

Weekly bulletin

Week 32
August 8th

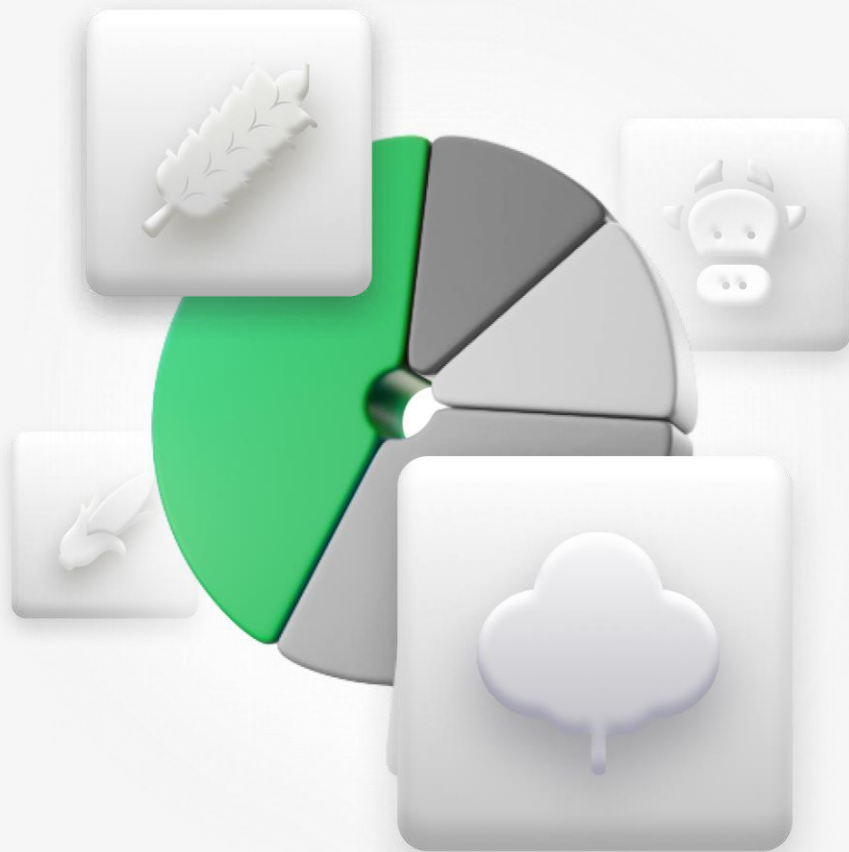
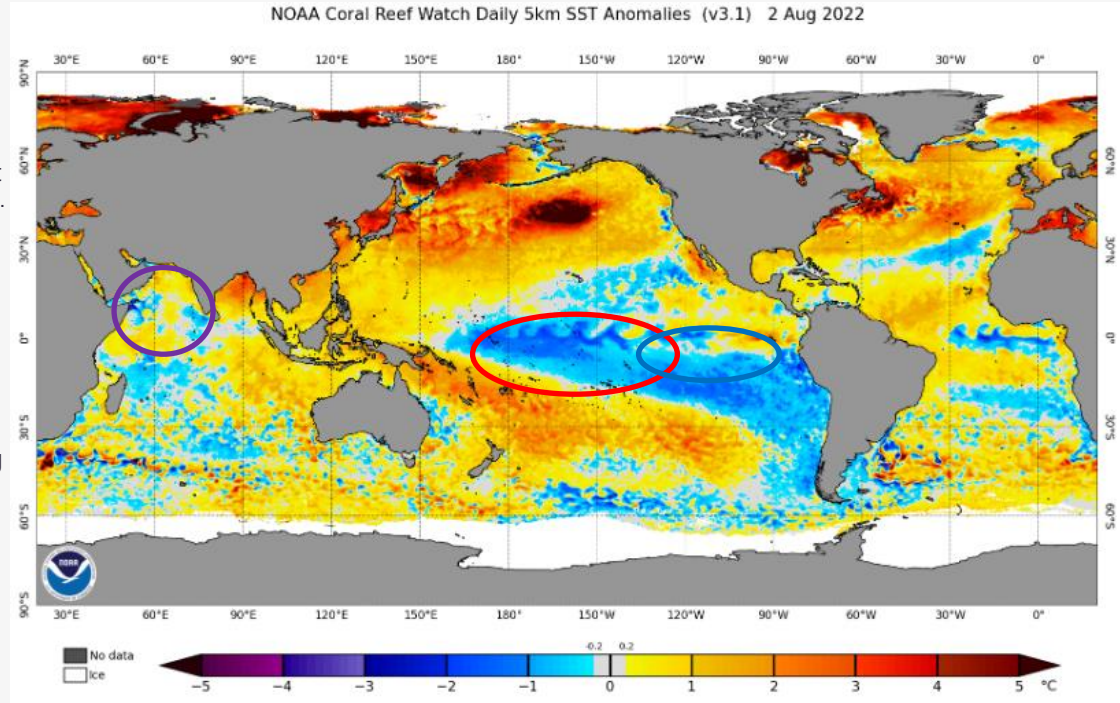


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Global weather review

- Most of Texas, the upper Midwest, and the Pacific Northwest were drier than normal, while large parts of the Mississippi Valley, Ohio Valley, central and southern Plains, Rockies, and Southwest recorded at least twice the normal amount of weekly precipitation.
- Xingjian region is under conditions of flood and mudslides that put cotton crops in danger after extended period of heatwave. Xinjiang accounts for production of about 20% of the world's cotton. Extreme weather has already lasted for last 15 days. Accelerated glacial melting in mountainous areas, and caused natural disasters such as flash floods, mudslides, and landslides in many places. Glacial melting in Xinjiang poses a high risk of dam failure on a tributary of the Aksu River near China's border with Kyrgyzstan.
- Monsoon season is in its high in India. Orange alert was issued in 11 districts of the state by the IMD on Wednesday, indicating a probable decrease in the intensity of the rains hitting the southern state.
- Western Africa continues to be dry for cocoa crops.
- Brazil and Colombia are a bit dry for coffee crops.
- La Nina condition is still around (red and blue circles) that brings dry and hot weather in Western hemisphere, as well as Indian Dipole (violet circle) is more negative this week that contributes to drying out of Western Africa and flooding of Australia.





Coffee: Buy

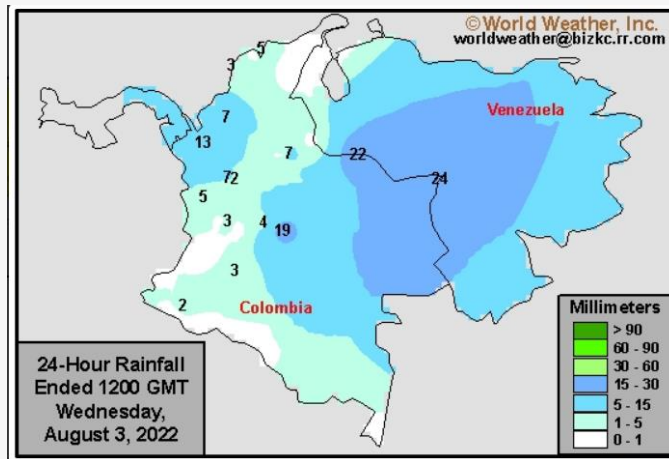
- September arabica coffee (KCU22) on Tuesday closed down -3.30 (-1.55%), and Sep ICE Robusta coffee (RMU22) closed down -4 (-0.20%). Coffee prices on Tuesday saw downward pressure from dollar strength, concern about weaker global economic growth, and Tuesday's news that world coffee exports in June rose +1.3% y/y.
- **Coffee prices are seeing support from dry conditions in Brazil.**
- **Arabica coffee is seeing support from tight ICE coffee inventories.** ICE-monitored arabica coffee inventories on Monday fell to a new 23-year low of 700,005 bags, the lowest level since 1999, and remained at that low on Tuesday.
- However, global coffee production is expected to increase by an estimated 4.5% in the 2022-23 season, largely in response to Brazil's rebound. Although global coffee consumption is expected to reach pre-pandemic levels, the anticipated strength in production is likely to cause some easing in prices in 2023.
- ICO reported August 2 that global coffee exports in June rose +1.3% y/y to 1.11M bags, and that cumulative coffee exports in Oct-June rose +0.5% y/y to 98.77M bags. Colombia's June coffee exports rose +6% y/y to 939K bags. Brazil's June green coffee exports rose +0.6% y/y to 2.793M bags.



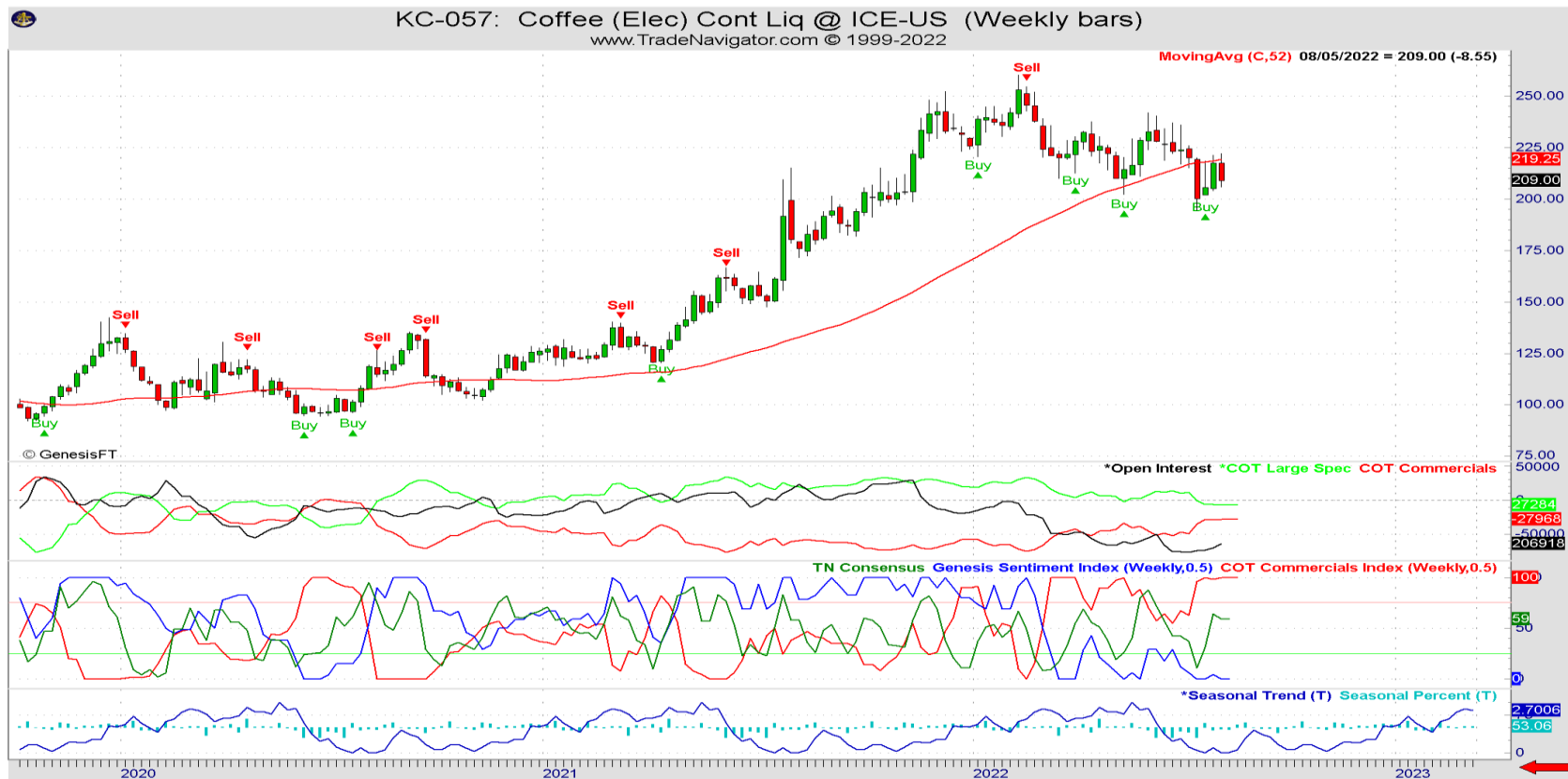
- **Short term outlook is bullish for coffee prices on the back of bad Brazil and Colombia weather and tight Arabica supply.**
- **However, long term implication is bearish on the back of larger global coffee production.**

Coffee weather review

- Somar Meteorologia on Monday reported that Minas Gerais received 0.6 millimeters of rain last week, or only 17% of the historical average. Minas Gerais accounts for about 30% of Brazil's arabica crop.
- Colombia weather is dry for coffee crops, more rain is needed.



Coffee price chart





Cocoa: Buy

- September ICE NY cocoa (CCU22) on Wednesday closed down -59 (-2.52%), and September ICE London cocoa #7 (CAU22) closed down -29 (-1.67%).
- Abundant cocoa supplies from the Ivory Coast, the world's biggest cocoa producer, are weighing on cocoa prices. The Ivory Coast government reported Monday that Ivory Coast cocoa farmers sent a cumulative 2,380 MMT of cocoa to Ivory Coast ports from Oct 1-July 31, up +0.8% y/y.
- Cocoa prices have larger support from concern about cocoa supplies from some areas of West Africa. **Ghana reported on July 27 that its 2021/22 cocoa crop fell by -35% y/y to 685,000 MT, the smallest crop in 12 years, due to drought and swollen shoot virus. Ghana is the world's second-largest cocoa producer.** However, the Ghana Cocoa Board estimates 2022/23 Ghana cocoa production will rebound +31% y/y to 850,000 MT.
- However, global cocoa production during the current season is expected to be about 1% lower than last season's crop. Some uncertainties earlier in the season over Ghana's crop were compensated by Côte d'Ivoire's good prospects—these two countries are the world's largest suppliers.
- Global grindings, a measure of demand, which declined considerably during the pandemic, are projected to increase by 2%, pushing stocks down by 1%.

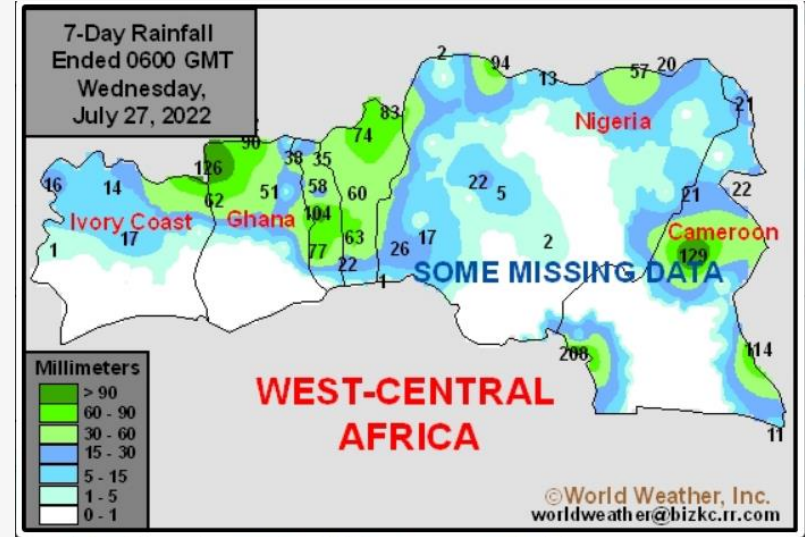


- ICCO in June said that weather conditions and disease are negatively affecting cocoa production this year.
- Also, trade disruptions and high freight rates are impacting the cocoa and fertilizer trade. ICCO said the shortage of fertilizers on cocoa farms would likely hurt cocoa bean crop quantity, quality, and size next year.
- Cocoa prices see bullish support due to lower global supply from Ghana and lower ending stocks.**

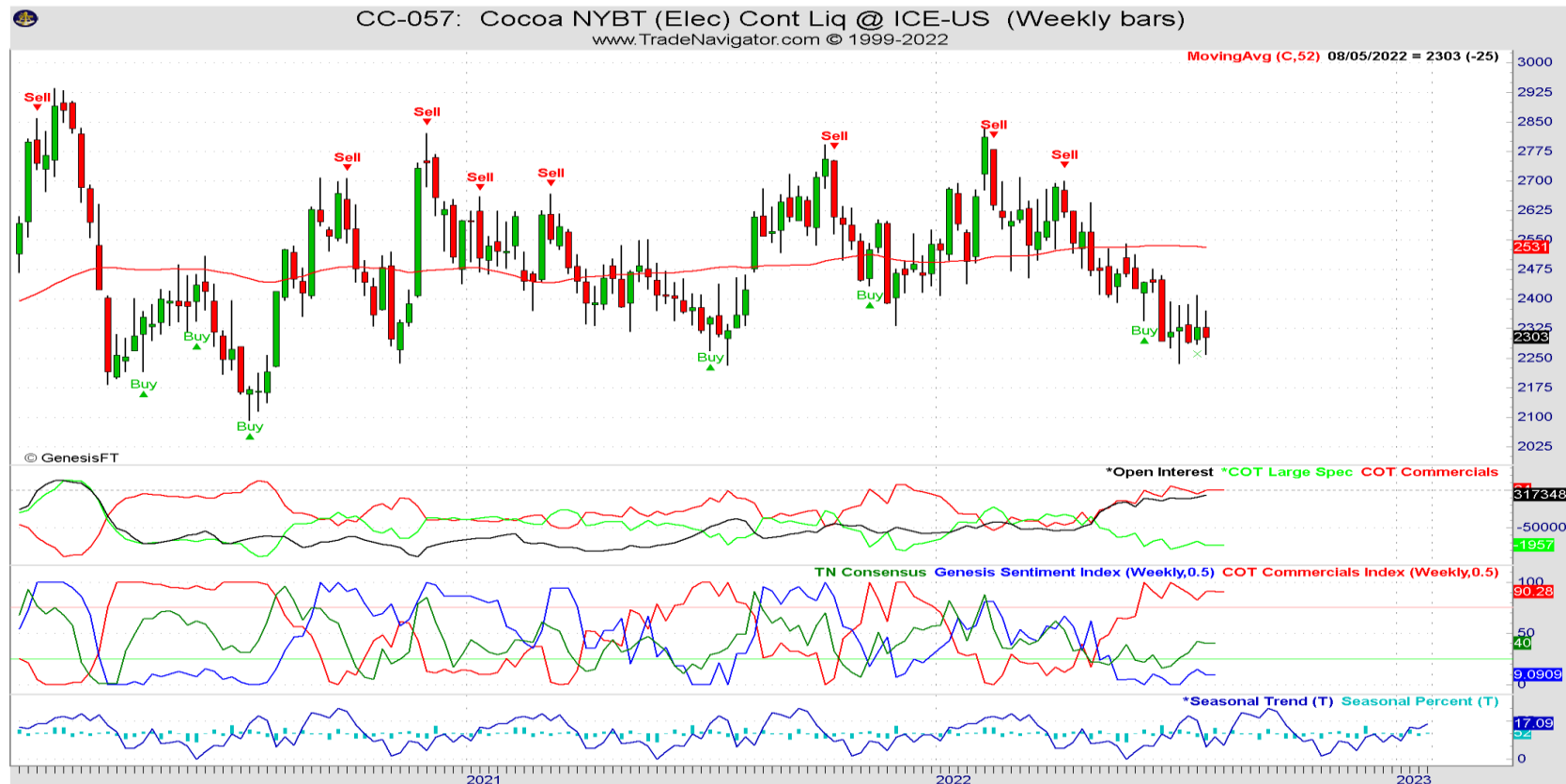


Cocoa weather review

- West Africa weather is a bit dry for good cocoa crops, although some areas of Ghana and Ivory Coast have seen more than average precipitation this week.



Cocoa price chart





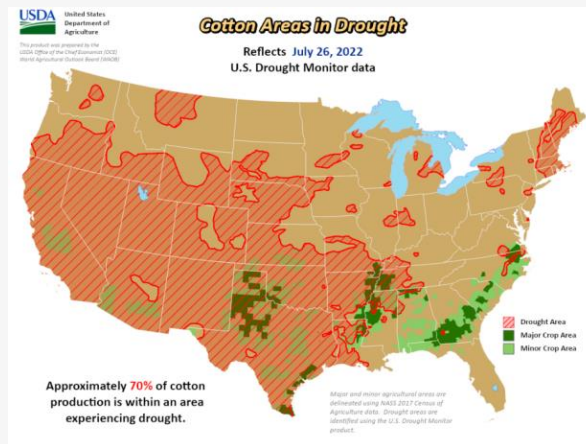
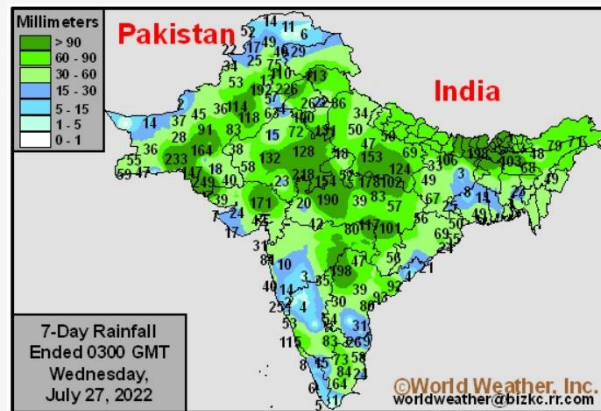
Cotton: Buy

- For the second consecutive week, cotton prices closed higher. Advancing almost six cents last week, December futures settled at 96.74.
- USDA estimates 2022/23 remained unchanged, 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)
- Higher production in fabrics and garment segments and slower production in spinning mills encouraged buying as factories feel that cotton yarn will be short-supplied in the current cotton season ending September 2022.
- **Also, the USDA in its July monthly report pointed to lower forecasts for production, exports, and ending stocks in the US for the 2022-23 year amid possible dry weather in Texas.**
- **Also, cotton crops in India are under threat of pink bollworm pest, which attacked sooner than expected this year in Punjab and Haryana, due to the scanty rainfall in the early part of the sowing season.**
- **Lower global production, drop in US ending stocks coupled with bad weather in US , India and China puts cotton in BUY category.**

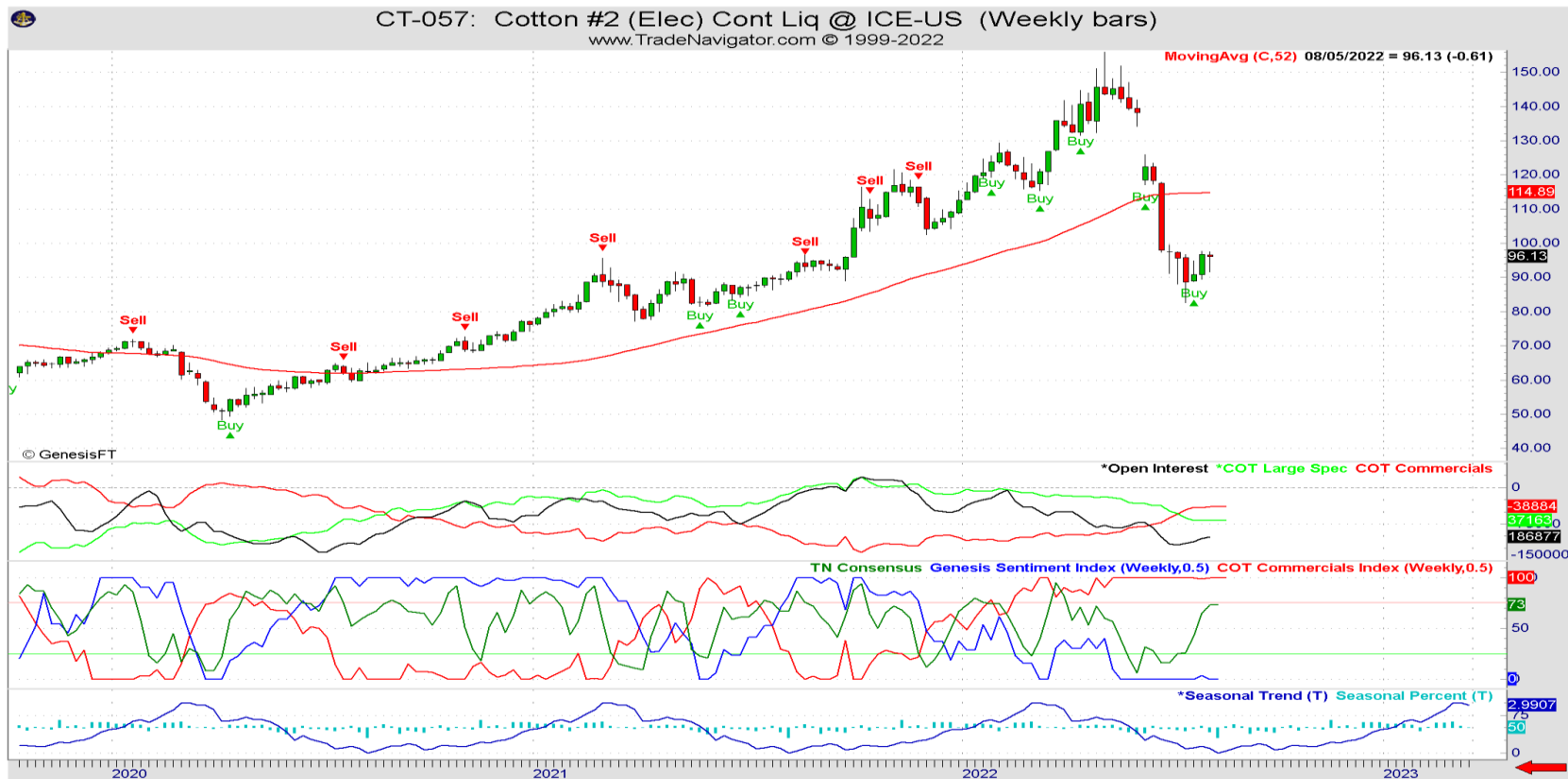


Cotton weather review

- Maharashtra, Gujarat, Konkan, Malabar belt all hotspot for rains along with most parts of Central India. However, 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.
- Texas US major cotton producing states continues to be under conditions of drought. More than 70% of cotton production is within the area of drought. West Texas is expected to be hotter and drier in the coming week, which seems to be the norm for this summer.
- China Xingjian region is under conditions of flood and mudslides that put cotton crops in danger after extended period of heatwave. Xinjiang accounts for production of about 20% of the world's cotton.



Cotton price chart





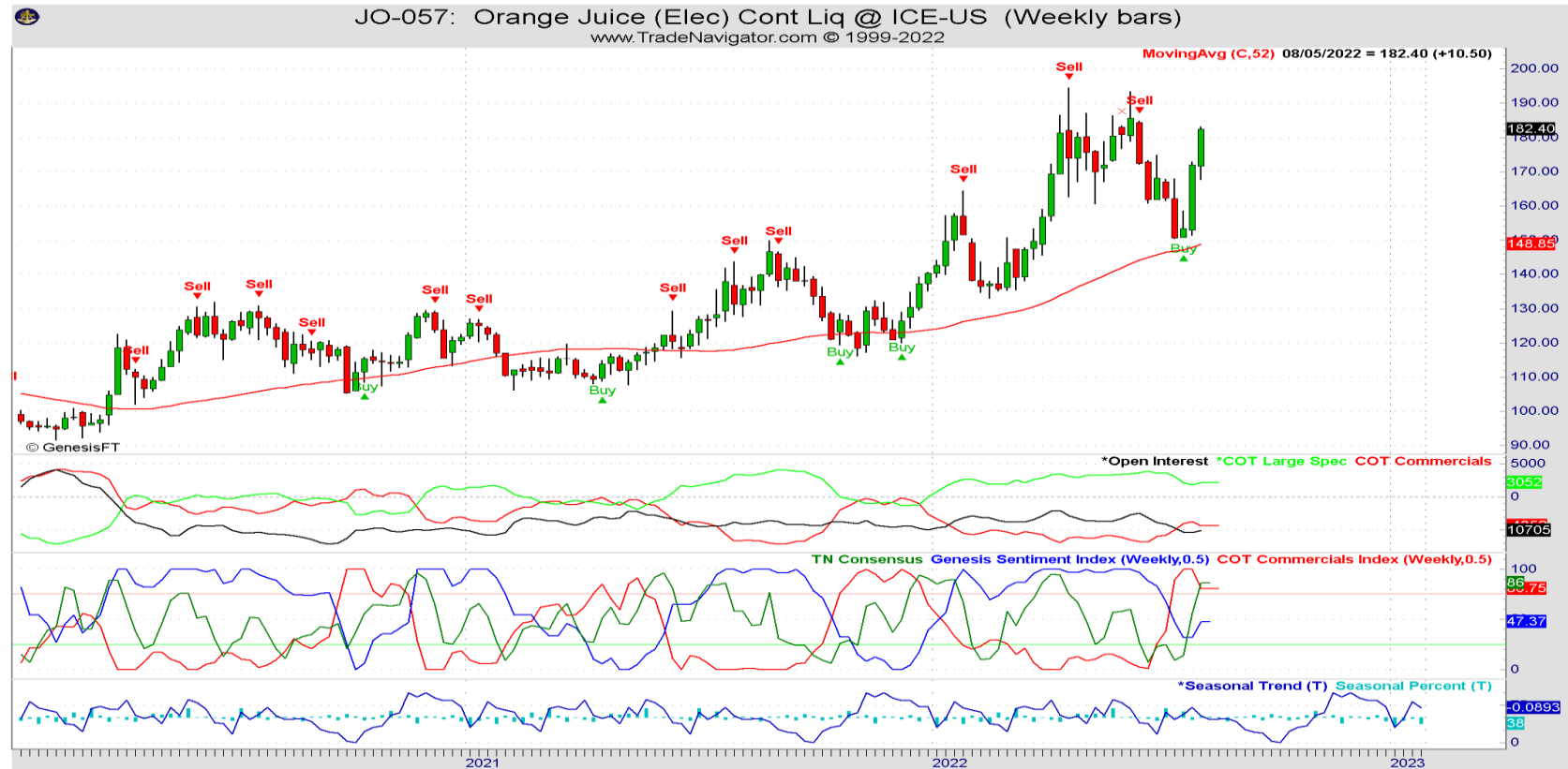
Orange Juice: BUY

- The global orange juice market is seeing the lowest inventories in five years, with diminishing output from Brazil and Florida impacting supply and demand in developed markets having accelerated during the pandemic. This would push prices steadily higher.
- However, long-term demand headwinds remain in place, and a mild recovery in Brazilian juice output is looking possible in 2022/23, which could limit price gains this year.
- February 2021's historic winter storm extensively damaged many of Texas' maturing citrus trees in the Rio Grande Valley, while a pesky disease called citrus greening has infested so many orange trees in Florida that the state is on pace to produce its smallest orange crop since World War II.
- This year, Florida is set to produce about 44.5 million 90-pound boxes of oranges this season – its smallest orange crop since 1944, according to the U.S. Department of Agriculture. At its peak, the Florida orange market produced about 244 million boxes of oranges annually.
- The fresh fruit supply should stay near the same price, although consumers should expect elevated prices for orange juice along with a steep downturn in the orange juice supply, which primarily comes from Florida's crop.



- **Shortfall in orange juice supply from Florida supports bullish prices.**

Orange Juice price chart





Wheat: Sell

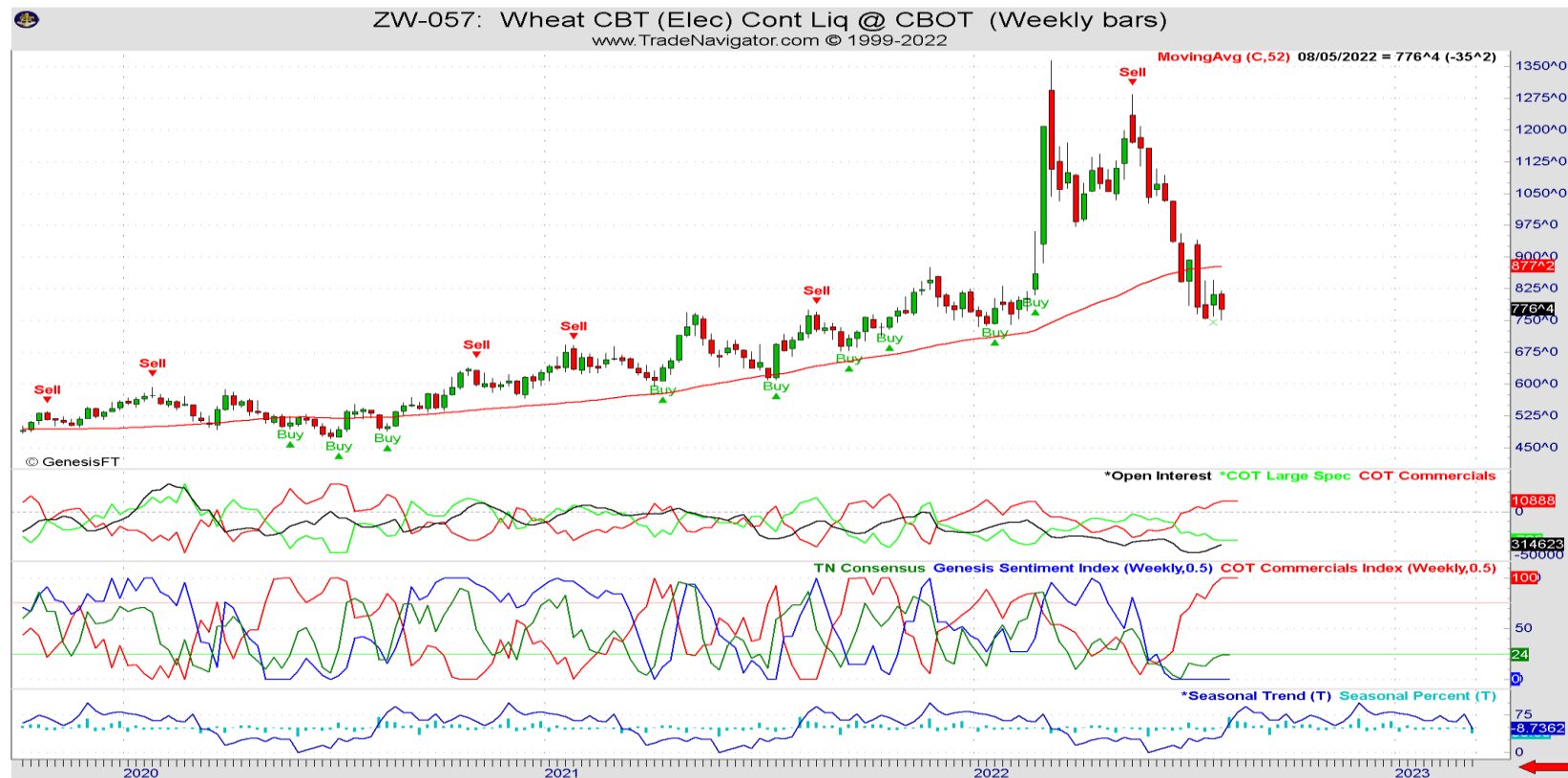
- Revisions to the supply and demand tables for wheat in the July WASDE showed an increase in supply and use for U.S. wheat; decreased supply and use globally.
- USDA increased the 2022 U.S. wheat area harvested and yield adding 44 million bushels to production.
- US Exports for 2022/23 were up 25 million bushels. The marketing year ending stock estimate was up 12 million bushels and days on hand up from 121.4 to 122.0.
- The wheat season average farm price estimate was down 25 cents to \$10.50 per bushel.
- The condition rating of the U.S. spring wheat crop continues to improve. For the week of July 10, the crop index was 371, up from 363 last week and 241 this time last year.
- US 2022/23 all-wheat exports are projected at 800 million bushels, up 25 million from the previous month on larger domestic supplies and expectations of improved competitiveness relative to other major exporters
- **Increase in US exports backed by increase in supply supports bearish prices**



Wheat weather review

- Most of China wheat producing regions are under conditions of moderate heat. Country gathered 55% of its winter wheat crop as of June 6, passing the 50% mark two days earlier than last year. There is no immediate threat for wheat crops.
- U.S. spring wheat at 70% good or excellent. Last week the annual hard red spring (HRS) tour estimated that HRS yield would reach 49.1 bushels per acre (bpa) (3.3 MT/ha), the highest since 2015 and above the 5-year average of 39.4 bpa (2.6 MT/ha). In a weekly update, the North Dakota Wheat Commission said spring wheat remains behind in its maturation but added that recent warmer temperatures are helping the crop develop
- Major indian states producing wheat Punjab, Madhya Pradesh, Uttar Pradesh are expecting heavy rainfall with thunderstorms.
- EU is under conditions of extreme heat for the last two weeks, however spring crops is in good conditions.
- Russia weather is favorable for wheat production.

Wheat price chart



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