

# Commodities Markets Report

By **Max Schulz**

🕒 | **Week 3** | **January 16th**





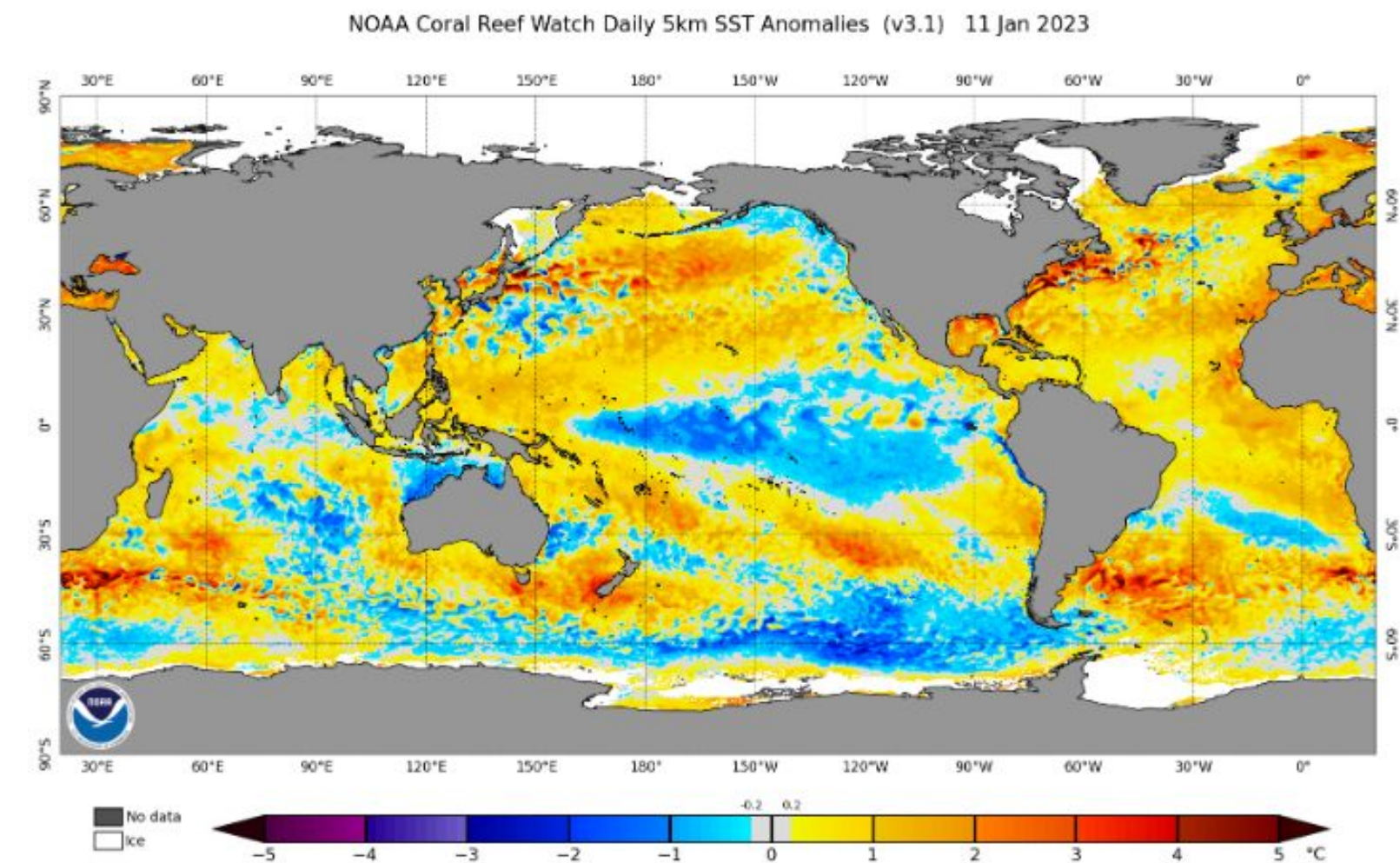
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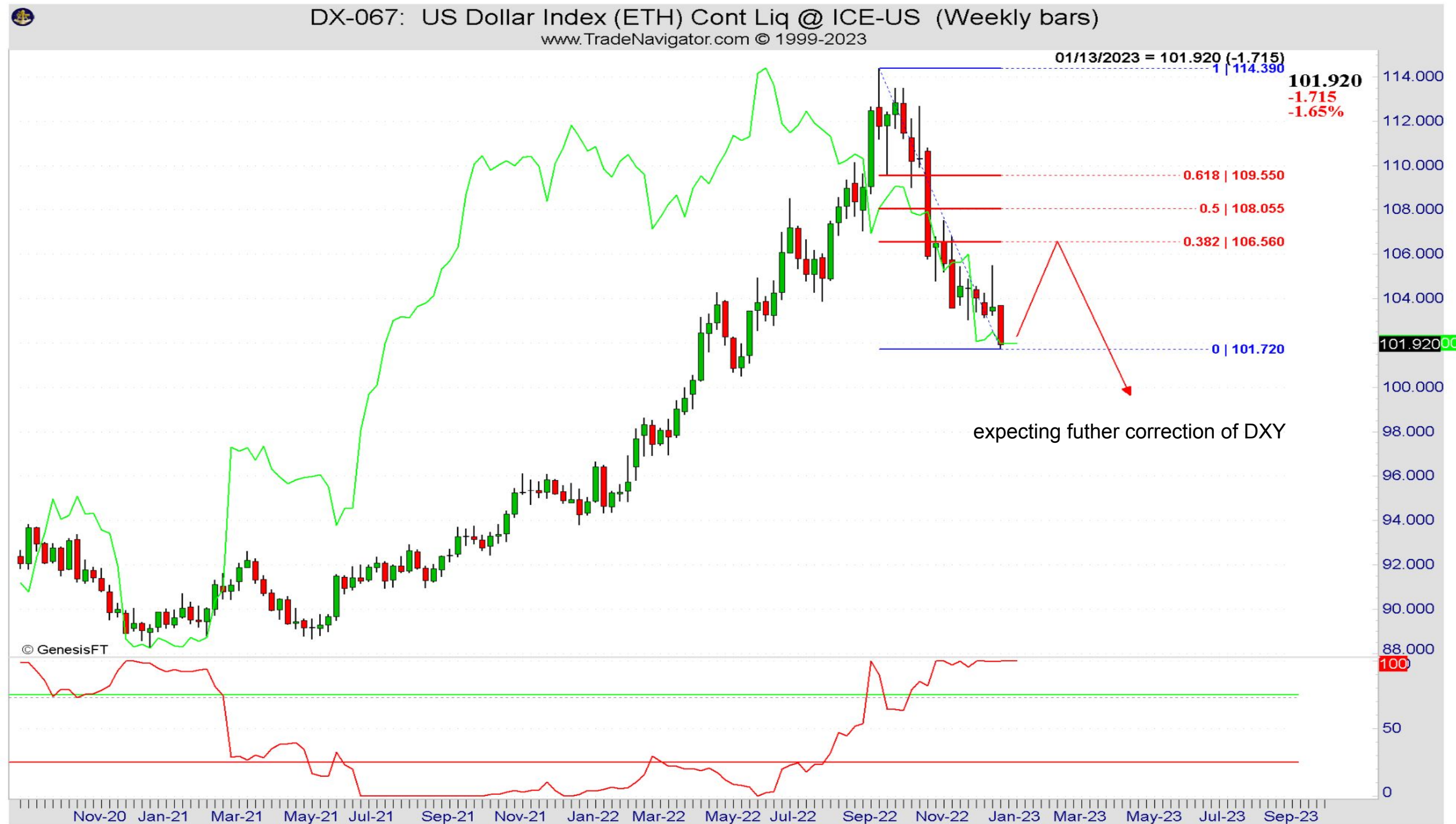


# Global weather review

- La Niña continues in the tropical Pacific, but is slowly weakening. However, while ocean temperatures have warmed in recent weeks, atmospheric indicators are largely unchanged, remaining at La Niña levels
- Models suggest La Nina will not weaken in Q1 and probably will fall into La Nada in summer with further dip into El Nino. La Nina and La Nada present in Summer implies drier than normal growing season in Americas.
- The Indian Ocean Dipole (IOD) is neutral and has little influence on Australian climate while the monsoon trough is in the southern hemisphere (typically December to April).
- In EU very warm weather prevailed, with rain in the north and west contrasting with dry conditions across the Mediterranean Basin.
- In Australia dry weather aided winter crop harvesting in the south and west while showers benefited summer crops in the east
- In Brazil dryness lingered over southern farming areas, but conditions remained favorable for soybeans and other crops farther north.
- In Argentina showers brought limited relief from heat and dryness.
- In India dry weather prevailed across all the peninsula.

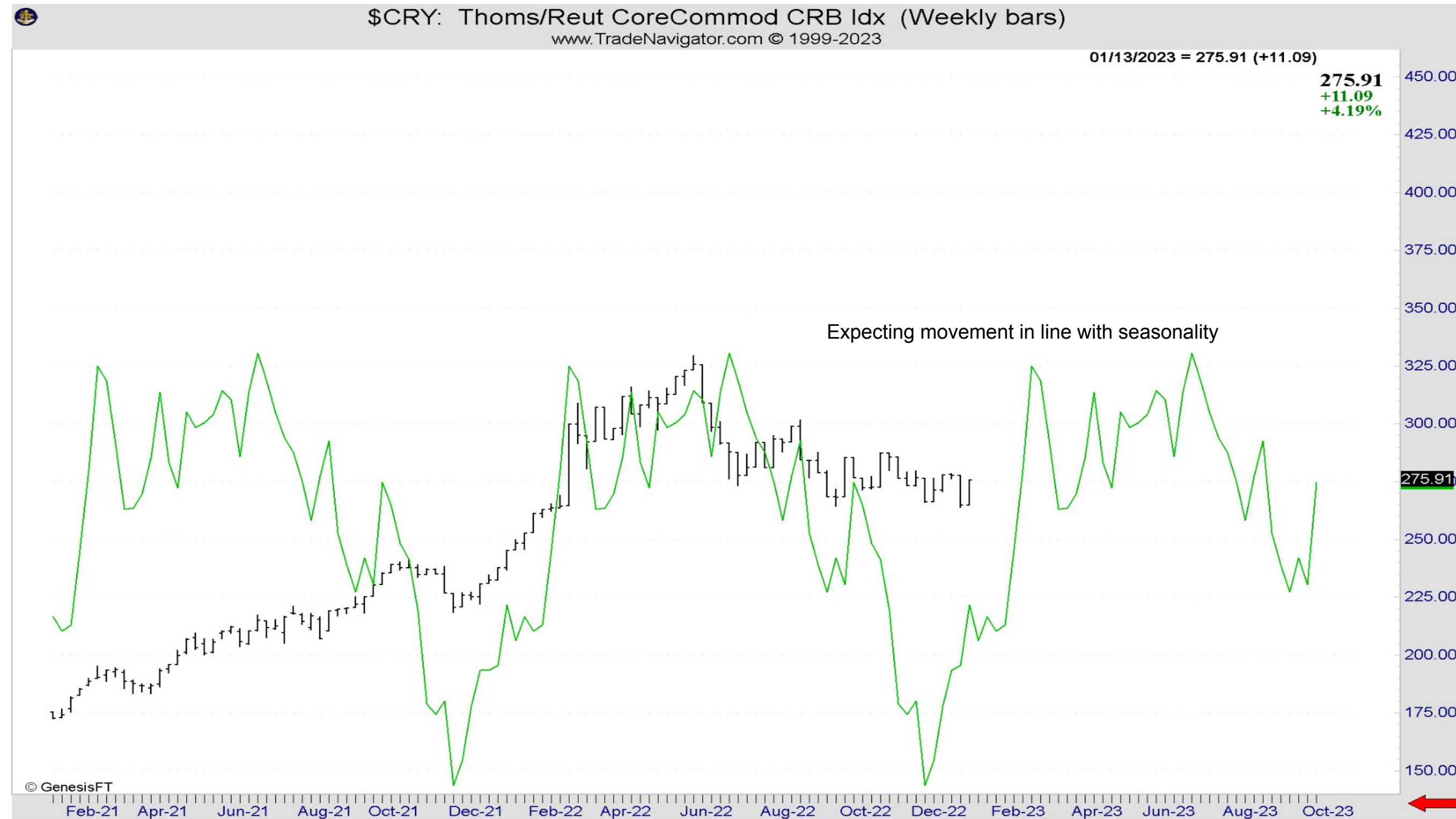


# Dollar Index





# Commodities Index



# Corn: Buy

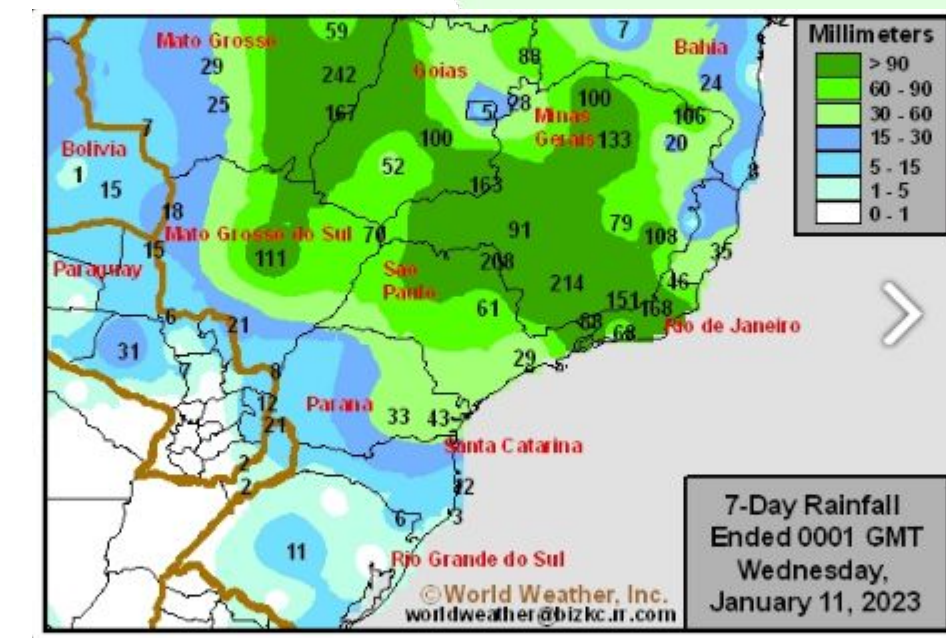
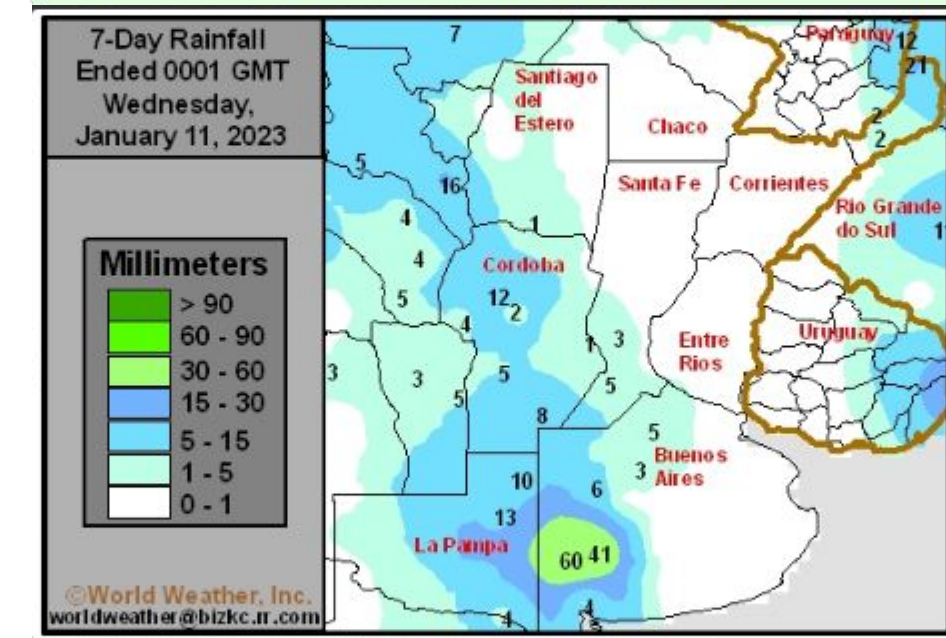
- Corn futures closed a little higher on Thursday.
- Global corn grain production for 2022/23 is forecast down 7.3 million tons to 1,446.4 million.
- This month's foreign coarse grain outlook is for lower production, greater trade, and reduced stocks.
- Global corn production is forecast down with declines for Argentina and Brazil partly offset by an increase for China.
- Production is reduced for Argentina reflecting declines to both area and yield, as heat and dryness during December and into early January reduce yield prospects for early-planted corn in key central growing areas.
- Brazil corn production for 2022/23 is cut reflecting dry conditions for first-crop corn in parts of southern Brazil.
- Corn ending stocks are down, mostly reflecting reductions for Ukraine, Brazil, Pakistan, and Paraguay with a partly offsetting increase for China. Global corn stocks, at 296.4 million tons, are down 2.0 million.
- **Corn prices find bullish support on the back of lower global supply, lower ending stocks and ongoing concerns over drought in Argentina one of the largest corn producers globally.**





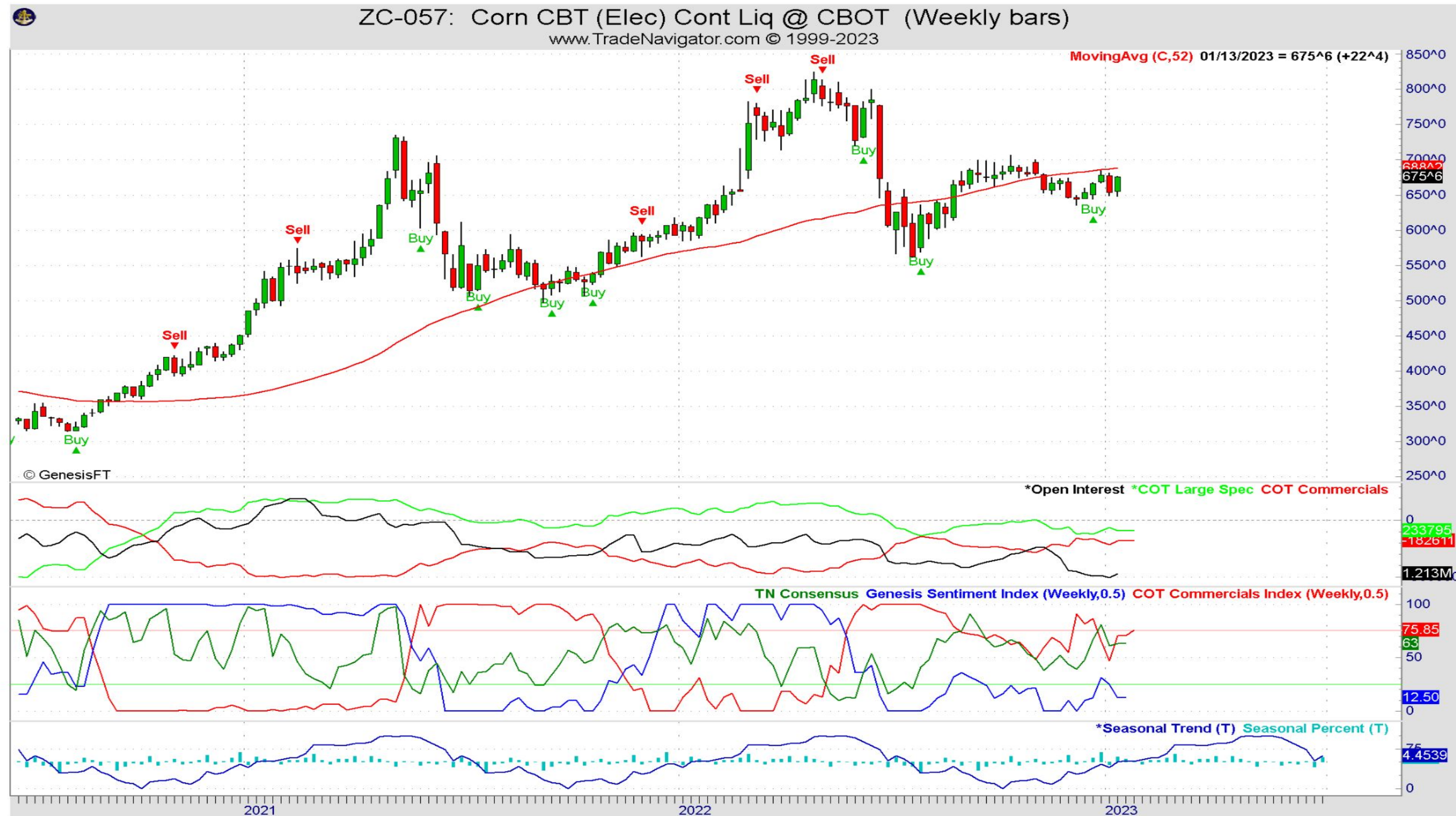
# Weather review

- In the US all corn had already been collected so the weather here is not a factor.
- In China also corn harvest season is over, there is no weather associated risk.
- Early-week showers brought limited relief from heat and dryness to emerged grains and oilseeds in central Argentina. The heaviest rainfall (25-50 mm) was concentrated over southwestern farming areas encompassing western Buenos Aires, La Pampa, and portions of southern Cordoba. However, lighter rain (local accumulations below 10 mm) fell farther east, including high-yielding farmlands in the lower Paraná River Valley (northern Buenos Aires and neighboring locations in Santa Fe and Entre Rios). Furthermore, stressful heat returned to the region at week's end, with daytime highs again reaching the upper 30s (degrees C) at most locations.
- Meanwhile, occasionally hot (highs reaching 40°C) and drier than-normal weather (rainfall totaling 5-25 mm) dominated the north, including major cotton areas in Santiago del Estero and in Chaco. According to the government of Argentina, corn 85% planted
- Unseasonable dryness lingered over portions of southern Brazil, but prospects of soybeans and other summer crops remained overall favorable farther north. Rainfall totaled below 10 mm over much of Rio Grande do Sul, with similar smaller pockets of dryness recorded as far north as southern Mato Grosso do Sul. However, heavy rain (25-50 mm or higher, locally exceeding 100 mm) extending eastward from Paraguay benefited western production areas in Paraná. Summer heat accompanied the dryness, with daytime highs reaching the middle 30s (degrees C) in many of the aforementioned locations. According to the government of Rio Grande do Sul, corn was 92% planted as of January 5, with 78% of the sown crop having reached reproduction





# Corn Price Chart





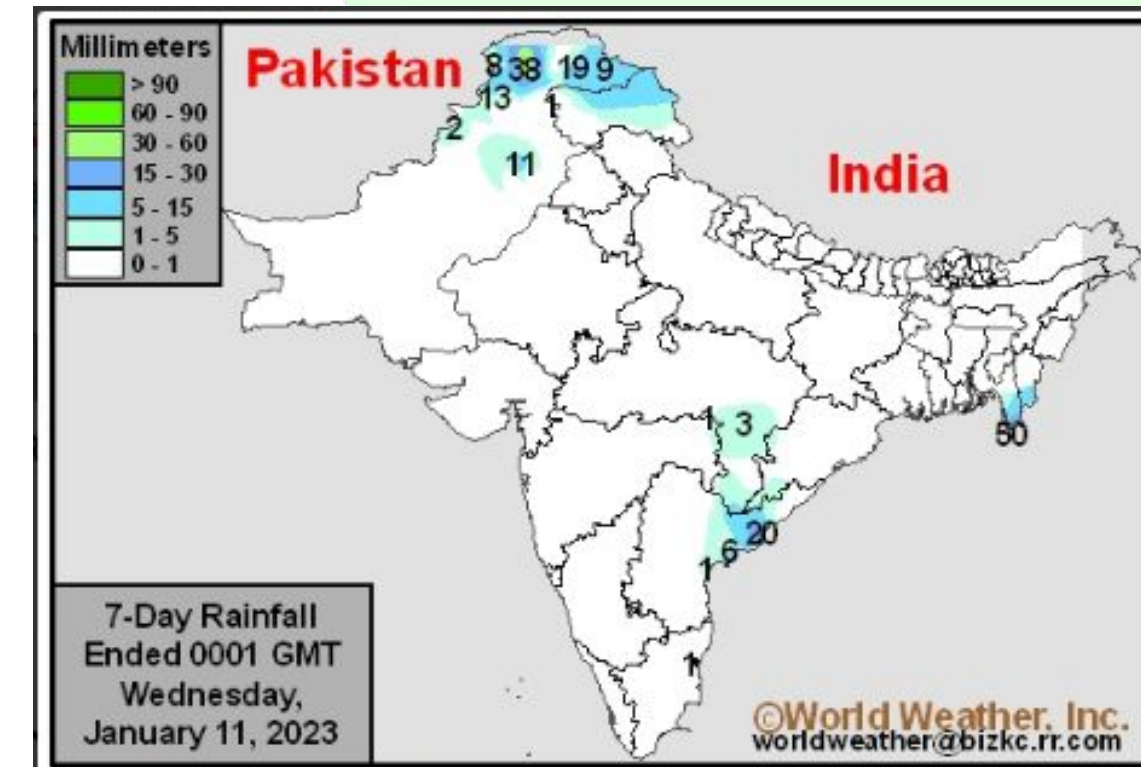
# Rice: Buy

- Rice futures closed little higher on Thursday.
- The outlook for 2022/23 U.S. rice this month is for smaller supplies, higher domestic use, decreased exports, and lower ending stocks.
- Supplies are reduced on lower production as NASS estimated all rice production at 160.4 million cwt, down 3.9 million from the previous estimate.
- Projected 2022/23 all rice ending stocks are lowered 6.0 million cwt to 32.1 million.
- The 2022/23 global outlook is for larger supplies, reduced consumption, increased trade, and higher ending stocks this month.
- Supplies are raised 0.5 million tons to 686.1 million, as higher beginning stocks for Brazil, Vietnam, and Pakistan along with increased production for India more than offset reduced production for China.
- Projected world ending stocks are raised 1.3 million tons to 170.0 million, primarily on increases for Vietnam, India, and Brazil.
- Asian rice prices showed strong growth after supply squeeze and US prices have started to follow.
- **Lower US production and lower ending stocks, Asian rice shortage puts bullish pressure on rice prices.**



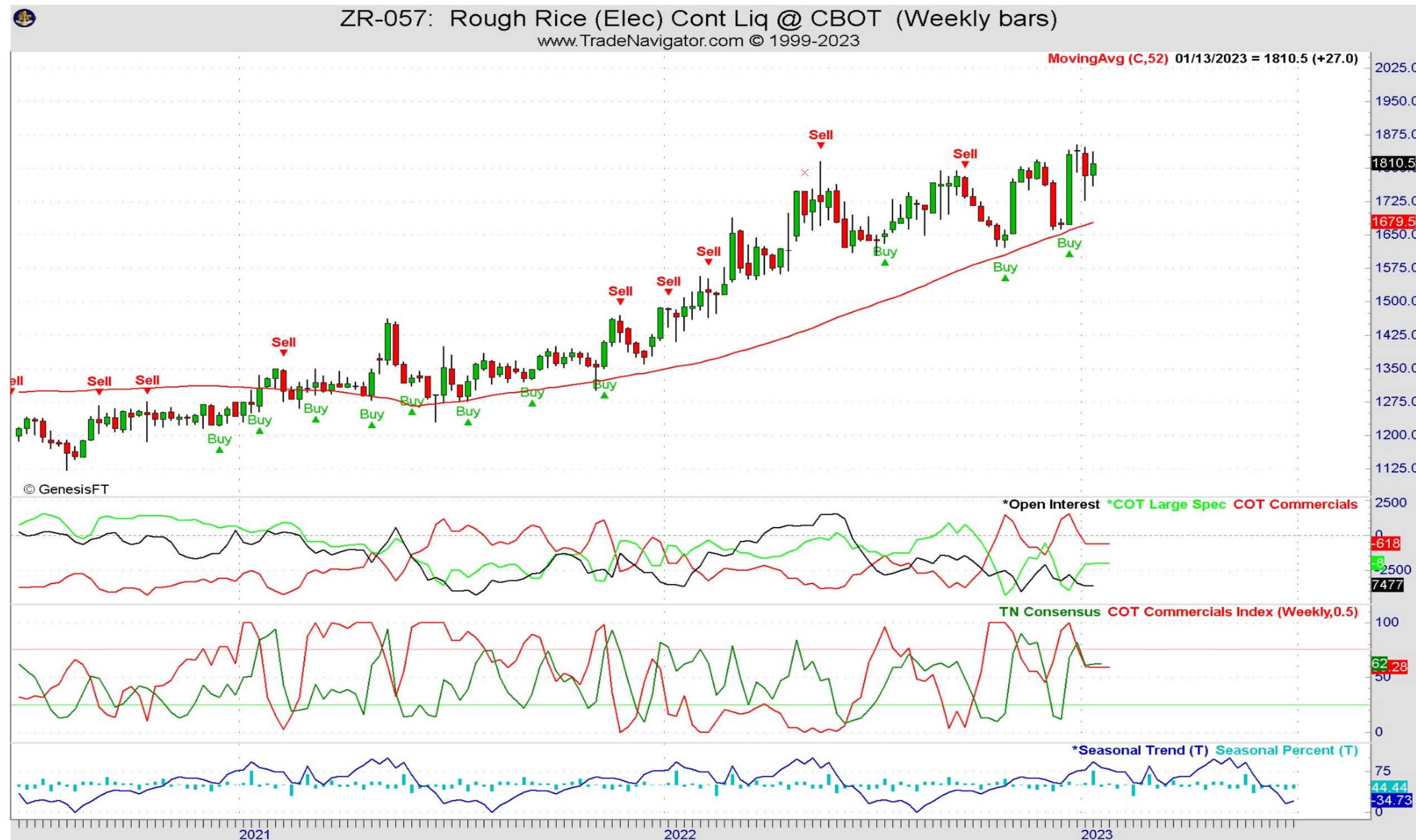
# Weather review

- China rice harvesting season is over therefore there is no weather associated risk.
- India has good rice harvest weather dry across most of the peninsula.





# Rice Price Chart



# Sugar: Sell

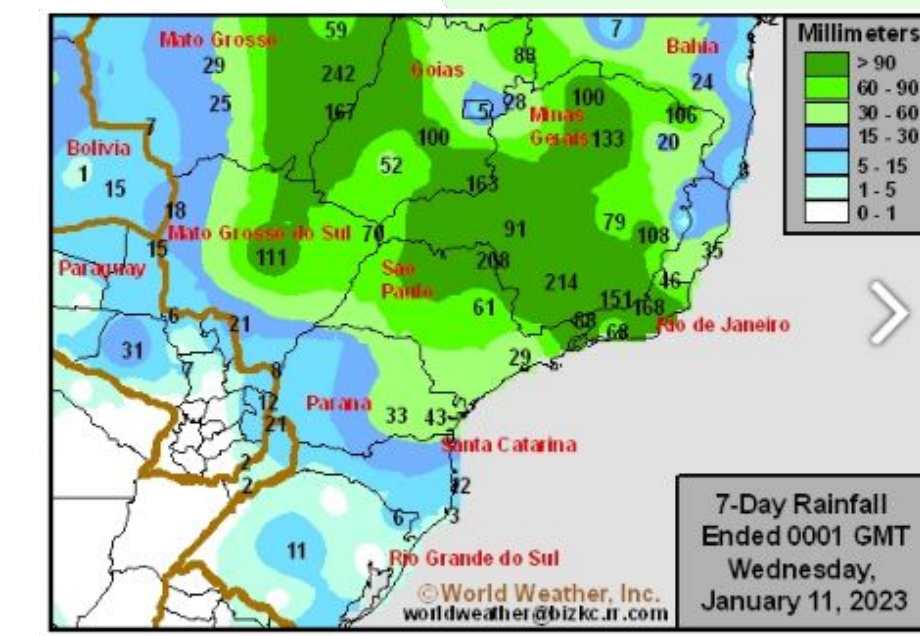
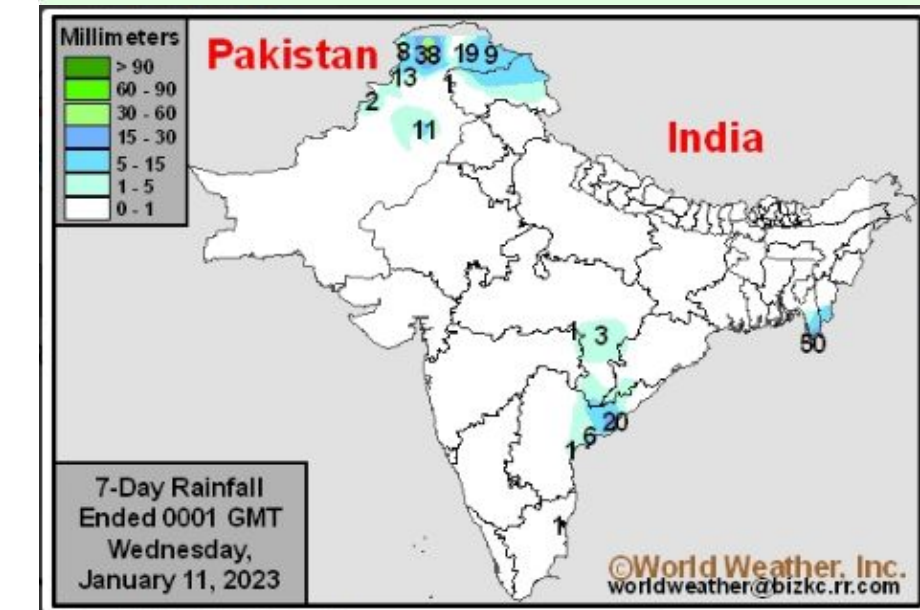
- Sugar futures closed slightly higher on Wednesday.
- Strength in the Brazilian real was bullish for sugar prices
- A rally of more than +3% in crude oil prices was bullish for sugar on Wednesday.
- Overall sugar market is in surplus due to rise in production in key sugar producing countries.
- Unica reported that Brazil's sugar production through December rose +4.4% y/y to 33.462 MMT.
- Conab in December hiked its Brazil sugar production estimate to 36.4 MMT from an Aug estimate of 33.9 MMT
- India Sugar Mills Association (ISMA) reported that India's sugar production from Oct-Dec rose +3.7% y/y to 12.1 MMT.
- ISMA forecasted that India's production to climb +2% y/y to 36.5 MMT as Indian farmers boosted their planted acreage by +5.4% y/y to 5.6 mln hectares.
- India sugar exports jumped +57% y/y to a record 11 MMT.
- International Sugar Organization (ISO) projected that global sugar production to climb +5.5% y/y to a record high of 182.1 MMT and global sugar market to be in a surplus of +6.2 MMT
- **Sugar is bearish on the back of larger India and Brazil production, global sugar surplus.**



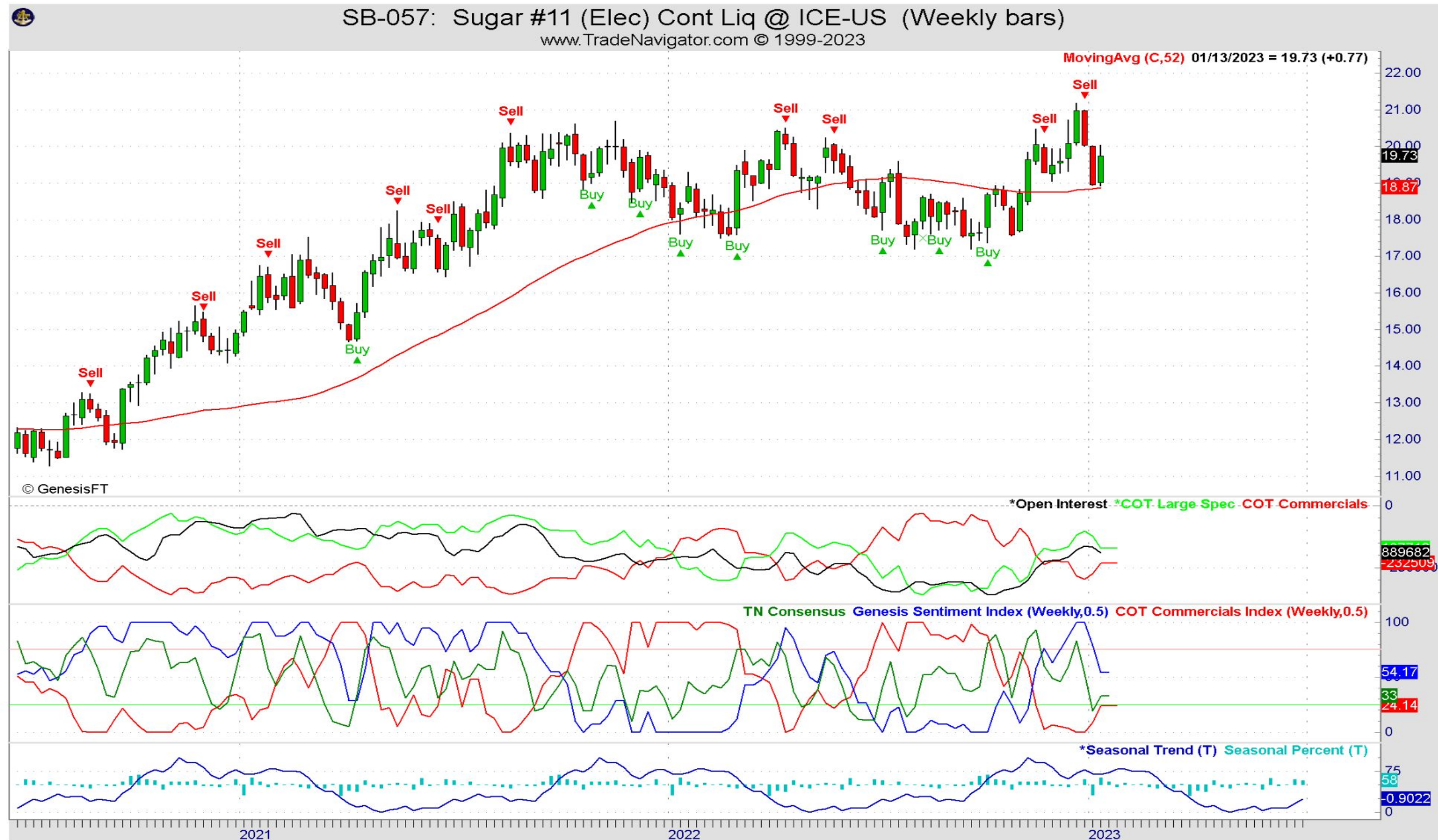


# Weather review

- India has good sugar harvest weather dry across most of the peninsula. Harvest season goes on from December to March.
- There is no weather associated risk in Brazil as sugar cane harvest season is from April to December and right now maturing sugar cane crops are receiving good amount of moisture.



# Sugar Price Chart





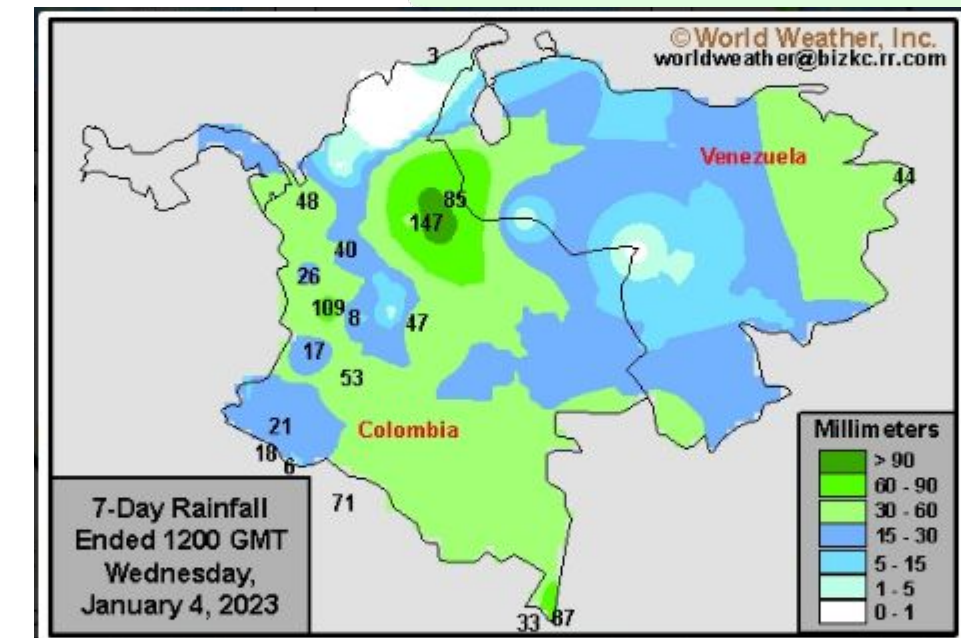
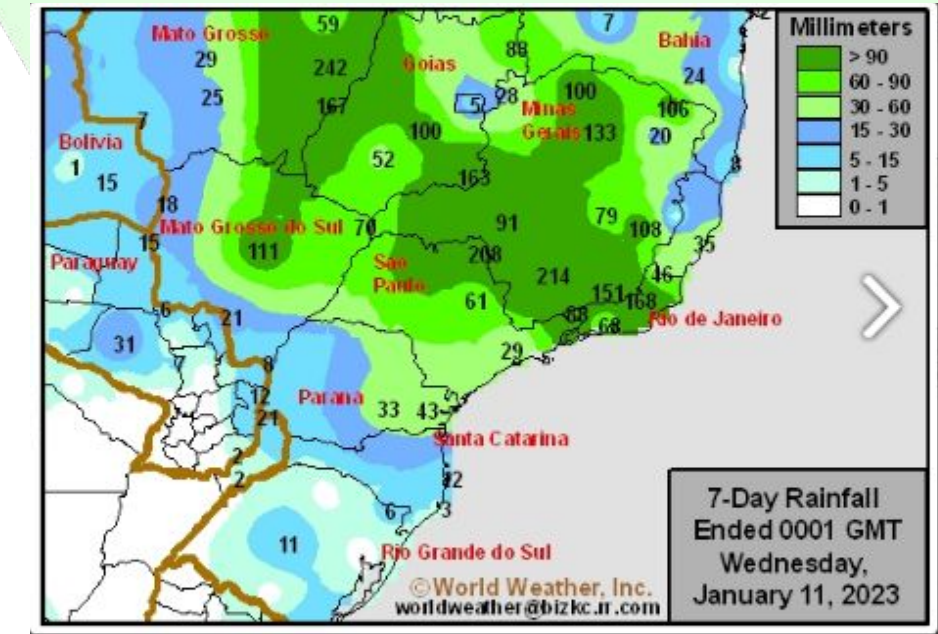
# Coffee: Sell

- Coffee futures fell sharply on Wednesday due to improved coffee outlook.
- Coffee importer Wolthers Douque projected that Brazil's 2022/23 coffee crop would increase by +16% y/y to 65 mln bags due to improved weather conditions.
- ICE arabica coffee inventories have risen since falling to a 23-year low of 382,695 bags on Nov 3 and posted a 6-1/4 month high of 850,401 bags on Jan 11th.
- Easing of dry conditions in Brazil may lead to higher coffee yields and is bearish for prices.
- Conab on Dec 15 raised its 2022 Brazil coffee production estimate to 50.9 mln bags from a 50.4 mln bag estimate in Sep, up +6.7% y/y.
- U.S. green coffee inventories are at the good level, Green Coffee Association on Dec 15th reported that U.S. Nov green coffee inventories rose +1.1% m/m and +9.4% y/y to 6.39 mln bags
- **Coffee is bearish on the back of larger Brazil crop and improving Brazil coffee weather, higher inventory levels both in US and Europe.**



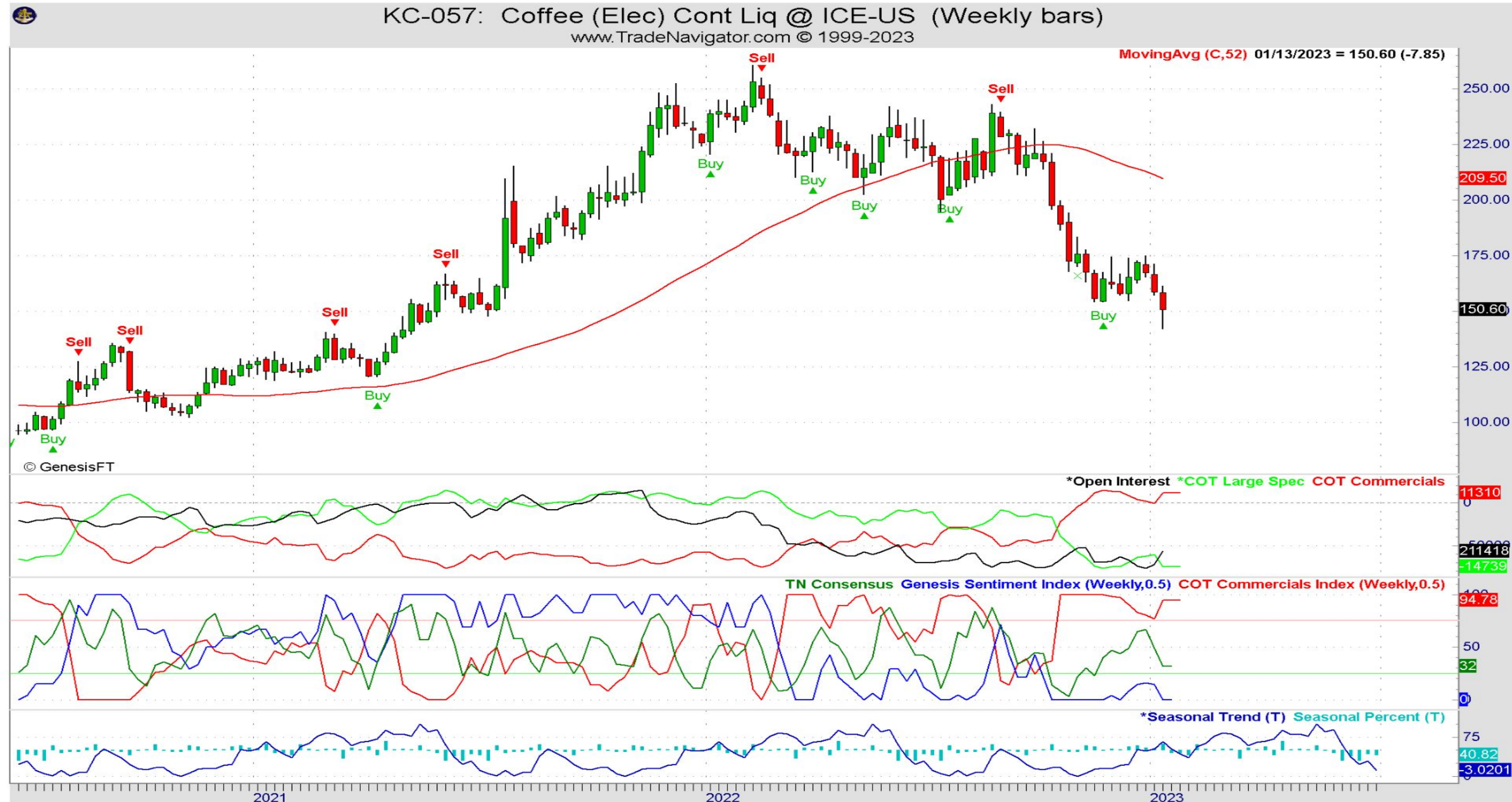
# Weather review

- Somar Meteorologia reported on Monday that Brazil's Minas Gerais region received 115.4 mm of rain last week, or 193% of the historical average. Minas Gerais accounts for about 30% of Brazil's arabica crop.
- Colombia saw more than average amount of rain beneficial for maturing coffee crops.





# Coffee Price Chart





# Daily Trading

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