

Weekly bulletin

Week 38
September 19th

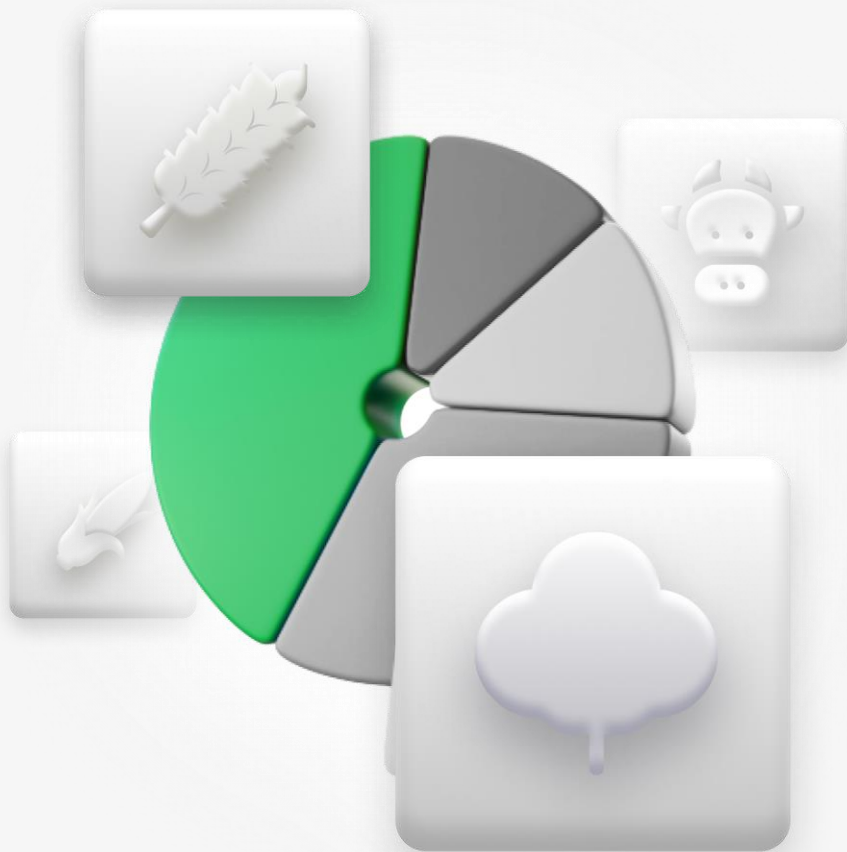
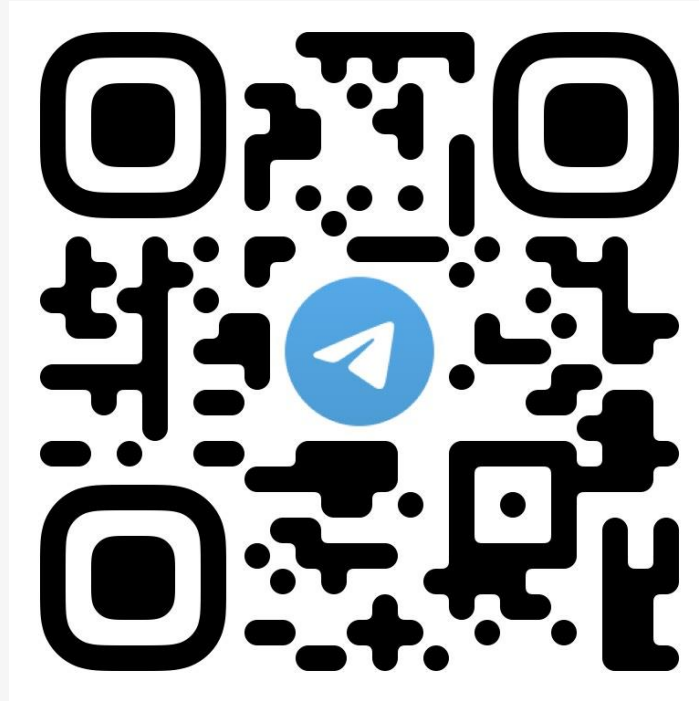


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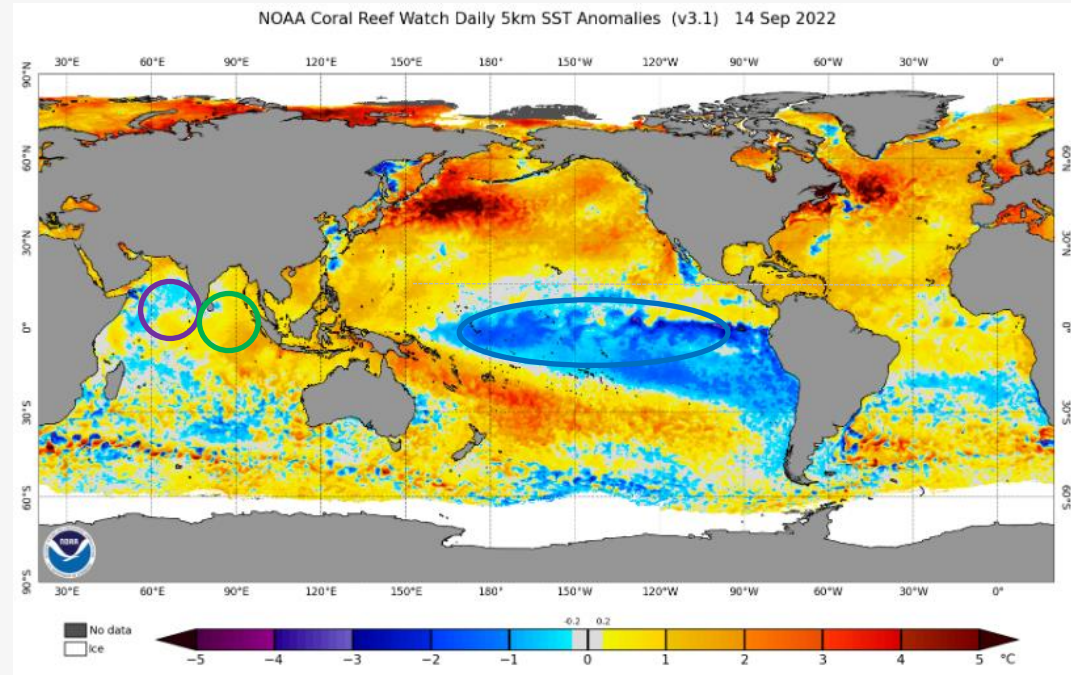
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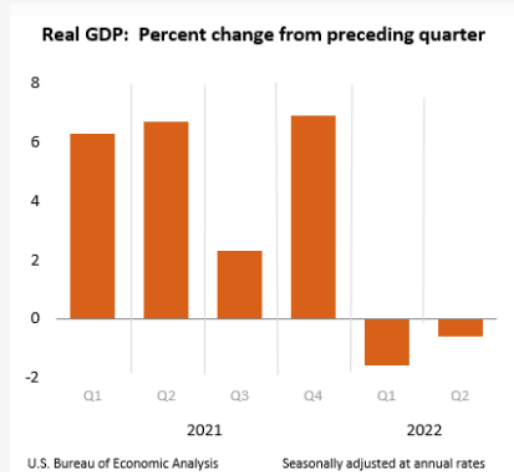
Global weather review

- Key atmospheric and oceanic indicators of the El Niño–Southern Oscillation (ENSO) show an established La Niña (blue circle). Tropical Pacific sea surface temperatures have been cooling since June and are now at La Niña thresholds. Atmospheric indicators including the Southern Oscillation Index (SOI), trade wind strength, and equatorial cloudiness are also displaying patterns typical of a La Niña event.
- US Climate Prediction Center updated their La Nina forecast to a 91% chance that it will continue through December, and a 54% that will continue into the first quarter of 2023.
- The negative Indian Ocean Dipole event continues (red and green circles). The IOD index has satisfied negative IOD thresholds (i.e. at or below -0.4 °C) since June, with the latest weekly value being -0.8 °C. Negative IOD conditions are likely to continue into late spring. When a La Niña and negative IOD combine, it further increases the likelihood of above average rainfall over Australia, particularly in the eastern half of the continent and SE Asia.
- Current climatic setting implies some dryness for Brazil and Argentina as well as West Africa,
- La Niña usually means a very volatile winter for energy areas around the world.
- The historical droughts out west and in Europe could portend a warm (not cold) late fall and early winter.
- Hurricane season in US tends to be weaker this year.

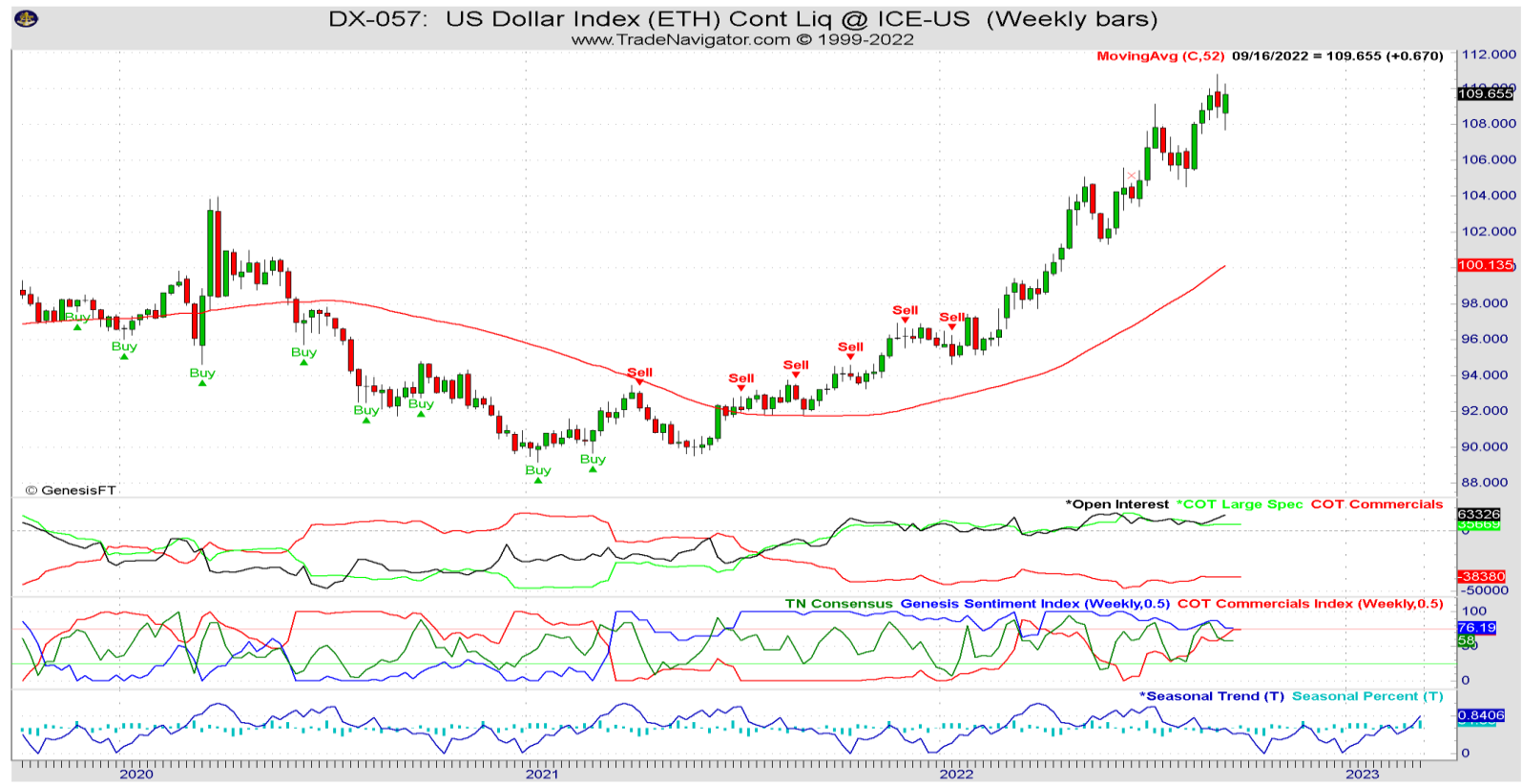


Dollar Index

- The dollar remains steady and holding at 108.74.
- US Dollar rally is supported by high August CPI data at 8.3%.
- In July US annual inflation rate (core CPI) in the US slowed more than expected to 8.5% in July of 2022 from an over 40-year high of 9.1% hit in June, the highest since November of 1981.
- On July 27th FOMC decided to raise the target range for the federal funds rate to 2.25% - 2.5% (raised by 75 basis points) and anticipates that ongoing increases in the target range will be appropriate
- It is expected that FOMC may hike rates in September in more aggressive manner by 75 to 100bps.
- Committee will continue reducing its holdings of Treasury securities and agency debt, and agency mortgage-backed securities.
- These are necessary measure to curb inflation under conditions of slowing down economy.
- US Real gross domestic product (GDP) decreased at an annual rate of 0.6% in Q2, following a decrease of 1.6% in Q1 making the second quarter in a row of negative GDP—the conventional mark of recession.



Dollar Index price chart



Commodities Index





Corn: Buy

- This month's 2022/23 U.S. corn outlook is for lower supplies, smaller feed and residual use, reduced exports and corn used for ethanol, and tighter ending stocks.
- Projected beginning stocks for 2022/23 are 5 million bushels lower based on essentially offsetting export and corn used for ethanol changes for 2021/22.
- Corn production for 2022/23 is forecast at 13.9 billion bushels, down 415 million from last month on reductions to harvested area and yield.
- The national average yield is forecast at 172.5 bushels per acre, down 2.9 bushels. Harvested area for grain is forecast at 80.8 million acres, down 1.0 million.
- Total U.S. corn use is cut 250 million bushels to 14.3 billion. Feed and residual use is lowered 100 million bushels based on a smaller crop and higher expected prices.
- Exports are cut 100 million bushels to 2.3 billion while corn used for ethanol is lowered 50 million to 5.3 billion.
- With supply falling more than use, ending stocks are down 169 million bushels to 1.2 billion.



- **Corn prices find bullish support on lower production and lower ending stocks**

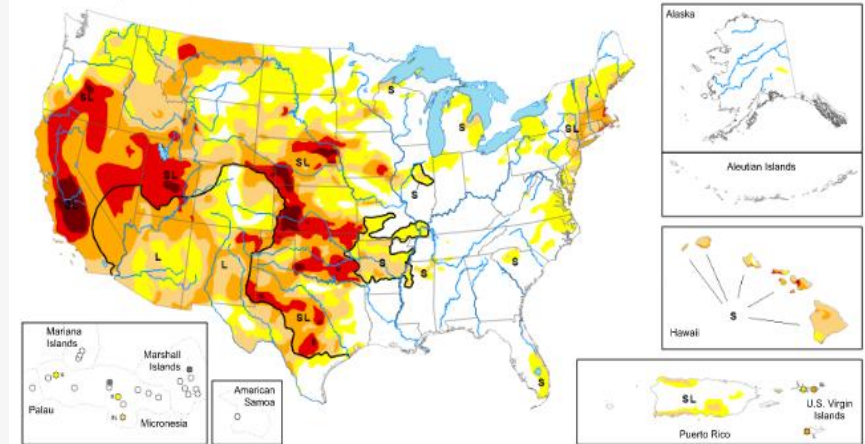


Corn weather review

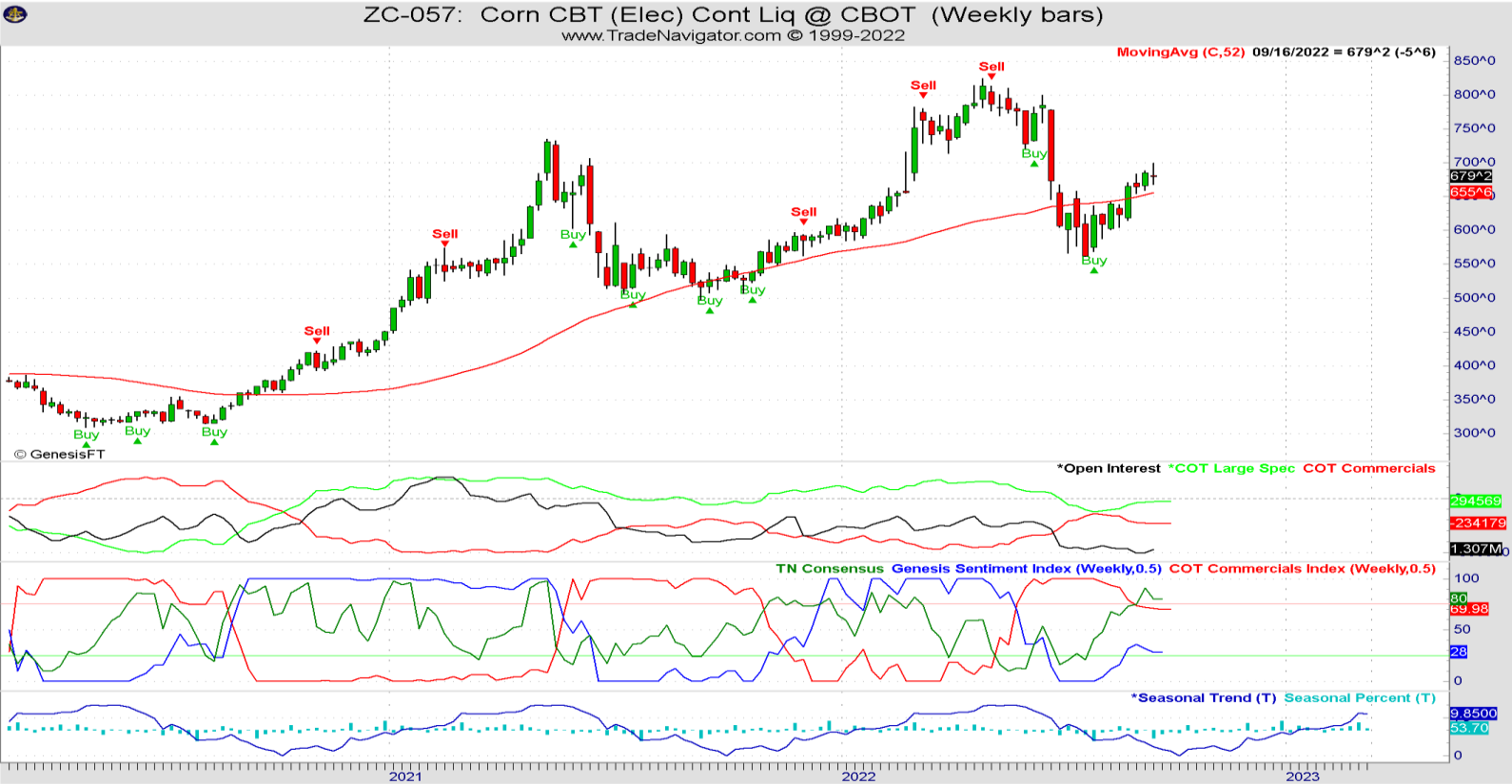
- In the Corn Belt, widely scattered showers stretch from Minnesota to Nebraska. Any rain in drought-affected sections of the western Corn Belt is too late to appreciably benefit corn and soybeans. Some of the lowest Midwestern crop-condition ratings exist in Nebraska, where 34% of the corn and 30% of the soybeans were rated in very poor to poor condition on September 11. Meanwhile, sunny weather in the eastern Corn Belt is promoting summer crop maturation

Map released: September 15, 2022

Data valid: September 13, 2022



Corn price chart





Sugar: Buy

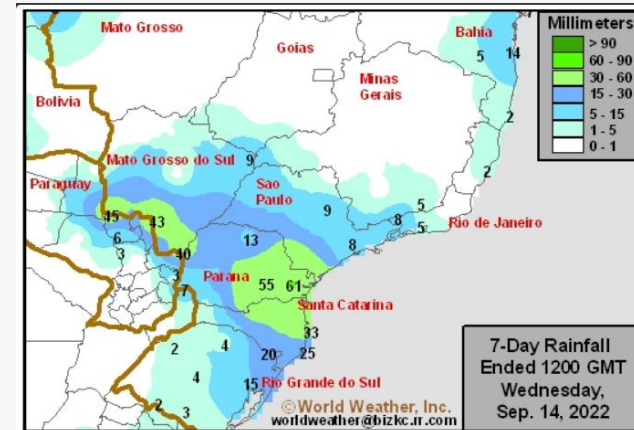
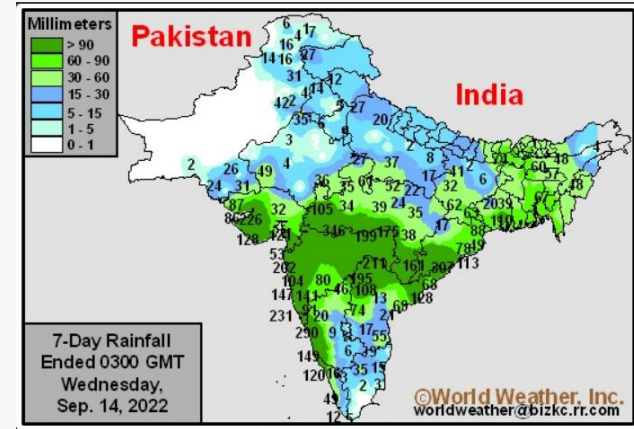
- U.S. 2021/22 sugar stocks are reduced by 74,093 short tons, raw value (STRV) as combined lower production and imports are only partially offset by lower use.
- US Beet sugar production is lowered by 53,440 STRV on a small reduction in estimated sucrose recovery from crop year sliced sugarbeets and also less sugar (about 20,000 STRV) from desugared molasses. Beet sugar production in August-September 2022 is still estimated at 500,000 STRV. Cane sugar in Texas is reduced a small amount on revised processor reporting. Imports are reduced by 72,615 STRV.
- Unica reported that Brazil's Center-South sugar crop output in the 2022/23 marketing year through Aug was down -10.5% y/y to 21.77 MMT.
- Sugar prices saw support when the Thailand government announced that it would provide state subsidies for biofuels for two years. The subsidies may reduce the amount of sugar Thailand has for export as the subsidies encourage Thailand's sugar producers to ramp up ethanol production rather than export the sugar.
- This summer's hot and dry weather in Europe, the world's third-largest sugar producer, may lead to smaller sugar beet yields and lower sugar production, which is bullish for sugar prices. Czarnikow Group predicts sugar output in the European Union and the UK should total 16.4 MMT this year, about 1 MMT lower than last year, which means the EU may have to import more sugar than usual.



- Another supportive factor for sugar was the action by Conab on August 19 to cut its estimate for the 2022/23 Brazil sugar crop to 33.9 MMT from an April forecast of 40.3 MMT, citing lower plantings and falling sugar cane yields.
- **Sugar prices are bullish on the back of lower production from Brazil, Thailand and EU, as well as smaller ending stocks in US.**

Sugar weather review

- In India showers (25-100 mm, locally more) across the southern half of India maintained ample soil moisture for vegetative to reproductive crops. More likely, India will have a large exportable surplus in the 2022-23 year.
- Light showers lingered over southern Brazil, however amount of rain was insufficient to promote good sugar crops. Sugarcane areas may get some rain after Sep. 18. This year is dry for Brazil due to ongoing La Nina.



Sugar price chart





Rice: Buy

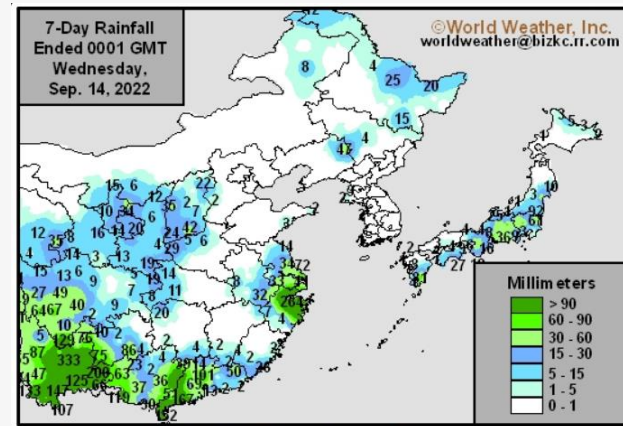
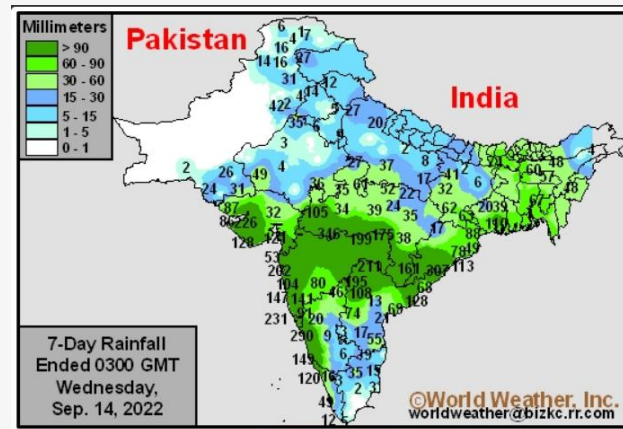
- The 2022/23 global outlook is for lower supplies, higher consumption, reduced trade, and lower stocks.
- Supplies are reduced 4.4 million tons to 692.9 million primarily on lower production for China, India, and Pakistan. China's production is reduced 2.0 million tons to 147.0 million on drought conditions in southern China.
- India's production is lowered 2.0 million tons to 126.5 million on continued dry conditions in the northeast region. This would be the first rice production decline for India since 2015/16.
- Pakistan's production is decreased 500,000 tons to 8.4 million on expectations that August flooding reduced harvested area.
- World 2022/23 consumption is raised 0.6 million tons to a record 519.3 million on higher use for India.
- Global 2022/23 trade is reduced 1.1 million tons to 53.6 million on lower India exports that are partially offset by higher exports from Thailand, Vietnam, Burma, and Pakistan.
- India's exports are lowered 2.0 million tons to 20.0 million as India recently imposed export duties on rough, brown, and white milled rice and a ban on exports of broken.



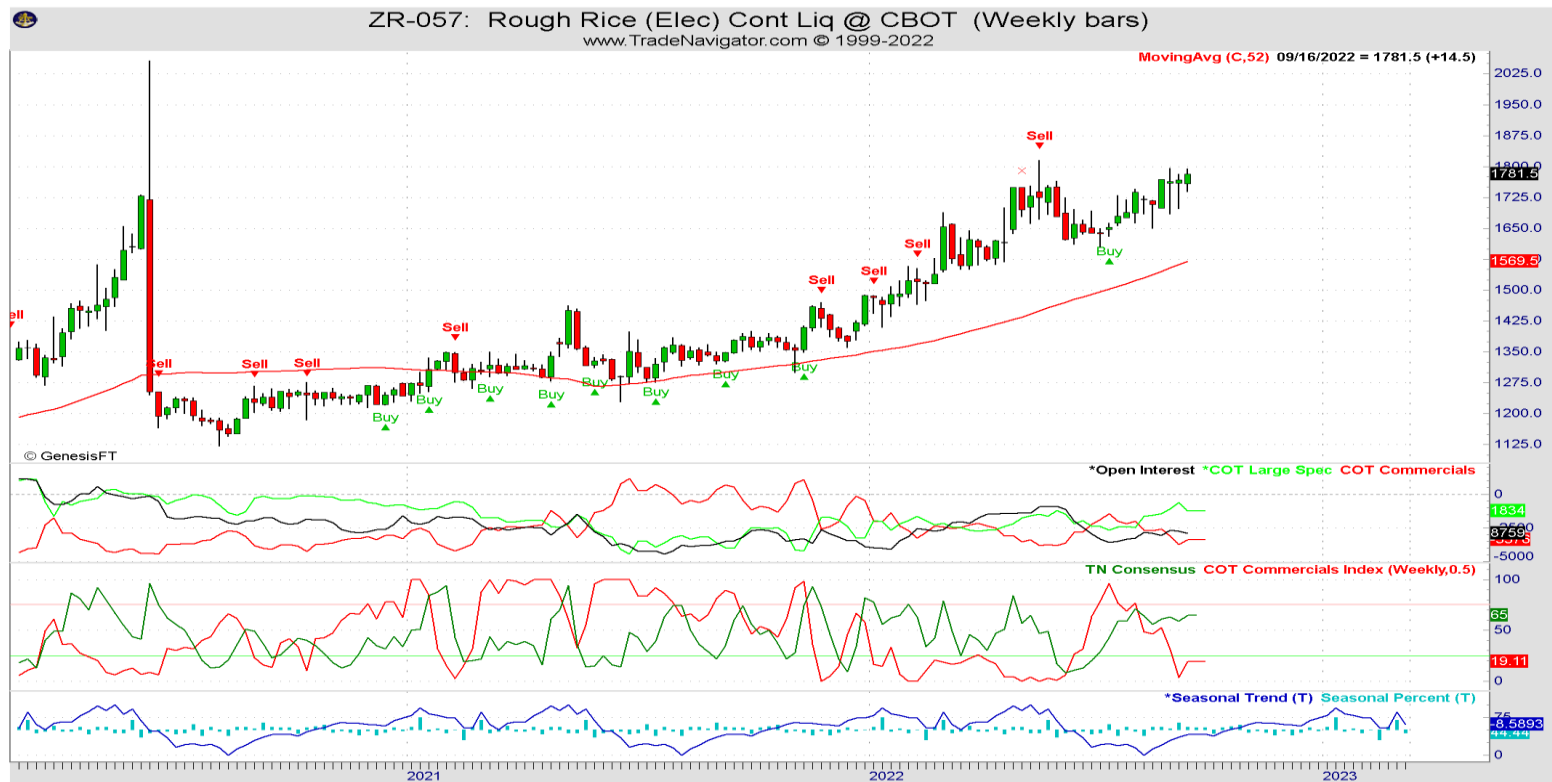
- Projected 2022/23 world ending stocks are reduced by 5.0 million tons to 173.6 million, primarily on reductions for India and China.
- **Rice prices find bullish support in smaller global production, lower ending stocks and higher consumption.**

Rice weather review

- India saw moderate amount of rain this week without any threat to rice crops. Moisture conditions have been favorable across all rice producing regions of India.
- Widespread heat and dryness returned to southern China, with temperatures soaring to near 40°C once again (6°C above normal). While the conditions promoted summer crop maturation, they exacerbated late-season drought and continued to reduce yield prospects for late-crop rice in the reproductive stages of development.



Rice price chart





Coffee: Sell

- Coffee prices Thursday settled mixed as prices consolidated following this week's sharp losses.
- Some short-covering in coffee emerged Thursday after Safra's & Mercado cut their Brazil 2022/23 coffee production estimate to 58.2 mln bags from a prior estimate of 61.1 mln bags.
- Cooxupe cooperative, one of Brazil's biggest coffee producers, reported Wednesday that Brazil's coffee harvest was 98% completed as of Sep 9. **Coffee producer sales typically increase during harvest time to make space for storing their newly-picked crops.**
- Climatempo said that the coffee-growing areas of Sao Paulo and Minas Gerais will get extensive and regular rainfall from the end of September into early October, which should boost soil moisture levels and promote flowering of coffee trees for the 2023/24 Brazil coffee crop.
- In a bearish factor, the USDA, in its bi-annual report released on June 23, projected that 2022/23 global coffee production would climb +4.7% y/y to 174.95 mln bags, primarily due to Brazil's arabica crop entering the on-year of the biennial production cycle.
- The USDA projects that 2022/23 global coffee ending stocks will climb +6.3% y/y to 34.704 mln bags.

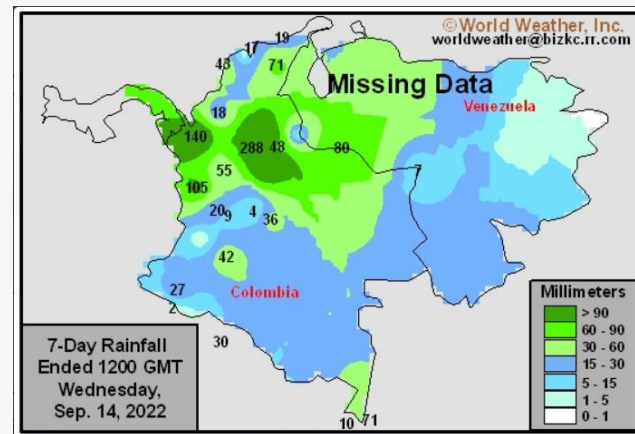
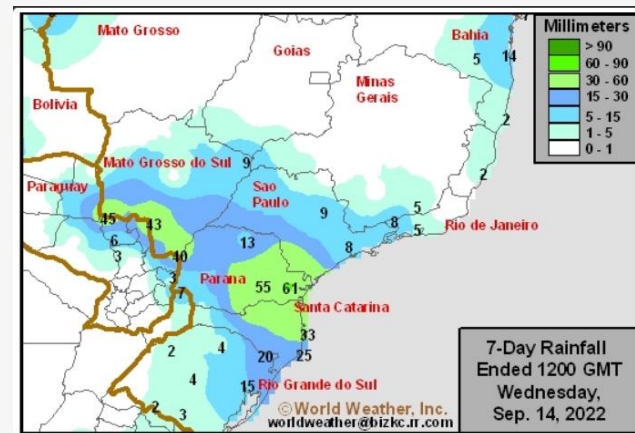


- Dollar index is all time high at 110.18 due to higher than expected US August CPI data (8.3%) and expected new hike in US interest rates of up to 100bps as part of measures to curb inflation.
- **Coffee prices are bearish on the back of stronger USD that weight heavily on coffee prices, larger supply due to harvest season, favorable upcoming weather during important flowering season and higher ending stocks.**

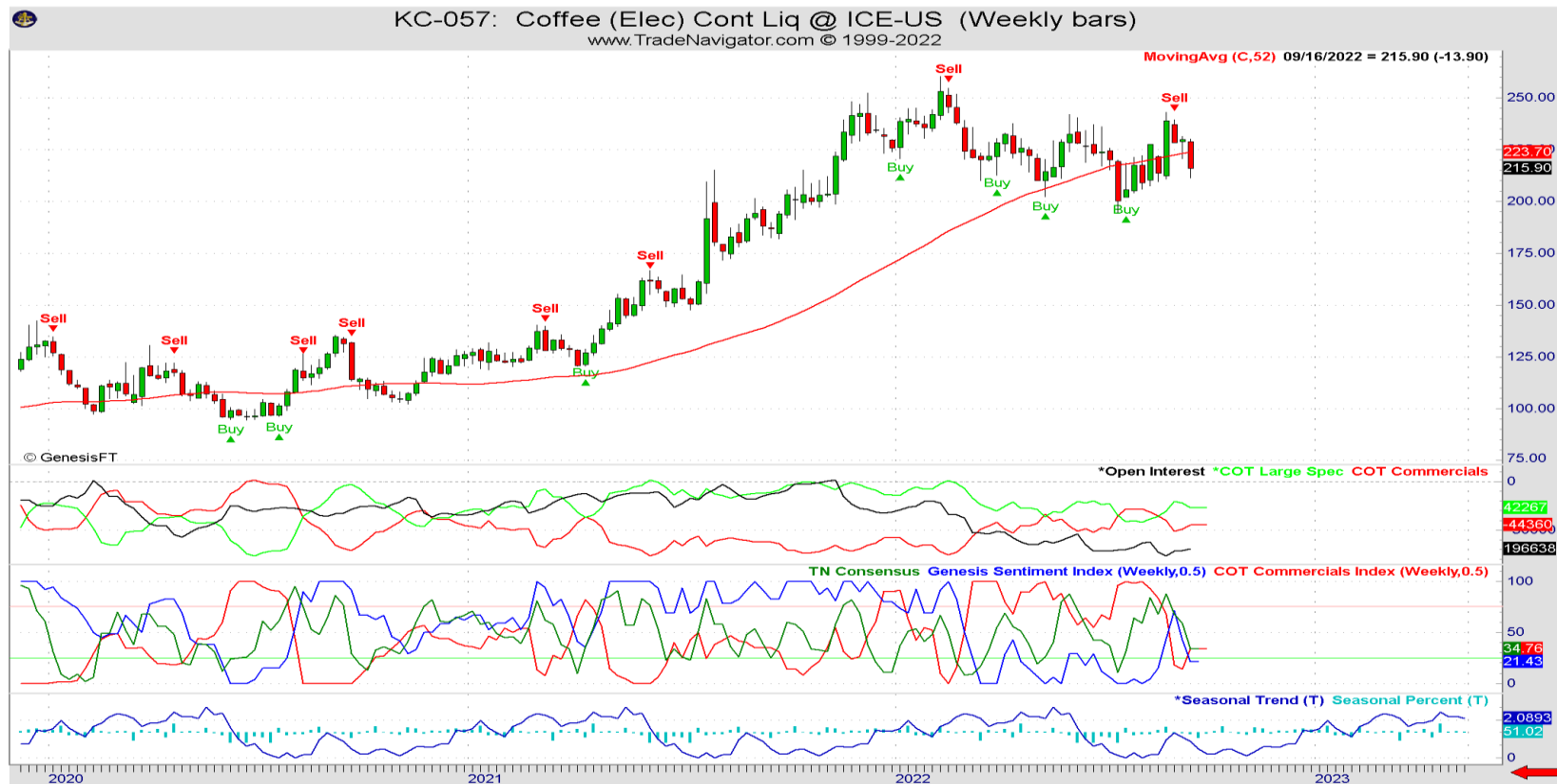


Coffee weather review

- Brazil did not see major weather shock associated with coffee, drier than normal weather did not hurt Brazilian farmers. Harvested around 98% of the 2022 coffee crop by September 9th. More rains are expected in September and October in Sao Paulo and Minas Gerais that are beneficial for soil moisture levels and flowering of coffee trees.
- Colombia saw heavier than normal rainfall. However, this is favorable as most of summer was dry and this rain will improve soil moisture to promote good coffee crops.



Coffee price chart



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