

# Commodities Markets Report

By **Max Schulz**

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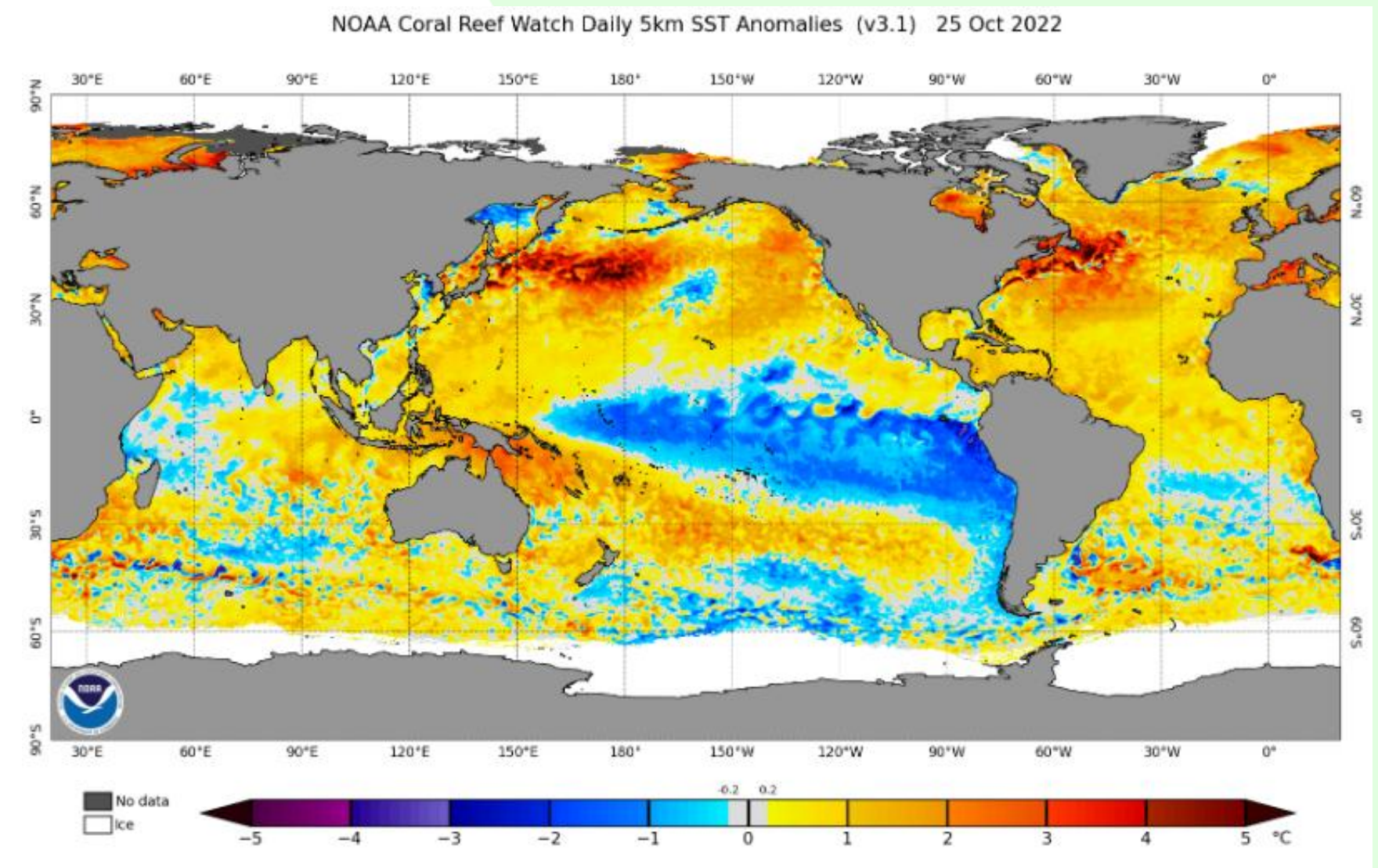
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# Global weather review

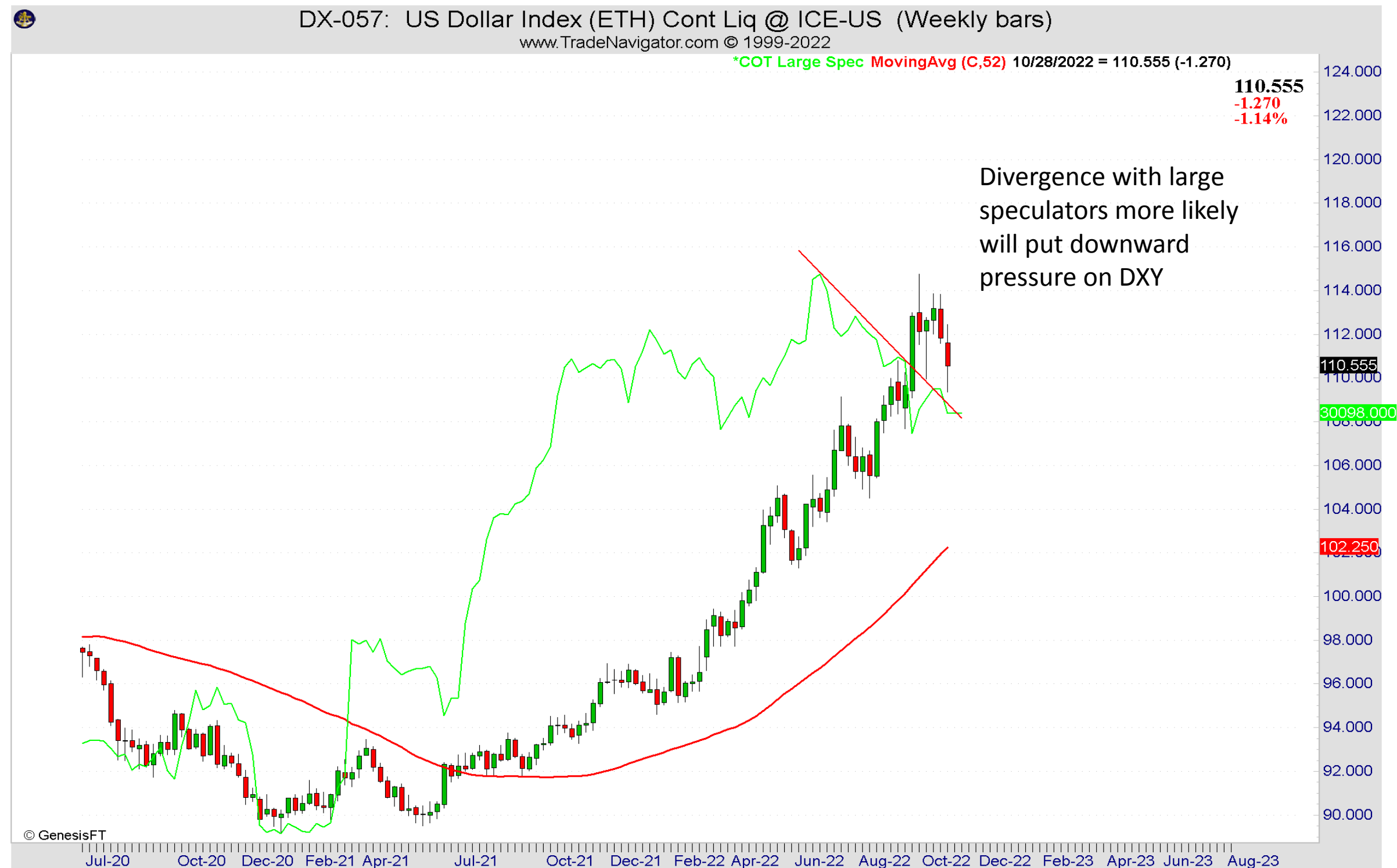
- This year La Niña returns for the third consecutive winter, driving warmer-than-average temperatures for the Southwest and along the Gulf Coast and eastern seaboard, according to NOAA's U.S.
- Winter Outlook released today by the Climate Prediction Center — a division of the National Weather Service. Starting in December 2022 through February 2023, NOAA predicts drier-than-average conditions across the South with wetter-than-average conditions for areas of the Ohio Valley, Great Lakes, northern Rockies and Pacific Northwest.
- NOAA forecasters, in collaboration with the National Integrated Drought Information System (NIDIS), continue to monitor extreme, ongoing drought conditions that have persisted in the Western U.S. since late 2020, as well as parts of the central U.S. where historic low-water conditions are currently present.
- Drought conditions are now present across approximately 59% of the country, but parts of the Western U.S and southern Great Plains will continue to be the hardest hit this winter
- The 2022-2023 U.S. Winter Outlook map for precipitation shows wetter-than-average conditions are most likely in western Alaska, the Pacific Northwest, northern Rockies, Great Lakes and Ohio Valley. Drier-than-average conditions are forecast in portions of California, the Southwest, the southern Rockies, southern Plains, Gulf Coast and much of the Southeast.



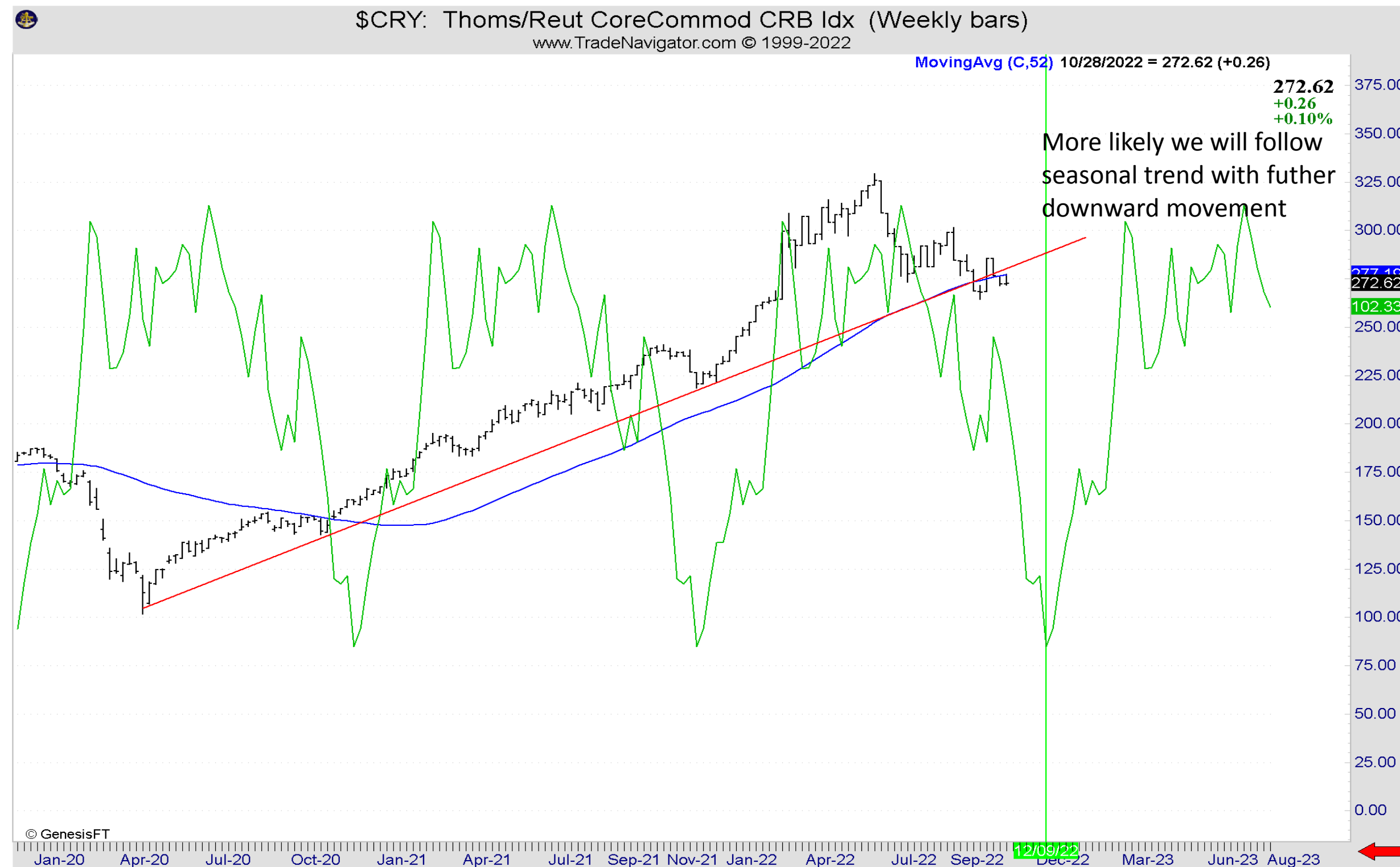
- Freezing temperatures hit Argentina this week damaging corn, soybean and wheat crops.
- The withdrawal of the southwest monsoon accelerated, bringing needed drier weather to northern India.



# Dollar Index



# Commodities Index





# Sugar: Sell

- March NY world sugar on Wednesday closed down -0.25 (-1.38%), and Dec London white sugar closed down -5.00 (-0.95%).
- NY sugar dropping to a 3-week low and London sugar falling to a 5-week low.
- Prices are under pressure on an easing of sugar supply concerns.
- The International Sugar Organization (ISO) projected global 2022/23 sugar production would climb +4.5% y/y to 181.9 MMT, a 5-year high.
- ISO projects the 2022/23 global sugar market to be in surplus by +5.6 MMT.
- The Indian Sugar Mills Association forecasted that India's 2022/23 sugar production (Oct 1-Sep 30) would climb +2% y/y to 36.5 MMT as Indian farmers boosted their planted cane acreage by +5.4% y/y to 5.6 mln hectares.
- In 2021/22, India's sugar production rose +2.9% y/y to 35.8 MMT. India is the world's second-largest sugar producer. Also, robust sugar exports from India are bearish for prices after India 2021/22 sugar exports jumped +57% y/y to a record 11 MMT.
- StoneX projected Brazil Center-South 2023/24 sugar production would climb +5.7% y/y to 35.2 MMT.
- StoneX also projects that global 2023/24 sugar production would climb +3% y/y to 194.4 MMT on rising supplies from Brazil, India, and Thailand. StoneX predicts a 2022/23 global sugar surplus of 3.9 MMT.

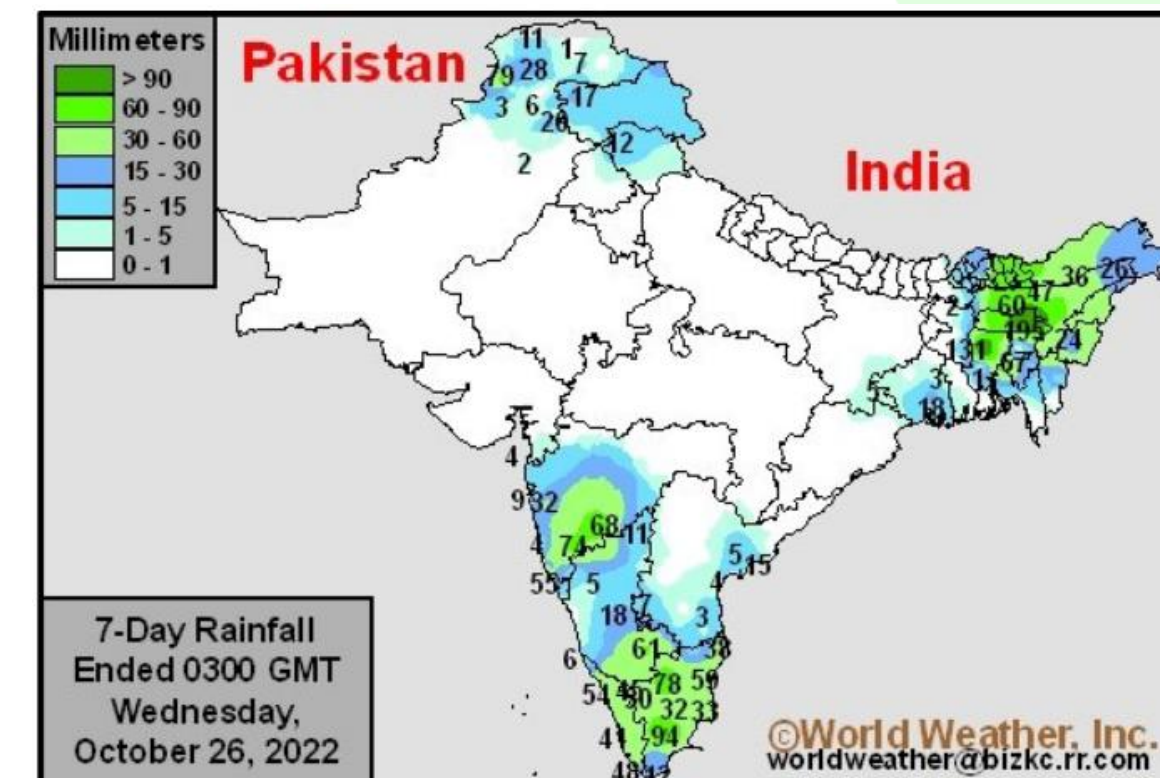
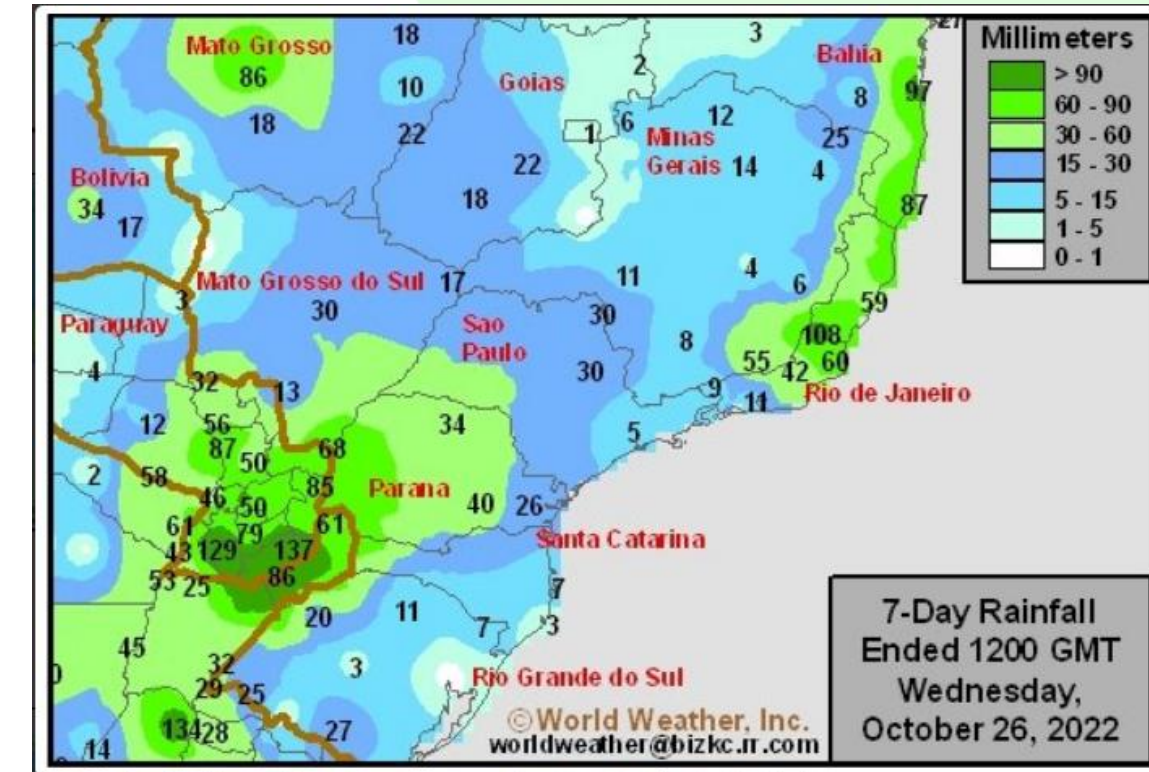


- **Sugar is bearish on the back of larger sugar production from India and Brazil, larger sugar export from India and global surplus of sugar at the markets.**

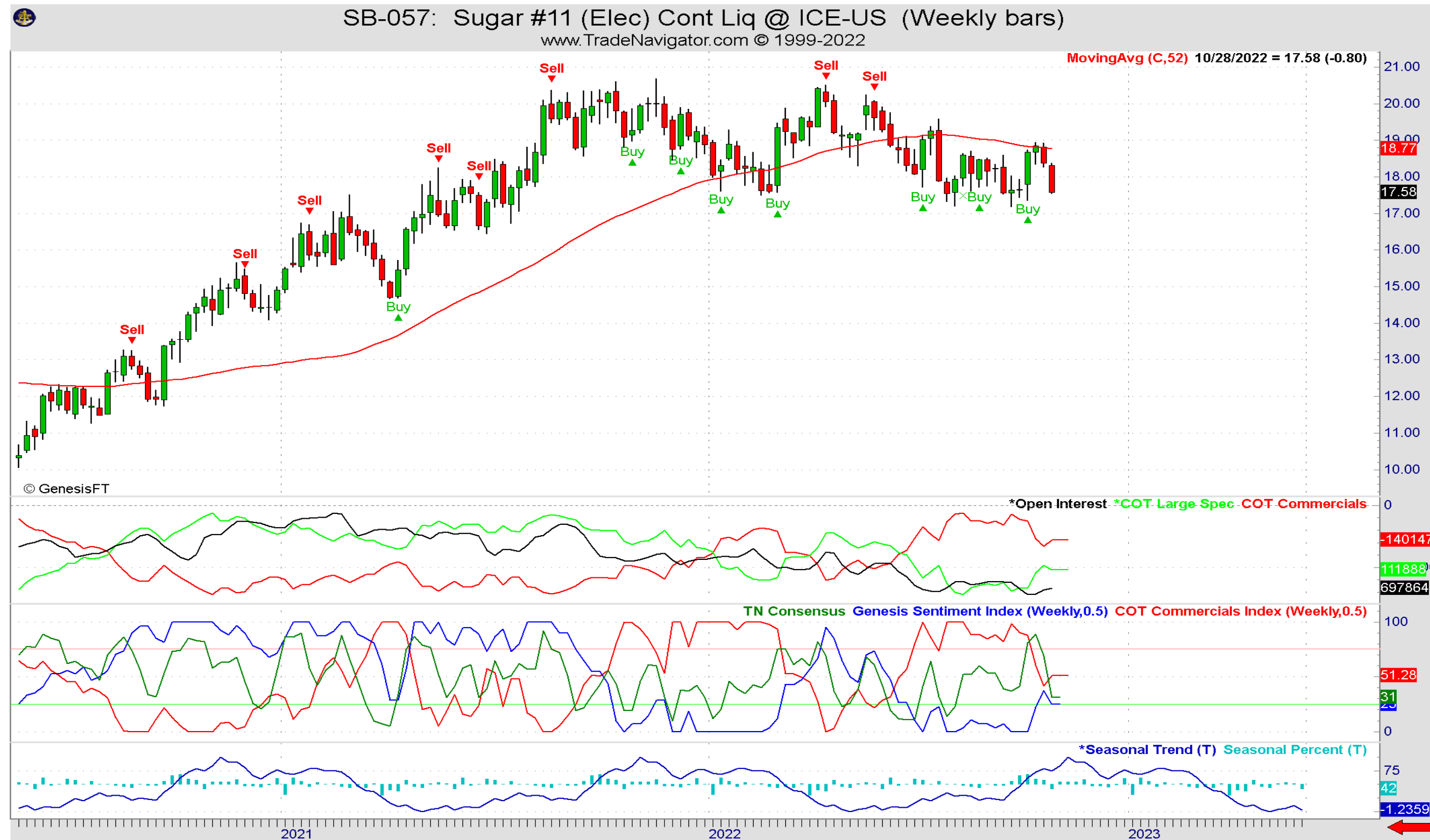


# Weather review

- Weather outlook for Brazil is a bit too wet however direct threat to sugar production is absent as summer was a bit too dry.
- The withdrawal of the southwest monsoon accelerated, bringing needed drier weather to northern India. Key India's producing sugar (Uttar Pradesh, Karnataka, Tamil Nadu) saw more than average amount of rain, however there is no risk of flooding,



# Sugar Price Chart





# Orange Juice: Sell

- Orange juice futures traded lower second week in a row after hurricane Ian hit Florida coast few weeks ago.
- October to June is season in Florida for oranges to be collected, seasonality puts downward pressure for Orange Juice prices.
- The panic after hurricane is over and therefore price is going down as not much of orange trees have been damaged.
- USDA said in October report that orange production in Florida is down by 32% from last season, marking the scantiest predicted harvest in nearly 80 year.
- In an October citrus report, the agency said the all-orange forecast for the Sunshine State was 28 million boxes, compared to 41 million boxes the year before
- Despite lower production consumption of orange juice is lower too due to high food inflation in the US. Prices for 12-oz juice bottle are at \$2.9 all times high. Americans tend to substitute orange juice by cheaper vitamin C drinks.
- In late July the U.S. Department of Agriculture forecast that Brazil's 2021/22 crop would be 15% higher than the 2020/21 crop.
- More recent USDA data forecasts a Brazilian crop of 1.14 million metric tons up 20% from 944,000 tons the year before. If the forecast is correct, the crop would be the highest since the 2018/19 season.
- **Orange juice bearish stance is supported by lower consumption, hurricane Ian damage was not dramatic to orange trees in Florida, ongoing harvest season in Florida and larger Brazil exports.**



- Florida weather is favorable for orange harvest.
- Harvest season in Brazil is from January to May therefore there is no weather associated risk.



# Orange Juice Price chart





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