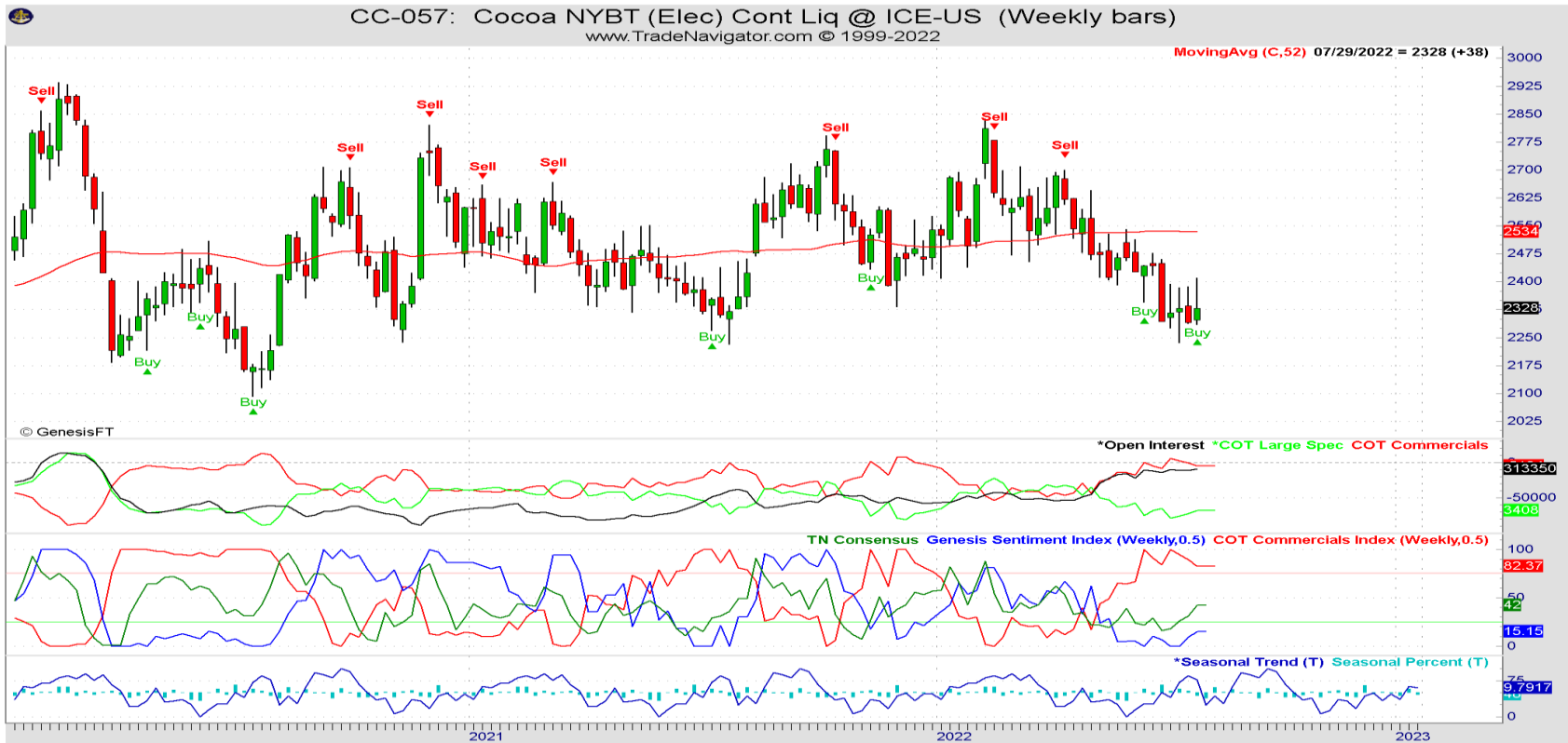
- ICCO predicts that 2022 demand will overtake supply and create bullish market potential.
- Cocoa prices also have support lack of rain in the Ivory Coast and Ghana, drop in supply from Nigeria.
- ICCO reported in June that weather conditions and disease of cocoa trees are negatively affecting cocoa production this year. Trade disruptions and high freight rates are impacting the cocoa and fertilizer trade. Shortage of fertilizers on cocoa farms would likely hurt cocoa bean crop quantity, quality, and size next year.

Cocoa weather review

- Amount of rainfall in Cote D'Ivoire was insufficient for good cocoa crop progress
- Some parts of Ghana saw more than average amount of rain, some parts did not receive rain at all, reports circulated stating that it is a bit dry for good cocoa crop progress.



Cocoa price chart





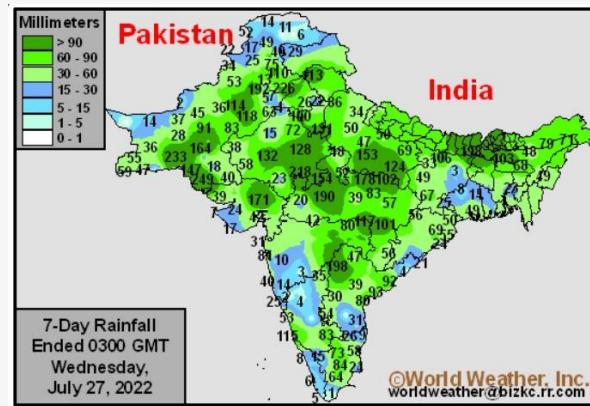
Cotton: Buy

- For 2022/23, USDA global production forecast was lowered -1.2 million bales (to 120.7 million) and global consumption was lowered -1.6 million bales (to 119.9 million)
- This season's stock production decline is led by the United States and India, although moderated somewhat by an increase for Brazil. .
- Projection from global ending stocks 2022/23, increased +1.6 million bales (to 84.3 million) on the back on India, Pakistan and China.
- Global cotton trade is forecasted to decrease. The global trade forecast for 2022/23 was lowered -1.1 million bales (to 46.4 million). The most significant changes on the import side included those for China (-500,000 bales to 10.0 million), Bangladesh (-300,000 bales to 8.5 million), and Vietnam (-300,000 bales to 7.2 million).
- U.S. is coming into the 2022/23 crop year with low stocks. This suggests U.S. shipments may have been rationed. Since the U.S. is the world's largest exporter, this may lend some support to prices internationally.
- **Lower production and international trade, drop in US ending stocks coupled with bad weather in US , India and China puts cotton in BUY category.**



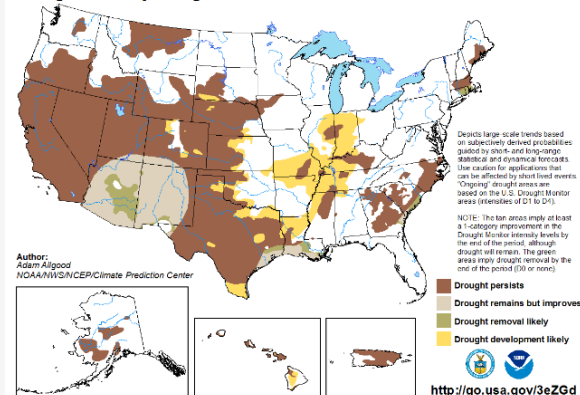
Cotton weather review

- A dry spell in June and heavy rains in July have hit cotton the most. Nearly 50% of India has received excess to large excess rainfall this season, most of it in July. Incessant rain and floods have hit the cotton crops in Gujarat, Maharashtra, Madhya Pradesh, Telangana and Andhra Pradesh states.
- Texas US major cotton producing states continues to be under conditions of drought.
- Mountain region of Xinjiang major Chinese region for cotton production was hit by floods after extended period of heat.

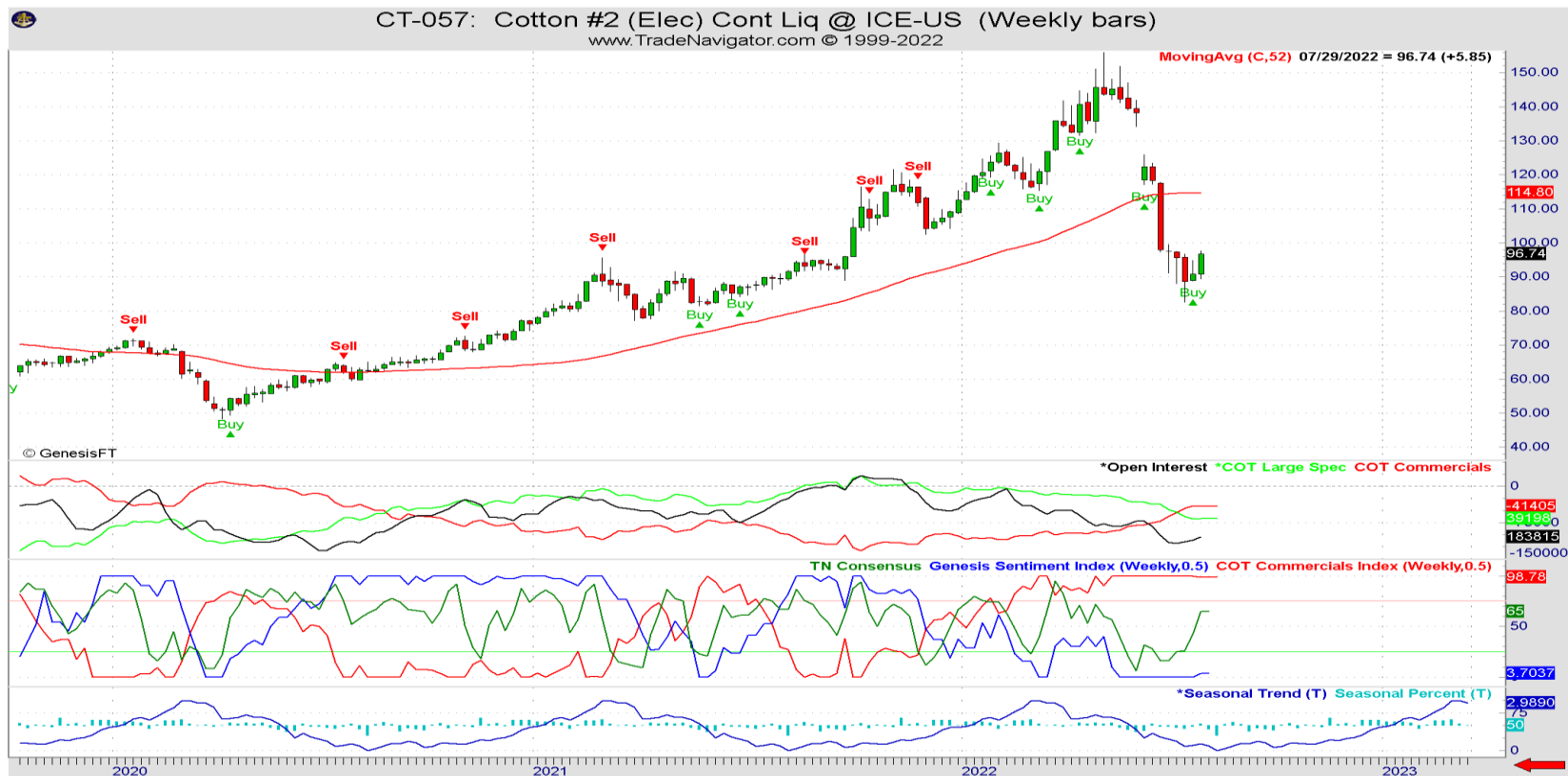


U.S. Monthly Drought Outlook Drought Tendency During the Valid Period

Valid for July 2022
Released June 30, 2022



Cotton price chart





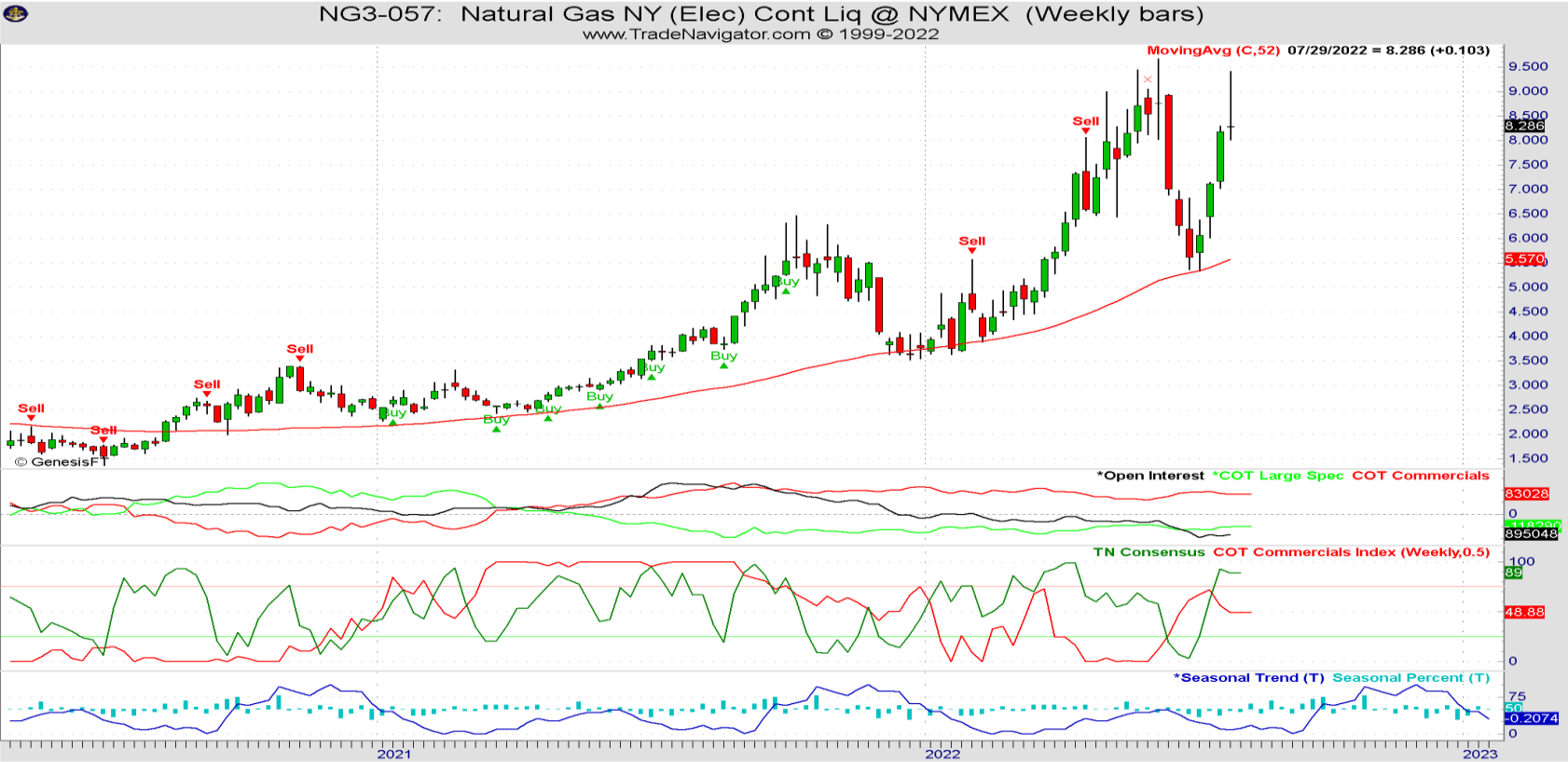
Natural gas

- Widespread heat persists across most of the rest of the Lower 48 states, and this month is still on pace to be the fourth-hottest July on record,.
- U.S. production continued to hover around 96 Bcf Monday as it did late last week – about 1 Bcf from summer highs. Many analysts have estimated that, given the intensity of domestic heat and global demand, output needs to be sustained at around 97 Bcf to ensure utilities can meet summer demand and inject enough gas into storage for the coming winter.
- The U.S. Energy Information Administration on Thursday posted a 32 Bcf injection of gas into underground storage for the week ended July 15. The build compared bullishly to a five-year average increase of 41 Bcf. The injection raised working gas in storage to 2,401 Bcf, though stocks were 328 Bcf below the five-year average.
- Global demand for American LNG exports also remains elevated. U.S. liquefied natural gas plants have operated near capacity most of July, save for the temporarily shuttered Freeport LNG facility following a June fire. Demand is strong from Europe, which had until this year largely depended on Russia for its gas supplies. But amid Russia's war in Ukraine and Europe's opposition to it, the Kremlin has reduced flows to the continent and threatened to further limit supplies via pipeline.



- **Heatwave in US and geopolitical tensions boost demand for American natural gas moving it to BUY zone, current supply levels are insufficient.**

Natural gas price chart



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