Notes and Observations in International Commodity Markets

27th January 2023

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MARKETS MIXED AS US DOLLAR FALLS

It felt like a quiet week in the markets and, looking at the net price and volatility change in many of CME's major products, it appears that it was. Stock prices rallied and Natural Gas prices continued to fall, but many of the products we looked at wound up near the levels at which they began.

- *Corn and wheat prices were mixed to higher with colder-than-normal temperatures offering some threat to HRW wheat crops Sunday and a few days following.*
- *Soybeans and meal prices lower with another front of rain moves across Argentina. March soybeans closed down 14 cents and March meal was down $3.60, pressured by another chance of decent rains for Argentina this weekend into early next week.*
- *Energies are weaker with crude off $0.80 and natural gas off $0.08. Natural Gas prices kept falling, as did volatility, with the CVOL index down by 11%.*
- *The U.S. Dollar Index is 0.20 higher. Interest rate products are weaker.*
- *US GDP for the fourth quarter of 2022 increased at an annual rate of 2.9%, compared to 3.2% in the third quarter, driven by increases in inventory investment*

and consumer spending, but offset by declining investment in housing. It is a rare occasion that US and China GDP growth are similar percentages, a sign of the continued toll government reactions to COVID have had on both economies.

- *Precious metals are mixed with gold up $1.00. Gold futures prices were near steady on the week but the CVOL level in the options dropped by 6%.*
- *The U.S. stock market is flat with the Dow off 10 points. US Equity Indexes were higher on the week and volatility in the options fell. The coming week brings us an FOMC meeting and Employment report and the volatility curve in CME's Index options reflects this with heightened volatility in the options that expire on Wednesday and Friday.*
- *Bitcoin futures prices continued to rally, up 5% on the week.*

➢ IGC: Grains carryover stocks continue to tighten

12 January 2023 by Arvin Donley - The International Grains Council's (IGC) first grain market report of 2023 revealed a trend continuing from the previous year, with global carryover stocks for total grains (wheat and coarse grains) falling 3 mmts from the previous forecast to 577 mmts, an eight-year low.

The report, released on Jan. 12, also noted that the stocks-to-use ratio of 25.3% is the tightest since 2012-13.

"Despite an unusual pullback in consumption, pegged 1% lower year-on-year at 2.275 billion mts, a comparatively steeper drop in supply will result in a further tightening of global stocks," the IGC said.

Aggregate grains production in 2022-23 is forecast at 2.256 billion mts, down 33 mmts from the previous year. The IGC said the contraction "mainly reflects a smaller maize crop, seen 58 mmts lower year-on-year, with much reduced harvests in the United States, Ukraine and the European Union."

In contrast, global wheat production is projected to reach a new record in 2022-23 at 796 mmts, and recovery is also forecast in barley and oats output, the report said.

Total grains trade is expected to decline by 17 mmts, to 407 million, due to smaller maize, wheat, barley and sorghum shipments.

With a downgraded crop figure for Argentina outweighing marginal increases elsewhere, the IGC pegs 2022-23 world soybean production at a record 385 mmts, up 30 mmts from the previous year but down 3 mmts from the November forecast.

The projected increase in soybean output year-on-year is mainly due to a sizeable Brazilian harvest, with modest increases elsewhere, the IGC said.

"Record utilization is anticipated, while inventories are likely to recover, albeit with major exporters' reserves remaining historically tight," the IGC said.

The IGC Grains and Oilseeds Price Index dipped by 1.2% in January and is 4.2% higher year-on-year at 306.

Wheat, maize and barley all saw a decline in the price index from the November report. The price index for rice rose 8% and is 20% higher year-on-year.

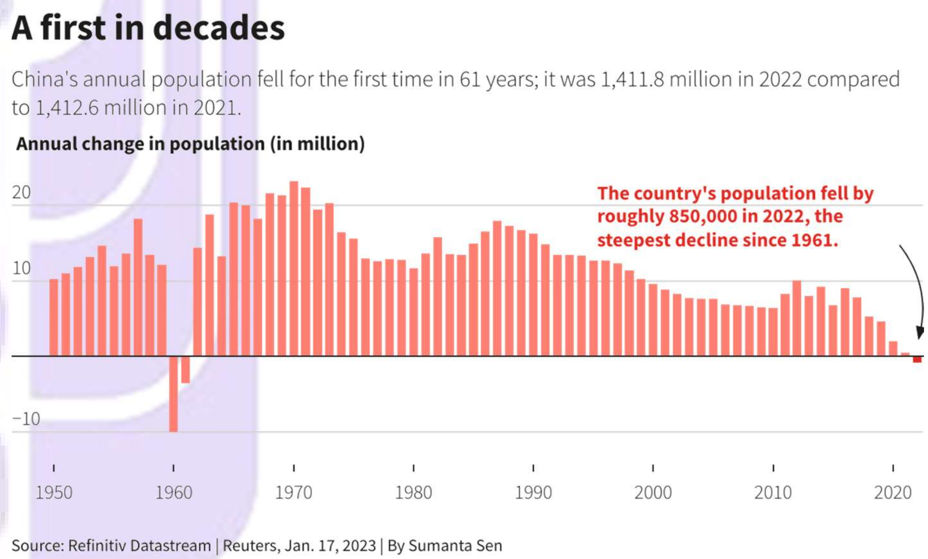
➢ China's first population drop in six decades sounds alarm

17 January 2023, by Albee Zhang and Farah Master, Reuters - China's population fell last year for the first time in six decades, a historic turn that is expected to mark the start of a long period of decline in its citizen numbers with profound implications for its economy and the world.

The country's National Bureau of Statistics reported a drop of roughly 850,000 people for a population of 1.41175 billion in 2022, marking the first decline since 1961, the last year of China's Great Famine.

That possibly makes India the world's most populous nation. U.N. experts predicted last year India would have a population of 1.412 billion in 2022 though they did not expect the South Asian nation to overtake China until this year.

India, however, only collects population figures every 10 years and its latest census, originally scheduled for 2021, has been delayed due to the pandemic.



Long-term, U.N. experts see China's population shrinking by 109 million by 2050, more than triple the decline of their previous forecast in 2019.

That's caused domestic demographers to lament that China will get old before it gets rich, slowing the economy as revenues drop and government debt increases due to soaring health and welfare costs.

"China's demographic and economic outlook is much bleaker than expected. China will have to adjust its social, economic, defense and foreign policies," said demographer Yi Fuxian.

He added that the country's shrinking labour force and downturn in manufacturing heft would further exacerbate high prices and high inflation in the United States and Europe.

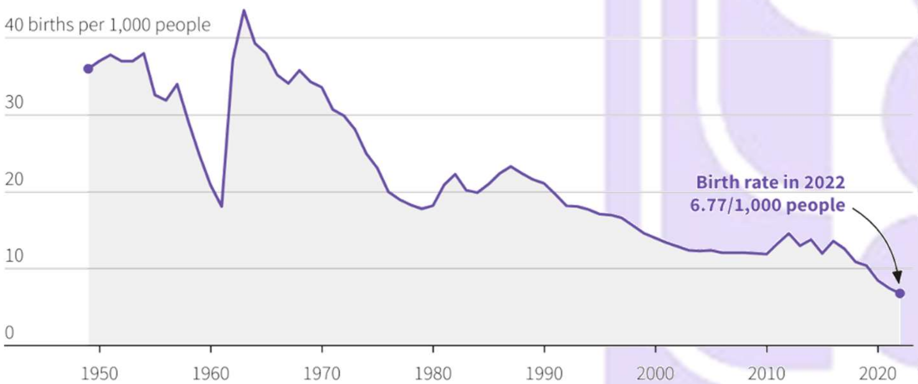
"Economic growth will have to depend more on productivity growth," added Zhiwei Zhang, chief economist at Pinpoint Asset Management.

Kang Yi, head of the national statistics bureau, dismissed concerns about the population decline, telling reporters that "overall labour supply still exceeds demand".

China's birth rate last year was just 6.77 births per 1,000 people, down from a rate of 7.52 births in 2021 and marking the lowest birth rate on record.

Lowest birth rate on record

China's annual birth rate continued its decline in 2022 and fell to its lowest since 1949.



Source: Refinitiv Datastream | Reuters, Jan. 17, 2023 | By Sumanta Sen

The number of Chinese women of childbearing age, which the government defines as aged 25 to 35, fell by about 4 million, Kang said.

The death rate, the highest since 1974 during the Cultural Revolution, was 7.37 deaths per 1,000 people, which compares with a rate of 7.18 deaths in 2021.

ONE-CHILD POLICY IMPACT

Much of the demographic downturn is the result of China's one-child policy imposed between 1980 and 2015 as well as sky-high education costs that have put many Chinese off having more than one child or even having any at all.

The one-child policy and a traditional preference for boys have also created a deep gender imbalance. The latest data shows China with around 722 million males compared to 690 million females. The imbalance, which is more pronounced in rural areas, has led to fewer families being formed in recent years.

The data was the top trending topic on Chinese social media after the figures were released on Tuesday. One hashtag, “Is it really important to have offspring?" had hundreds of millions of hits.

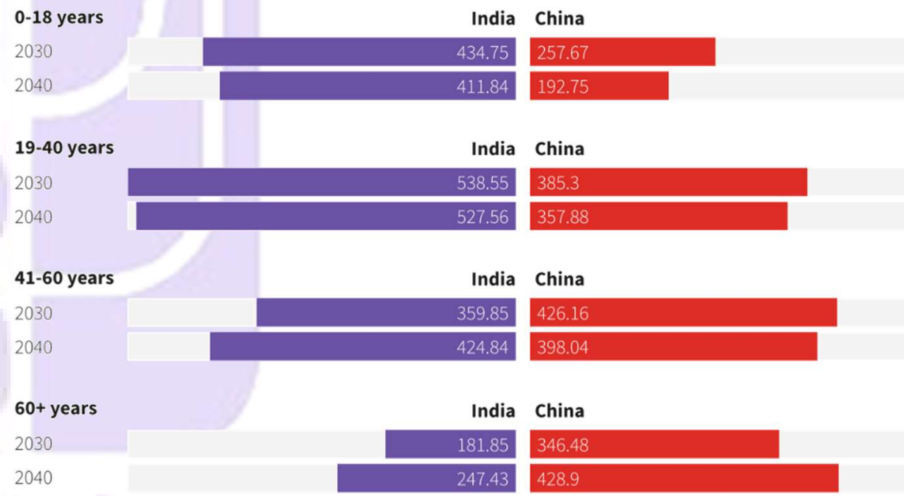
"The fundamental reason why women do not want to have children lies not in themselves, but in the failure of society and men to take up the responsibility of raising children. For women who give birth this leads to a serious decline in their quality of life and spiritual life," posted one netizen with the username Joyful Ned.

Chinese netizens have also previously complained about pressure on newlyweds to have offspring as soon as possible, reporting regular calls from their local government asking when they can expect a pregnancy.

China's stringent zero-COVID policies that were in place for three years have caused further damage to the country's demographic outlook, population experts have said.

Population comparison

India's working age population is on course to surpass China's. The chart shows population projections in millions for selected age groups.



Source: UN Population Division | Reuters, Jan. 12, 2023 | By Sumanta Sen

Local governments have since 2021 rolled out measures to encourage people to have more babies, including tax deductions, longer maternity leave and housing subsidies. President Xi Jinping also said in October the government would enact further supportive policies.

The measures so far, however, have done little to arrest the long-term trend.

Online searches for baby strollers on China's Baidu search engine dropped 17% in 2022 and are down 41% since 2018, while searches for baby bottles are down more than a third since 2018. In contrast, searches for elderly care homes surged eight-fold last year.

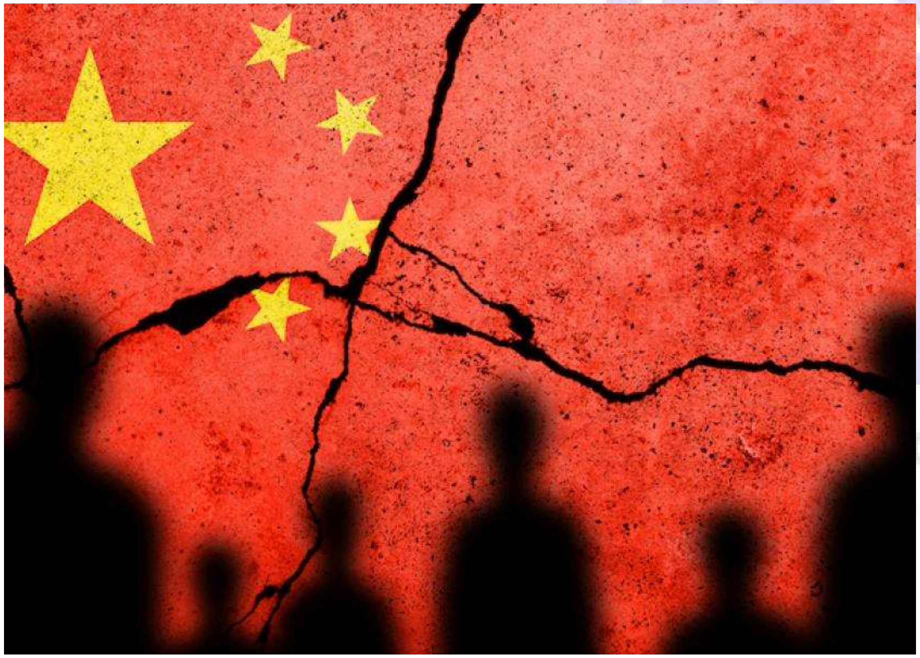
The reverse is playing out in India, where Google Trends shows a 15% year-on-year increase in searches for baby bottles in 2022, while searches for cribs rose almost five-fold.

Reporting by Albee Zhang in Beijing and Farah Master in Hong Kong; Additional reporting by Kevin Yao and Ella Cao in Beijing and Tanvi Mehta in New Delhi; Editing by Edwina Gibbs

➢ China Starts 2023 with Strong U.S. Ag Imports

The Pacific Ocean has been chock-full of vessels carrying U.S. farm commodities to China in the first two weeks of 2023, according to the latest trade data out of USDA's Foreign Agricultural Service. The U.S. has shipped roughly 2.5 million metric tons of soybeans, 414,000 tons of corn and 134,00 tons of wheat to China from Dec. 30 through Jan. 12.

China didn't take any sorghum in the first two weeks of the year, but Chinese buyers did commit in the week of Jan. 6-12 to purchase 189,000 tons for delivery in the 2022-23 marketing year.



➢ China's grain import volume declines in 2022

24 January 2023 by Grain Brokers Australia - Grupo Interalli is one of several entities that is an established exporter of Brazilian corn to China and has applied for soybean permits also. Photo: Interalli Grupo

THE CHINESE Yuan value of grain imported by China last year rose by 13.7%, but the quantity actually declined by 10.7% compared to 2021 as an appreciating United States dollar pushed up the cost of imports and China's strict COVID lockdown eroded domestic demand, particularly from the stockfeed industry.

Total imports of grain such as soybeans, corn, wheat, barley and sorghum was 146.9 mmts in 2022, according to the General Administration of Customs. While it was less than the previous year, it still rated second to the record 164.5 mmts of grain imports in the 2021 calendar year. The quantity imported was equal to 21% of domestic grain production and soybeans remained the biggest single item on the Chinese shopping list, making up 62% of incoming shipments.

However, a huge gap remains between domestic supply and demand, a scenario that is expected to see the quantity of grain imports stabilise in 2023, assuming average Chinese production. That said, feed grain demand has declined as improvements in stock feed rations have led to a reduction in inclusion rates of corn and soybean meal by the intensive livestock industry.

Brazilian corn gains access

Chinese customs data released last week put December corn imports at 870,000t, taking total imports for 2022 to 20.62 mmts, down 27.3% from 28.4 mmts in the previous year. And Chinese purchasing channels are diversifying, with Brazil, the world's second-biggest exporter, now an approved origin. In fact, the very first shipment under the new agreement arrived early in the New Year, and the 68,000t cargo officially cleared customs at the port of Xinsha in Guangdong Province on 7 January.

Until now, China had relied on the United States and Ukraine to meet most of its corn import demand, but those pathways have become fragile with the war in Ukraine and tense relations with the US. Adding Brazil to the shopping list will lower geo-political risk and increase the security of supply. The harvest windows are also quite complimentary with Brazil in the southern hemisphere and China in the northern hemisphere, substantially decreasing seasonality issues.

Soybean imports slide

China is the world's largest importer of soybeans, accounting for around 60% of annual global soybean trade. According to customs data, imports in December jumped 19% to 10.56 mmts compared to a year earlier, the highest monthly total since June 2021. Buyers looked to replenish tightening supplies ahead of the New Year after several lower-than-expected monthly totals had pushed domestic soybean meal prices to record levels.

Total soybean imports for 2022 were down 5.6% year on year to 91.08 mmts, the second consecutive annual decline as surging global prices and internal logistics issues restricted imports. The dramatic supply increase in December pushed domestic crush margins into negative territory as the high global prices and weakening soybean meal demand ahead of the Lunar New Year took their toll on soybean meal values.

Brazil was the biggest supplier with 54.39 mmts, down 6.45% on 2021 volumes, the second successive annual fall. Imports for the US slipped by 8.48% to 29.5 mmts and shipments from Argentina fell by 2.08% to 3.65 mmts.

Nevertheless, China's reopening after three years of strict zero-COVID policies is expected to herald a rebound in meat demand and a recovery in pig and poultry numbers. Future soybean imports will primarily be driven by the outlook for stockfeed demand and the soybean meal inclusion rate in stockfeed rations.

There are also moves afoot to boost domestic cultivation of soybeans as part of Beijing's drive to increase self-sufficiency. As a result, China's soybean area and output reached record highs in 2022, helping reduce China's dependency on external suppliers.

Domestic production totalled 20.28 mmts, marking a year-on-year increase of 23.7%, and the first time the country produced more than 20 mmts. The final planted area finished up at 10.2 million hectares, up 21%, or 1.82 million hectares, on the 2021 area. It was the largest area committed to soybean production since 1958.

Wheat unit cost up, volumes strong

Wheat imports for December last year came in at 1.08 mmts, extending total imports for 2022 to 9.96 mmts, up 1.9% year-on-year. Australia accounted for more than 60% of that volume and follows a 19.1% increase in 2021 compared to 2020, where Australia was also the biggest supplier.

The average cost of China's wheat imports in 2021 was US$312.90/t, 12.8% higher than the previous year and in the first three quarters of 2022, that number had risen another 18.5% to an average of US$370.70/t.

Barley volume collapses, sorghum rises

December was quite a big month for barley imports with 480,000t clearing customs, elevating full-year imports to 5.76 mmts, down a staggering 53.8% compared to 2021. On the other hand, sorghum imports of just 100,000t in December was the lowest monthly total for the year, but full-year imports rose 7% to 10.14 mmts. While barley remains off-limits, China continues to be Australia's biggest sorghum destination.

However, sentiment between Australia and China appears to be changing with a warming of diplomatic relations to welcome the New Year. The ban on coal has already been lifted with several cargoes trading into China this month, and speculation is mounting of an end to the barley standoff that saw an 80.5% tariff imposed on Australian barley imports in May of 2020. After three consecutive record or near record harvests, and a large exportable surplus, Australian barley farmers are certainly hoping the recent rumours will be a case of "where there's smoke there's fire".

➢ Shock: US Agriculture Sleeping on China's Historic Population Crash

18 January 2023, Chris Bennett, Farm journal, AgWeb - What happens to U.S. ag exports if graying China, possibly the fastest aging country on the globe, needs more coffins than cradles, and declines by half in number?

American agriculture silently is watching the greatest disappearing act in world history. China, the biggest food importer on the planet, is entering the real-time throes of a potentially devastating population crash and the effect could be immense for U.S. farmers.

China has broken every branch on its family tree without need of war, cataclysm, or disease via 40 years of adherence to a self-imposed one-child policy. According to multiple estimates, China's populace may dwindle from the current 1.3-1.4 billion to 1 billion by 2050 and a near unthinkable 494 million by 2100.

If China's population is halved or diminished by a significant portion, the repercussions on U.S. agriculture exports could be massive. "This is going to happen—and happen faster than most people think; it's happening right now," says Todd Thurman, international swine management consultant and owner of SwineTex Consulting Services. "China's population decline is not theoretical or even controversial—it's only a question about the time frame and the degree of loss."

American ag is asleep at the wheel, Thurman contends. "China—our biggest ag commodity buyer at present and the biggest in history—is on track for a population collapse like nothing the planet has ever seen, but hardly anyone in U.S. agriculture is taking notice."

What happens if graying China, possibly the fastest aging country on the globe, needs more coffins than cradles, and declines by half in number? Answer: U.S. agriculture loses a hefty portion of its juggernaut customer base—not to a bang, but a whimper.

Good, Bad, or Ugly

Every day, China must feed 20% of global population. China is not only the world's biggest consumer of agriculture goods—it is the biggest in history.

In 2020, the Chinese Communist Party (CCP) bought $193.5 billion in agriculture imports, including $26 billion from the U.S., making China the No. 1 buyer of goods from American farmers. In 2021, China's ag imports increased, according to USDA/FAS' 2021 Export Yearbook: "U.S. agricultural exports to China totaled $33 billion, up 25% from 2020. China was the largest market for U.S. agricultural exports and the largest food import market in the world. While Brazil remained the top supplier of agricultural goods to China with 22% market share, the United States was able to expand its market share from 14% in 2020 to 18% in 2021…"

What commodities are most coveted by China? In 2021, soybeans were king, valued at $14.1 billion as the No. 1 U.S. ag commodity sold to China. Corn ($5.1B), sorghum ($1.8B), pork ($1.7B), beef ($1.6B), cotton ($1.3B), tree nuts ($978M), poultry ($879M), wheat ($803M), and dairy ($703M) rounded out the top 10 U.S. ag commodities imported by China.

Good, bad, or ugly, China plays a colossal role in American agriculture. "It's shocking," says Thurman. "China's role in our exports is a stunner."

"Look at our top 10 ag exports in 2021," he continues, "China is the No.1 destination for all of the top five commodity classes. They are No. 1 in six of the top 10 commodities, and in the four classes where they aren't No. 1, they are still No. 2 or No. 3. It's hard to understate how dependent we've become on China in terms of ag exports."

"If something significant happens to China's population," Thurman adds, "and it will one way or another, the effect will be felt by almost every corner of U.S. agriculture."

Close the Kindergartens

In 1970s, China sold the permanent on the altar of the temporary.

Nearing the 1-billion citizen benchmark in 1979 (China surpassed 1 billion in 1981), and convinced overpopulation would be its downfall, the CCP went ultra-draconian, reacting to surging population numbers by mandating a nationwide one-child policy. Backed by forced abortions, sex-selective abortions, sterilizations, and harsh fines, China prevented at least 400 million births, according to The People's Daily, a CCP-controlled publication.

A 2.1 fertility rate is required to maintain a stable populace for any country. Two children replace two parents (along with a slight .1 bump to account for deaths during infancy or childhood). When two become one, demography is turned on its head—the kindergartens shutter. By imposing a one-child diktat across an almost 40-year stretch, China decimated its future population growth.

In tandem with population loss, China quickly is going gray. By 2030, 360 million Chinese—a quarter of the country and more people than the entire citizenry of the U.S.—will be older than 60. In 1978, prior to the one-child policy, China's median age was 21.5. In 2021, the median age was 38.4, and by 2050, the median age could be over 50.

In 2016, aware of the lead balloon set to drop, the CCP announced a two-child policy. No gain. Five years later, in 2016, the CCP again tried to reverse population decline by jumpstarting a three-child policy. No gain. China's 1.3 birthrate since 2020 is too little, too late.

Even if China experienced a massive baby boom (unlikely as all relevant trends point the other direction), the population will still decline in the near to medium term. The population die is cast.

Crash in the Cards

Plainly stated, China can't un-ring the demographic bell. The UN's World Population Prospects 2022 (WPP) report predicts India will overtake China in 2023 as the most populous nation. Further, the WPP report contains dismal population prospects for China by 2100. Best outlook, China drops by 20%. Base outlook, China drops by less than 50%—771 million. And worst outlook? China declines by over 60% to 494 million.

"In just 80 years, the UN estimates there will be 1.14 billion to 494 million Chinese," Thurman details. "The UN projects a decline between 200 million to 1 billion. The more I dig in, the more I think the decline will be closer to a worst-case scenario. U.S. agriculture needs to think about what a shocking global export issue this could be. In simple terms, it means two-thirds of your top customer leaves the building."

Adding layers to the cake, China's true population numbers could be more alarming than UN projections. In 2007, Yi Fuxian, a scientist at the University of Wisconsin, published Big Country with an Empty Nest (banned by the CCP), accusing the CCP of playing hide-and-seek with demographic data, and presciently predicting China's population would begin a slide in 2017—not in 2033-34, as stated by the UN.

In July 2022, the demographic records of 1 billion-plus citizens leaked in China, resulting in an online hacker release of a small portion of the data. Fuxian analyzed the numbers and sounded the alarm:

"It suggests that post-1990 births continued to decline faster than I had predicted, and in fact did not peak in 2004 or 2011. That means China's real population is not 1.41 billion (the official figure) and could be even smaller than my own estimate of 1.28 billion. It also means that China's economic, social, foreign, and defense policies—as well as those of the United States and other countries toward China—are based on erroneous demographic data." (emphasis added)

Echoing Fuxian and speaking at the 54th Annual ECC PerspECCtive Conference in 2022, geopolitical strategist and author of *The End of the World is Just the Beginning: Mapping the Collapse of Globalization*, Peter Zeihan, says China is on track for a seismic reckoning.

"The Chinese have been updating their data in the last couple of years. They still haven't released their 2020 census because they couldn't believe what came back," Ziehan noted. "They're now starting to believe it and they now think they overcounted their population in excess of 100 million people, all of whom were born since the one-child policy was adopted … If this is true, China is the fastest aging society in human history. That means from a demographic point of view, the Chinese economic model cannot survive the decade. And it strongly suggests that as soon as 2050, the Chinese may have lost 600 million people."

Despite possible upheaval for the world's No. 1 importer of food, U.S. agriculture is not paying attention, Thurman says. He points to a trio of baselines for American farming to consider: "There are three factors that are not contentious or disputed. One, China's population is going to be smaller in 2100 than it is now. Two, China's population has either peaked, is peaking, or will soon peak. Three, China's population is aging at the fastest rate in human history and they can't stop the slide."

A crash is in the cards - Prison of the Present

As with any business, agriculture often is blinded by the glare of the moment, i.e., China is the eternal export darling. However, a quick peak backward is a reasonable look forward. Rewinding the clock in 20-year increments reveals the top importers of U.S. ag commodities in steady flux, with Japan dominating the No. 1 slot from roughly 1960 to 2000.

Therefore, who will be the belle of the ag export ball in 2040? 2060? 2080? "To say that our list of major export customers is not going to shift around should not be controversial, because that perspective matches history—and reality," Thurman says. "We get blinded by the fallacy of the present. If you think things won't be completely different 30 years in the future, go back 30 years in past."

The entire structure of modern agriculture, head to toe, is built on a tacit assumption: Tomorrow's population will be bigger than today's population. The assumption has held true—until now. The family tree is shrinking in almost every corner of the globe, with Africa as the exception.

Top 10 U.S. Agricultural Exports to People's Republic of China (PRC) (Values in millions of dollars)

Commodity	2017	2018	2019	2020	2021	2020-2021 % Change	2017-2021 Average
Soybeans	12,224	3,119	8,005	14,077	14,134	0%	10,305
Corn	142	50	55	1,224	5,096	316%	1,313
Sorghum	838	521	186	1,145	1,864	63%	911
Pork & Pork Products	662	571	1,300	2,280	1,698	-26%	1,302
Beef & Beef Products	31	61	86	311	1,592	413%	416
Cotton	973	920	705	1,822	1,343	-26%	1,153
Tree Nuts	243	328	605	747	978	31%	580
Poultry Meat & Products*	36	47	10	759	879	16%	346
Wheat	351	106	56	570	803	41%	377
Dairy Products	577	498	373	539	703	31%	538
All Others	3,481	3,021	2,471	2,927	3,921	34%	3,164
Total Exported	19,558	9,243	13,853	26,399	32,977	25%	20,406

Source: U.S. Census Bureau Trade Data - BICO HS-10
*Excludes eggs

Africa is the sole region projected to have robust population growth over the next 30 to 70 years, according to Pew Research Center. Up from its present 1.5 billion, Africa's population is expected reach 4-plus billion by 2100, including five of the 10 most populous nations: Nigeria, D.R. Congo, Ethiopia, Tanzania, Egypt.

"At a minimum, the contrasting directions of China and Africa tell us there's a significant shift coming in global ag and food markets," Thurman notes. "We're going to see a major market move from East Asia to Sub-Saharan Africa, but if we're flippant, someone will beat us to the punch. You can't turn your export boats to other countries on a dime. The global population is expected to peak around mid-century so exporters will have to find demand in a declining global market. The competition will be intense."

Benchmarks on the horizon often are ignored simply because of distance, but such a perspective is costly for agriculture, Thurman insists. "It's concerning to me that we are decades away from a population trend impact and we not only have no plan—we aren't even having a conversation."

"I'm an optimist and I'm confident in the U.S. ability to deal with change. But there is a problem if we can't recognize change. At the absolute least, I want to raise awareness and get people talking about what this demographic and export change will look like."

Thurman does not pull his punches. The China stakes, he insists, are mammoth. "There is no precedent. There is no historical reference point for the slow fade of an incredibly large number of people. The U.S. agriculture export industry should consider the ramifications now because change is already baked in the pie and the sooner we recognize it, the sooner we can develop strategies for the new reality and the less painful those adjustments will be."

➢ Ukraine moves to take Russia's spot in Nigeria's grain market

12 January 2023 by Olalekan Fakoyejo, Ripples Nigeria - Ukrainian government has disclosed that it will set up grain hubs in Nigeria and other African countries amid decline in importation of wheat from Russia in Africa's largest economy.

Ripples Nigeria had reported that Russia invaded Ukraine in February 2022. The war between both countries has affected the oil and grain markets.

On Wednesday, during the visit of Ukrainian Minister of Agrarian Policy and Food, Mykola Solskyi, to Nigeria, the Eastern European country said Nigeria will become one of its grain hub. During his visit, he met with Nigerian Minister of Agriculture and Rural Development, Mohammad Abubakar, and Minister of Foreign Affairs, Geoffrey Onyeama in Abuja.

Responding to the grain hub plan, Onyeama said the decision demonstrates superhuman courage during a war that has killed or injured around 100,000 Russian and 100,000 Ukrainian soldiers according to US estimate in November 2022.

"Notwithstanding the situation in which your country finds itself, you are able to reach out a hand of friendship not just to Nigeria but to other African countries. This demonstrates superhuman courage and we really admire your generosity, we thank you for this support," Onyeama told Solskyi.

Ukraine moves to take Russia's spot

The war between Russia and Ukraine disrupted distribution of grain, especially from the former, which accounts for 10 per cent of the world wheat market, 15 per cent of the corn market, and 13% of the barley market according to European Commission.

After the invasion, grain price skyrocketed, with the war reducing supply. Russia was Nigeria's main grain market before the war, but Ukraine is now looking to up its grain account in the country through the grain hub.

This move comes at a period Nigeria didn't import wheat, which is its major grain import from Vladimir Putin's country.

Despite importing durum wheat worth N753.6 billion between January to September of 2022, Russia was not on the list of importation sources.

Russia's exclusion shows in the value of wheat imported, as it fell by 16.1%, in contrast to the N898.2 billion worth of durum wheat imported during the corresponding period in 2021

U.S. Dollar & Foreign Exchange

Major Foreign Exchange Rate Indicators: as of 24 January 2023

	24 Jan 23	10 Jan	Year ago	% Chg, yoy
US Dollar Index	101.918	102.390	95.918	+ 6
Arg. Peso	184.6900	182.5000	104.520	+ 77
Aus. Dollar	1.4205	1.4318	1.4083	+ 1
Brazil Real	5.1405	5.0974	5.5099	- 7
Canada Dollar	1.3369	1.3379	1.2685	+ 5
Euro	0.9200	0.9266	0.8843	+ 4
Japan Yen	130.0700	128.1700	113.8100	+ 14
Russia Rouble	69.0705	68.8705	79.2917	- 13

Source: International Grains Council

- **U.S. Dollar Firms With T-Note Yields**

Source: https://www.barchart.com/futures/quotes/DXY00/interactive-chart

27 January 20236 December 2022 by Rich Asplund – The dollar index on Friday rose by +0.07%. The dollar Friday posted modest gains, supported by higher T-note yields. Also, Friday's U.S. reports showed the University of Michigan Jan consumer sentiment climbed to a 9-month high, and Dec pending home sales unexpectedly increased, which were bullish for the dollar. Strength in stocks Friday cubed liquidity demand for the dollar.

Friday's U.S. economic news was primarily bullish for the dollar. Dec personal income rose +0.2% m/m, right on expectations. Also, Dec pending home sales unexpectedly rose +2.5% m/m, stronger than expectations of -1.0% m/m and the biggest increase in 14 months. In addition, the University of Michigan U.S Jan consumer sentiment was revised up by +0.3 to a 9-month high of 64.9. On the bearish side, Dec personal spending fell -0.2% m/m, right on expectations and the biggest decline in a year.

EUR/USD on Friday fell by -0.21%. A stronger dollar Friday weighed on the euro. Also, an unexpected decline in Franc Jan consumer confidence to a 4-month low was bearish for the euro. However, losses in EUR/USD were limited Friday after the 10-year German bund yield rose to a 2-week high, strengthening the euro's interest rate differentials.

Eurozone Dec M3 money supply rose +4.1% y/y, weaker than expectations of +4.6% y/y and the slowest pace of increase in nearly four years.

The France Jan consumer confidence indicator unexpectedly fell -1 to a 4-month low of 80, weaker than expectations of an increase to 83.

USD/JPY on Friday fell by -0.26%. The yen Friday moved moderately higher after Japan's Jan Tokyo CPI report showed rising price pressures, which may prompt the BOJ to end its ultra-easy monetary policy. Gains in the yen Friday were limited due to stronger T-note yields.

Japan Tokyo Jan CPI ex-fresh food rose +4.3% y/y, stronger than expectations of +4.2% y/y and the fastest pace of increase in 41 years. Also, the Tokyo Jan CPI ex-fresh food and energy rose +3.0% y/y, stronger than expectations of +2.9% y/y and the fastest pace of increase in 31 years.

February gold on Friday closed down -0.60 (-0.03%), and March silver closed down -0.398 (-1.66%). Precious metals Friday were under pressure from a stronger dollar. Also, higher global bond yields were bearish for metals prices. In addition, a rally in the S&P 500 to a 6-week high curbed safe-haven demand for precious metals. Gold prices recouped most of their losses Friday after the U.S. Dec PCE core deflator rose at the slowest pace in 14 months, which bolstered speculation the Fed may slow its rate hike campaign.

Wheat

- ### USDA – World Wheat

Wheat World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	220,013	+69(+.03%)	219,944	222,144	220,520	215,491	215,387
Beginning Stocks (1000 MT)	276,815	+546(+.2%)	276,269	289,989	298,104	282,573	285,891
Production (1000 MT)	781,312	+723(+.09%)	780,589	779,314	774,547	761,507	730,920
MY Imports (1000 MT)	205,046	+750(+.37%)	204,296	198,473	194,683	188,358	174,168
TY Imports (1000 MT)	204,880	+750(+.37%)	204,130	200,204	194,788	189,438	174,410
TY Imp. from U.S. (1000 MT)	0	-	0	8,105	26,574	26,277	26,114
Total Supply (1000 MT)	1,263,173	+2019(+.16%)	1,261,154	1,267,776	1,267,334	1,232,438	1,190,979
MY Exports (1000 MT)	211,621	+770(+.37%)	210,851	202,553	203,326	193,969	176,200
TY Exports (1000 MT)	209,629	+870(+.42%)	208,759	205,128	199,373	194,513	178,131
Feed and Residual (1000 MT)	155,302	+396(+.26%)	154,906	160,151	157,890	139,505	139,300
FSI Consumption (1000 MT)	627,861	-209(-.03%)	628,070	628,257	616,129	600,860	592,906
Total Consumption (1000 MT)	783,163	+187(+.02%)	782,976	788,408	774,019	740,365	732,206
Ending Stocks (1000 MT)	268,389	+1062(+.4%)	267,327	276,815	289,989	298,104	282,573
Total Distribution (1000 MT)	1,263,173	+2019(+.16%)	1,261,154	1,267,776	1,267,334	1,232,438	1,190,979
Yield (MT/HA)	3.55	-	3.55	3.51	3.51	3.53	3.39

Source: USDA PS&D

Futures based weakness are pushing world export prices lower. Black Sea supplies continued to pressure export prices. Russian prices edged lower on a pickup in farmer selling and large nearby supplies. In its first projection.

US all-wheat export sales in the week ending the 12th of January exceeded expectations, with MY22/23 (Jun/May) cumulative commitments reaching 15.5 mmts (-16% y/y). A leading private forecaster pegged US 23/24 all-wheat plantings at 20.2m ha (+9% y/y), including winter wheat at 15.0 mmts (+11%) – the latter matching the latest number from USDA. Improving soil moisture conditions for winter crops in the US. Weakness in row crop markets with forecasts of a wetter outlooks for Argentina also weighed on futures.

Canada's AAFC, placed 23/24 all-wheat production at 34.3 mmts (33.8 mmts), with consumption seen at 9.5 mmts (9.0 mmts), exports at 24.0 mmts (23.9 mmts) and ending stocks at 5.7 mmts (4.7 mmts). Durum output was projected at 5.4 mmts (5.4 mmts), with consumption at 0.8 mmts (0.7 mmts), exports at 4.4 mmts (4.8 mmts) and carryovers at 0.8 mmts (0.5 mmts).

In Argentina, the official outturn estimate for 22/23 was cut by 0.4 mmts, to 12.9 mmts (22.1 mmts), with shipments seen at 4.8 mmts (15.4 mmts) amid a slow start to the export season. In contrast, recent dispatches from Brazil were unusually brisk, with January exports were seen at a record 0.8 mmts (0.5 mmts previous month, 0.6 mmts January 2022).

Strong competition for export business saw EU prices decline further, despite talk of logistical bottlenecks in the seaborne corridor from Ukraine, where 22/23 (Jul/Jun) wheat exports (all routes) reached 9.1 mmts as of the 20th of January (-44% y/y). Price weakness was also tied to comments from Russia Ag. Minister, suggesting that there were no plans to cut the 25.5 mmts February-June grain export quota.

Monitoring agency MARS saw EU 23/24 winter grain crops in fair to good condition, but with mild worries raised about increased susceptibility of plants to a potential drop in temperatures, particularly in eastern France, Germany and Poland. Despite reports of sustained export demand,

Activity at some French ports were reportedly shifting to barley as local farmers are said to have committed the bulk of the wheat surplus. Nonetheless, France AgriMer lifted its 22/23 (Jul/Jun) non-EU common wheat export forecast for France by 0.3 mmts, to 10.6 mmts (8.8 mmts previous year), reflecting fresh sales to Morocco and Algeria, while traders in Germany noted solid shipments to Africa since the start of the calendar year.

In recent policy developments, 23/24 domestic wheat procurement prices in Egypt were raised by 40% y/y, with 2023 wheat subsidies also planned to be increased sharply.

Domestic wheat prices in India made new record highs this past week, up 7% in January alone. Prices last year were up 37% following the severe drought. While India's new crop harvest begins in March with supplies expected to be plentiful, it doesn't relieve the short-term pinch.

There is a similar case in China with the government releasing wheat from reserves.

Aside from feed wheat purchases by Thailand and the Philippines, recent reported deals included a 125,000 mts1 of optional-origin durum sourced by Tunisia at US$489 - US$495 C&F, February-April shipment.

- ### USDA official says Russia's official wheat crop estimate "not feasible"

26 January 2023 Reuters - The U.S. Department of Agriculture (USDA) said on Thursday the agency sees Russia's official wheat crop estimate as "not feasible".

Mark Jekanowski, Chairman of the USDA's World Agricultural Outlook Board, told the Argus Media's Paris Grain Conference the agency's analysis of weather and previous crops does not support such a high crop as Russia estimates.

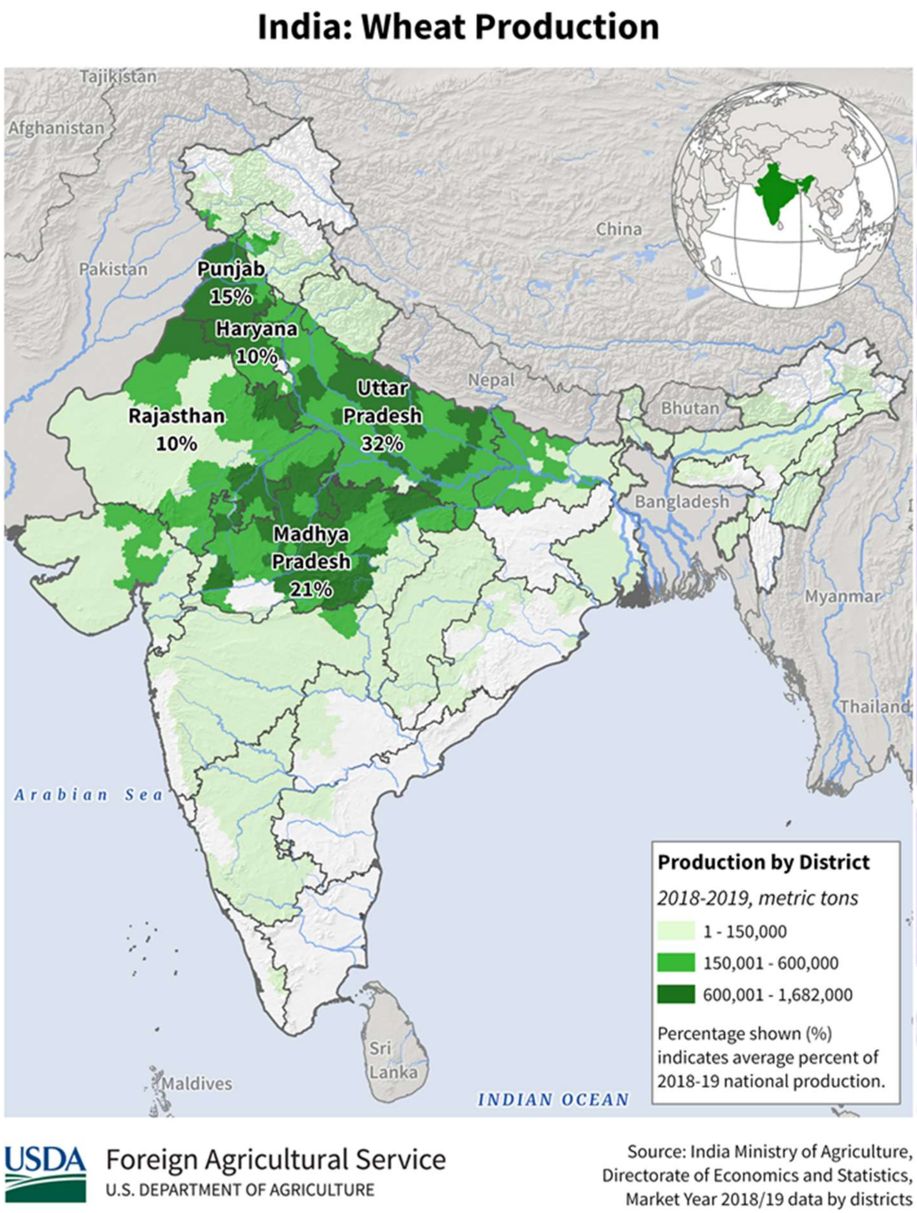
Russia's 2022 wheat crop reached 104.43 mmts, Interfax reported this month, citing the state statistics agency Rosstat.

In its latest supply and demand report, USDA pegged Russia's 2022 wheat harvest at 91 mmts.

- ### India Record wheat crop likely as acreage up

28 January 2023 by Zia Haq, New Delhi - India's wheat production in 2023 is expected to be a record 112 mmts as good weather pushed the acreage under the staple to 34.1 million hectares, 12% higher than the five-year average of 30.4 million, two officials from the agriculture ministry said.

A bumper harvest, necessary to lift farm incomes, cool food inflation and replenish low wheat stocks, is "certain" if the weather continues to be "favourable and conducive" in the next two months, especially around harvesting, an official said, seeking anonymity.



Wheat-damaging heatwaves in early summer in the food-bowl states of northwest India are becoming more frequent. As temperatures soared past 40 degrees Celsius in March last year, the hottest on record, farmer Gurbaksh Nagi of Punjab's Mansa district noticed that stalks of his maturing grains had turned brown from yellow, a sign they had shriveled.

Last year's losses came on the heels of a similar heatwave in 2010 and a milder one in 2019. They signal the risks posed by climate change to India's long-term food security, experts say.

The previous record for wheat production was 109.59 million tonne in 2020-21, despite the pandemic. In 2021-22, output of the staple declined to 106.84 mmts due to a prolonged heat wave just before harvesting, according to agriculture ministry data. This had resulted in the lowest government purchases in 15 years.

Officials expect a bumper wheat crop because cultivators have sown expensive, high-yielding varieties in nearly all of Punjab, Haryana and Madhya Pradesh, taking a cue from sharply higher wheat prices this year after extreme weather trimmed the country's wheat output in 2022.

Robust wheat output, sown in November and harvested in March-April, will ease the current shortage and help put a lid on record cereal inflation. Stocks ran low despite India, the second largest wheat grower, banned overseas sales of the cereal in May last year.

Wheat prices last week were up to 40% higher in Indore markets – a benchmark – than the federally determined minimum support price of ₹2015 a quintal (100kg) mainly on account of low stocks.

The area under all major rabi crops has risen by 3% from a year ago, as winter sowing operations are almost over. The coverage under mustard, a key oilseed, is up 7.5% year-on.

Last week, the Centre offered to sell 3 million tonne of wheat in the open market at a discount to tamp prices, a decision aided by expectations of a robust harvest.

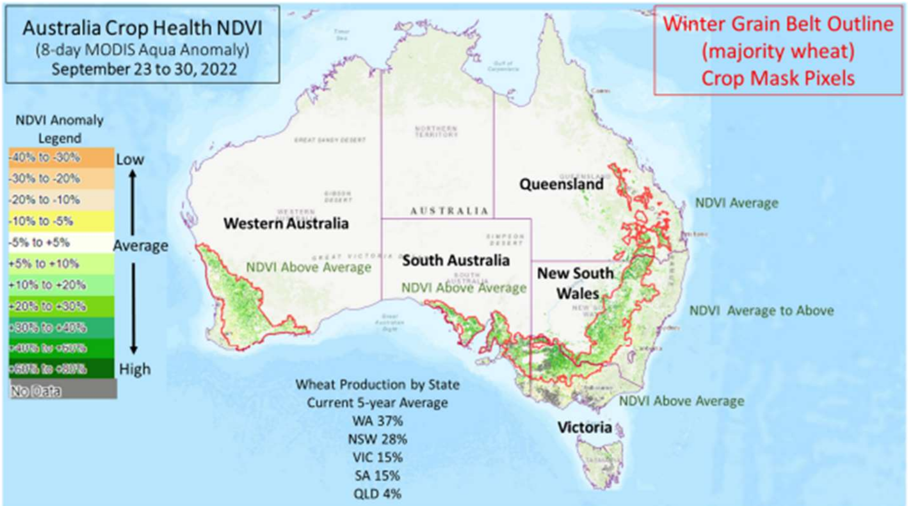
"The spells of cold wave as well as light rainfall recently in northwestern states is good for the crop," said Rahul Chauhan of IGrain, a commodities tracker.

➢ USDA – Australia Wheat

Attaché Sees Slightly Bigger Aussie Wheat Crop Than Official Forecasts

Wheat Australia as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	13,000	-	13,000	13,039	12,643	9,863	10,402
Beginning Stocks (1000 MT)	3,501	-	3,501	3,001	2,678	4,440	4,549
Production (1000 MT)	36,600	-	36,600	36,347	31,923	14,480	17,598
MY Imports (1000 MT)	200	-	200	210	198	894	499
TY Imports (1000 MT)	200	-	200	196	464	820	313
TY Imp. from U.S. (1000 MT)	0	-	0	1	1	3	3
Total Supply (1000 MT)	40,301	-	40,301	39,558	34,799	19,814	22,646
MY Exports (1000 MT)	27,500	-	27,500	27,532	23,773	9,136	9,006
TY Exports (1000 MT)	28,500	-	28,500	25,958	19,720	10,118	9,835
Feed and Residual (1000 MT)	5,000	-	5,000	5,000	4,500	4,500	5,700
FSI Consumption (1000 MT)	3,550	-	3,550	3,525	3,525	3,500	3,500
Total Consumption (1000 MT)	8,550	-	8,550	8,525	8,025	8,000	9,200
Ending Stocks (1000 MT)	4,251	-	4,251	3,501	3,001	2,678	4,440
Total Distribution (1000 MT)	40,301	-	40,301	39,558	34,799	19,814	22,646
Yield (MT/HA)	2.82	-	2.82	2.79	2.52	1.47	1.69

Source: USDA PS&D



Sources: MODIS 8-day NDVI Anomaly Composite (NASA); GeoCover LandCover 2010 Agricultural Mask

27 January 2023 by Pro Farmer - USDA's attaché in Australia expects the country's wheat crop to be slightly bigger than currently forecast by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) and USDA.

The post notes, "Australia is set for a third consecutive record grain crop, and strong exports. Wheat production is estimated to have reached a record 37 mmts in marketing year 2022-23, while barley is estimated to achieve 13.5 mmts of production, the fourth largest on record.

The wheat and barley results were strongly supported by near ideal conditions in Western Australia and South Australia, but this was partially offset by excessive rains in much of the grain-growing regions of New South Wales and Victoria in September and October 2022.

Wheat exports in 2022-23 are forecast to reach a record 28 mmts. In December, ABARES estimated Aussie wheat production at 36.6 MMT. USDA has the same forecast.

<u>Wheat Export Prices (FOB, US$/mt)</u> **as of 24 January 2023**

		TW	LW	LY	%Y/Y
US DNS 14% (PNW)	Feb	398	406	422	- 6
US No 2 HRW 11.5% (Gulf)	Feb	374	384	391	- 4
US No 2 SRW (ord) (Gulf)	Feb	319	330	347	- 8
US No 2 SW (PNW)	Feb	319	320	452	- 30
Argentina 12% (Up River)	Jan	375	376	304	+ 23
Australia ASW (Adelaide) c)	Feb	317	326	315	+ 1
Australia APW (Adelaide) c)	Feb	352	360	344	+ 2
Canada CWRS 13.5% (StLaw)	Feb	368	374	396	- 7
EU (France) grade 1 a)	Jan €	291	299	286	+ 2
EU (France) grade 1	Jan	317	323	324	- 2
EU (Germany) B quality	Jan	324	328	334	- 3
EU (Romania) Milling 12.5%	Feb	312	319	332	- 6
Ukraine <11%	Feb	270	269	318	- 15
Russia Milling 12.5%	Feb	308	310	337	- 9

Source: International Grains Council

- **<u>USDA – U.S. Wheat</u>**

Wheat United States as of January 2023					
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21
Area Harvested (1000 HA)	14,358	-	14,358	15,032	14,888
Beginning Stocks (1000 MT)	19,008	+796(+4.37%)	18,212	23,001	27,985
Production (1000 MT)	44,902	-	44,902	44,804	49,751
MY Imports (1000 MT)	3,266	-	3,266	2,592	2,725
TY Imports (1000 MT)	3,100	-	3,100	2,706	2,687
TY Imp. from U.S. (1000 MT)	0	-	0	0	0
Total Supply (1000 MT)	67,176	+796(+1.2%)	66,380	70,397	80,461
MY Exports (1000 MT)	21,092	-	21,092	21,782	27,048
TY Exports (1000 MT)	21,500	-	21,500	21,501	26,636
Feed and Residual (1000 MT)	2,177	+816(+59.96%)	1,361	1,595	2,535
FSI Consumption (1000 MT)	28,467	+81(+.29%)	28,386	28,012	27,877
Total Consumption (1000 MT)	30,644	+897(+3.02%)	29,747	29,607	30,412
Ending Stocks (1000 MT)	15,440	-101(-.65%)	15,541	19,008	23,001
Total Distribution (1000 MT)	67,176	+796(+1.2%)	66,380	70,397	80,461
Yield (MT/HA)	3.13	-	3.13	2.98	3.34

Source: USDA PS&D

12 January 2022, USDA WASDE – The 2022/23 U.S. outlook this month is for increased supplies, larger domestic use, unchanged exports, and lower ending stocks. Supplies are raised on higher beginning stocks as reported in today's NASS Grain Stocks report. Feed and residual use is raised 30 million bushels to 80 million based on higher second-quarter implied disappearance based on the Grain Stocks report. Seed use is raised 3 million bushels to 69 million, reflecting larger than expected winter wheat plantings reported in today's NASS Winter Wheat and Canola Seedings report. Projected 2022/23 ending stocks are lowered slightly as larger domestic use more than offsets higher beginning stocks.

The USDA season-average farm price is unchanged at $9.10/bus.

USDA's Ag Attaché expects Australia's wheat crop will be 37 MMT even compared to the official WASDE forecast of 36.6 mmts. News that Australia's wheat crop is a new record and likely to result in greater exports created some headwinds early in the week, but couldn't overcome the news of strong US exports, tensions in the Black Sea and escalating wheat price inflation in China and India.

Iraq has bought 150,000 mts of wheat from Australia, the Trade Ministry said in a statement on Wednesday. European traders said in initial assessments that Iraq's state grains buyer is believed to have purchased about 150,000 mts of wheat that was expected to be sourced from Australia in an international on Wednesday.

SovEcon expects the 2023 wheat crop to be 18.2 mmts out of Ukraine, which is 600 kmts above their prior estimate given rainfall.

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- **<u>CME CBOT Wheat Futures – Daily Nearby</u>**

Source: https://www.barchart.com/futures/quotes/ZWU22/interactive-chart

The wheat market was one of the more exciting markets to trade this week for the first time in quite a while. Welcome moisture was received across the southern plains largely in the form of snow. That moisture however did not stop the start of short covering by managed funds largely in response to trade headlines.

Chicago and Kansas City wheat contracts posted an inside day on Tuesday after Monday's selloff followed by a textbook break out to the upside and follow through.

Wheat futures closed mixed to end the week with the hard wheats firmer and CME Red wheat weaker. KWH and KWN each + 4½. MWH was +3½ while MWU was +1½. WH and WN were each -2½.

On the week KWH was +21¼. The KWH/WH spread hit a high today of $1.22, just off the contract high set in late November. Meanwhile, WH lost further ground to corn.

Chicago wheat finished Friday with another inside day. Monday's move will likely see follow through in that direction on Tuesday. KC wheat however made a new high on Friday above Thursday's high. Both March and May KC wheat contracts closed above the 50-day moving average. July new crop KC wheat basically closed right at the 50-day moving average and within a penny of the prior day's high.

***CME SRW futures March 2023 CBOT** wheat closed at $7.50/bu, off 2 ½ cents on the day, and gaining 8½ cents on the week. May 23 CBOT Wheat closed at $7.58¾ , down 1¾ cents, while Cash SRW Wheat was $6.96 7/8, down 2 1/2 cents,*

CFTC's weekly Commitment of Traders report showed Chicago wheat specs were selling 8.4k contracts short through the week that ended January 24th. That expanded the group's net short to 73,933 contracts – the most since 2018 when the group peaked at 83,502 contracts net short. I

- **<u>U.S. Export SRW Wheat Values – Friday 27h January 2023</u>**

SRW Wheat Gulf barge quotes, in cents/bus basis CBOT futures:
Changes are from the AM Barge basis report. Source: USDA
Gulf barge/rail quotes, in cents/bus.

CIF SRW WHEAT	1/26/2023	1/27/2023		
JAN	100 / 120	100 / 120	H	UNC
FEB	100 / 120	100 / 120	H	UNC
MAR	100 / 120	100 / 120	H	UNC

Weekly Sales - USDA showed another relatively good week of export demand for U.S. wheat, reporting 18.4 mbus in sales. Year-to-date commitments now stand at 589 mbus, which is down 7% from a year ago and 12% below the 5-year average pace.

Top buyers were Japan, who took top buyer honors last week, booking nearly 4 mbus of various classes, followed by Mexico and Unknown with 3.3 mbus each, South Korea bought 2.7 mbus and Taiwan committed to another 1.6 mbus.

Hard red winter saw a second week of renewed interest, drawing sales of 4.5 mbus to put commitments at 161 mbus, which is 35% behind a year ago but only 5% below average.

Hard red spring recorded 3.2 mbus in new business and with 176 mbus in sales, sets 4% ahead of a year ago and 14% below average.

White wheat was the big seller, garnering 8.7 mb to put the current total at 149 mbus; 32% ahead of a year ago but 29% below the average pace.

Euro wheat prices were off slightly. Global trade/tenders were relatively quiet on the week.

CME KC HRW Wheat Futures – Daily Nearby

Source: https://www.barchart.com/futures/quotes/KEU22/interactive-chart

Kansas March 2023 HRW Wheat Futures *settled on Friday at $8.69¼/bu, up 4½ cents on the day, and gaining 21½ cents for the week.*

KC wheat charts, in particular, look set to move technically higher. The $8.75 to 8.80 level could likely be the next stop.

The hard red wheats extended their premiums as KC rallied 1¾ to 5 cents on the day. HRW is now a $1.19¼ premium to SRW in the March contract and a 93 ¼ cent premium for new crop.

CFTC's weekly Commitment of Traders report showed KC wheat funds were 459 contracts less net short as of Tuesday, given slightly more new buyers than new spec sellers.

HRW demand remains domestically driven though the CCC export tender will be awarded next week. Seller offers are generally thin with values still above DVE. H/K did widen ½ cent on the close with deferred spreads all firmer. KWN/Z had traded wider than -10c on Monday before settling today at -1c. With new crop purchase bookings generally light, we suggest hedges in the N. If the U.S. doesn't get export competitive in the new crop timeframe, and we see some easing of the high plains drought, market structure could change quickly.

Euro wheat prices were off slightly. Global trade/tenders were relatively quiet on the week.

U.S. Export HRW Wheat Values – Friday 27th January 2023

HRW Wheat Texas Gulf Rail quotes, in cents/bus basis KCBT futures:
Changes are from the AM Barge basis report. Gulf barge/rail quotes, in cents/bus.

TX GULF HRW				
12% Protein	**1/26/2023**	**1/27/2023**		
JAN	155 / -	155 / -	H	**UNC**
FEB	155 / -	155 / -	H	**UNC**
MAR	155 / -	155 / -	H	**UNC**
APR	154 / -	154 / -	K	**UNC**
MAY	154 / -	154 / -	K	**UNC**

MGE HRS Wheat Futures – Daily Nearby

Source: https://www.barchart.com/futures/quotes/MWU22/interactive-chart

MGE March 2023 HRS Wheat Futures *settled on Friday at $9.21½ /bu, up 3½ cents on the day, and gaining 9 cents for the week.*

MPLS spring wheat went home at a 52¼ cent premium to the March HRW price.

CFTC's weekly Commitment of Traders report showed managed money funds were adding to both sides in MPLS wheat too, but were 135 contracts more net short from Tuesday to Tuesday.

Portland Price Trends **26th January 2023**

	01-01-22	08-01-22	12-01-22	01-19-23	01-26-23
#1 SWW (bu)	10.70	9.00	8.80	8.35	8.40
White Club	12.45	9.00	9.30	8.85	8.90
DNS 14%	10.78	10.08	10.18	9.84	10.00
HRW 11.5%	9.81	10.00	10.10	9.52	9.84
#2 Corn (ton)	274.00	279.00	295.00	297.00	299.00
#2 Barley	240.00	235.00	250.00	250.00	250.00

Confirmation of yet another good week of export demand for U.S. wheat bolstered futures markets this week, and west coast cash markets saw similar improvement.

Nearby white wheat bids have recovered 20 cents from recent lows, while both hard red winter 11.5% protein and dark northern 14 proteins are up 20 cents from last week. Both protein wheat bid structures show nearby bids flat and at a premium to deferred months.

Coarse Grains

➢ USDA – World Corn

Corn World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	201,276	-693(-.34%)	201,969	206,859	199,017	194,440	192,644
Beginning Stocks (1000 MT)	305,954	-1139(-.37%)	307,093	292,535	307,407	322,560	341,454
Production (1000 MT)	1,155,934	-5930(-.51%)	1,161,864	1,214,875	1,129,203	1,123,144	1,128,682
MY Imports (1000 MT)	175,445	-979(-.55%)	176,424	184,082	184,935	167,665	166,502
TY Imports (1000 MT)	175,510	-1064(-.6%)	176,574	186,841	179,851	169,742	167,897
TY Imp. from U.S. (1000 MT)	0	-	0	62,918	68,536	47,067	49,421
Total Supply (1000 MT)	1,637,333	-8048(-.49%)	1,645,381	1,691,492	1,621,545	1,613,369	1,636,638
MY Exports (1000 MT)	178,174	-3460(-1.9%)	181,634	204,031	182,703	172,386	182,578
TY Exports (1000 MT)	181,017	-1260(-.69%)	182,277	193,839	184,070	175,871	173,586
Feed and Residual (1000 MT)	732,954	-2300(-.31%)	735,254	749,020	723,984	716,579	705,025
FSI Consumption (1000 MT)	429,786	-303(-.07%)	430,089	432,487	422,323	416,997	426,475
Total Consumption (1000 MT)	1,162,740	-2603(-.22%)	1,165,343	1,181,507	1,146,307	1,133,576	1,131,500
Ending Stocks (1000 MT)	296,419	-1985(-.67%)	298,404	305,954	292,535	307,407	322,560
Total Distribution (1000 MT)	1,637,333	-8048(-.49%)	1,645,381	1,691,492	1,621,545	1,613,369	1,636,638
Yield (MT/HA)	5.74	(-.17%)	5.75	5.87	5.67	5.78	5.86

Source: USDA PS&D

First (full-season) sowings in Brazil were estimated to be 92% done (92% previous week, 97% previous year). Combining advanced to 6% complete (3%, 8%), with activity mostly concentrated in Rio Grande do Sul.

As at the 19th of January, 22/23 plantings in Argentina were officially seen at 90% finished (88% week ago, 87% year ago). The Buenos Aires Grain Exchange maintained crop ratings at 53% fair/excellent (53%, 63%), although unfavourably dry conditions were reported in Santa Fe. Weekend rains were extremely useful, seen heaviest in La Pampa province, but with more moisture still needed.

As at 19 January, 22/23 harvesting in Ukraine was 87% done, yielding 24.4 mmts. Export values are nominally unchanged despite reports about delays to inspections under the Black Sea Grain Initiative.

In its first ever maize tender, Egypt's GASC secured 50,000 t from the EU (Romania), at US$339 c&f, February shipment.

Corn Export Prices (FOB, US$/mt) as of 24 January 2023

		TW	LW	LY	%Y/Y
US 3YC (Gulf)	Feb	304	313	290	+ 5
Argentina (Up River)	Jan	310	313	274	+ 13
Brazil (Paranagua)	Feb	310	311	294	+ 5
Ukraine	Feb	264	264	282	- 6

Source: International Grains Council

CORN

➢ USDA – U.S. Corn

Corn United States as of January 2023					
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21
Area Harvested (1000 HA)	32,054	-663(-2.03%)	32,717	34,527	33,311
Beginning Stocks (1000 MT)	34,975	-	34,975	31,358	48,757
Production (1000 MT)	348,751	-5085(-1.44%)	353,836	382,893	358,447
MY Imports (1000 MT)	1,270	-	1,270	615	616
TY Imports (1000 MT)	1,250	-	1,250	607	629
TY Imp. from U.S. (1000 MT)	0	-	0	0	0
Total Supply (1000 MT)	384,996	-5085(-1.3%)	390,081	414,866	407,820
MY Exports (1000 MT)	48,897	-3810(-7.23%)	52,707	62,776	69,776
TY Exports (1000 MT)	51,000	-4000(-7.27%)	55,000	62,978	68,293
Feed and Residual (1000 MT)	133,991	-635(-.47%)	134,626	145,253	142,426
FSI Consumption (1000 MT)	170,570	-253(-.15%)	170,823	171,862	164,260
Total Consumption (1000 MT)	304,561	-888(-.29%)	305,449	317,115	306,686
Ending Stocks (1000 MT)	31,538	-387(-1.21%)	31,925	34,975	31,358
Total Distribution (1000 MT)	384,996	-5085(-1.3%)	390,081	414,866	407,820
Yield (MT/HA)	10.88	+(+.55%)	10.82	11.09	10.76

Source: USDA PS&D

➢ U.S. comes closer to losing corn export crown to Brazil -Braun

17 January 2023 by Karen Braun, Reuters - U.S. corn exports usually begin increasing in January as soybean shipments ease, but that upward trend has yet to emerge, largely due to poor overseas sales.

China is the missing ingredient for U.S. exporters, as robust bookings from the Asian country had inflated U.S. corn exports in the prior two years despite high prices, which are often demand-limiting.

Early this month, U.S. corn sales to China for the current season were nearly 70% lighter than at the same point in the previous two years, and hopes that similar purchases will eventually show up have begun waning.

But Chinese demand is not dead according to data from Brazil, which shipped more than 1 mmts of corn to China last month and is on track for a repeat performance this month.

While China's interest in Brazilian corn may be somewhat negative for U.S. exporters, the purchases are friendly to the global corn market as they reflect China's intent to continue importing the yellow grain, which it predominantly uses for livestock feed.

Brazil's corn exports should wind down in the coming months, inviting the possibility that China turns to the U.S. market. But Chinese buyers have not secured any notable U.S. corn volumes since April 2022, and even that was significantly lighter than their early 2021 buying frenzy.

The United States remains the world's leading corn exporter, but its reign is quickly slipping with the expansion of Brazil's corn industry, and it may not be long before other countries join China in preferencing Brazilian supply.

SHRINKING SHIPMENTS

The 2022 U.S. corn crop was smaller than expected and lighter than in the two prior years, curbing export potential. But most U.S. export estimates for 2022-23, including those from the Department of Agriculture, originally incorporated much stronger buying from China than has been seen.

China's failure to show up has certainly caused export targets to fall, though at the start of this month, total U.S. corn sales to all other destinations were at 10-year lows for the date.

Those factors likely forced USDA to make a huge 150 million-bushel reduction last week to U.S. corn exports, now at 1.925 billion bushels (48.9 mmts) for the 2022-23 marketing year ending August 31st.

More cuts may be needed if sales stay slow. Only 45% of USDA's January export estimate was sold as of Jan. 5, the second-lowest coverage rate in the past 15 years.

U.S. corn export inspections last week were above analyst guesses for the first time in a while at a respectable 774,461 mts, though they were already breaking 1 mmts at this point in the last two years.

Relative to what has been sold, U.S. corn exports are running at an above-average pace, meaning shipments are efficient considering the low volumes sold. The same analysis for U.S. wheat shows an average export effort, and soybean shipments are lighter than usual when compared with total sales.

NEW KING INCOMING?

The United States has long been the top corn exporter, accounting for about 60% of global shipments through the first decade of this century. That faltered early last decade with a string of U.S. crop problems, which essentially invited other suppliers to the table.

But in the latest few years, increased production and export capacity in No. 2 shipper Brazil has the United States in serious jeopardy of losing its corn crown, something many believed could not happen this soon.

In the 2022-23 trade year spanning October 2022 through September 2023, USDA predicts Brazil will ship 48.5 mmts of corn versus 51 million for the United States. That 2.5 mmts U.S. advantage compares with a five-year average margin of more than 26 mmts.

Brazil exported nearly 8 million more mts of corn than the United States in 2012-13 following a devastating U.S. drought, but U.S. exports have been stronger than Brazilian ones each year since by at least 10 mmts.

For context, Brazil's corn exports first topped 10 mmts in the 2010-11 trade year, and they broke 26 mmts two years later. The 2018-19 season holds Brazil's current export record of 38.8 mmts.

By comparison, the U.S. record of 68.3 mmts was set in the 2020-21 October-September trade year.

Brazil's 2022-23 corn crop is seen at a record 125 mmts, nearly a quarter larger than the recent average. A rapid increase in the heavily exported second crop, planted immediately following soybean harvest, contributes to the bigger export potential.

U.S. corn exports could recover in 2023-24 if the 2023 harvest is strong, but it might be possible for Brazil to steal the top spot anyway if recent export and crop growth is any indication.

CME CBOT Corn Futures – Nearby Daily

Source: https://www.barchart.com/futures/quotes/ZCZ22/interactive-chart

***CBOT March 2023 Corn Futures** settled on Friday at $6.83/bu, up ½ cent on the day, and gaining 7 cents on the week. May 23 Corn closed at $6.80, unchanged; while July 23 Corn closed at $6.65¾, down 2¼cents,.*

Corn futures settled near even on Friday after a choppy session trading both sides of unchanged. Nearby CH3 closed up ½ c/bu at $6.83, holding for a second consecutive session above long-term support at the 200-day moving average. Inverses continued to build along the balance of the curve, which now has a 3 cent discount to May and has July 17¼ cents under the March. New Crop December is nearly a $1.00/bu below the spot market with a 95¾ cent discount to March.

Corn futures largely found some support on hopes of an uptick in export demand & technical buying. Recent rains in Argentina will likely provide some relief to drought-stricken drops, which likely capped upside gains to some degree.

The weekly CFTC report had managed money funds buying 12.9k corn contracts and selling 3.3k short. That moved their net long position to above 200k contracts for the first time since 11/8. The commercial corn hedgers were shown 395,931 contracts net short as of 1/24. That was a 5k contract weaker net short through the week given closed hedges.

The Buenos Aries Grains Exchange said in it's weekly report that corn planting had reached 94%. Good-to-excellent ratings also improved 7% to 12% this week. They're projecting the Argentinian corn crop at 44.5 MMT, which would be down from last year's harvest of 52 MMT.

U.S. Export Corn Values – Friday 27th January 2023

Corn CIF NOLA Gulf barge/rail quotes, in cents/bus basis CBOT futures:
USDA (U.S. No. 2, 14.5% moisture, CIF NOLA Gulf barge/rail quotes, in cents/bus.

CIF CORN	1/26/2023	1/27/2023	Del. Mo.	
JAN	85 / 88	120 / 125	H	
FH FEB	- / -	113 / 123	H	
FEB	87 / 92	110 / 120	H	
MAR	88 / 92	100 / 105	H	
APR	89 / 92	/	N	
MAY	83 / 87	/	N	
APR/MAY	/	/	N	UNC
JUN	83 / 86	/	N	
JUL	83 / 86	/	N	

BRAZIL FOB CORN @ PORT PARANAGUA

	1/26/2023	1/27/2023	
JUL	45 / 65	40 / 55	N
AUG	77 / 92	85 / 105	U
SEP	77 / 92	85 / 105	U
OCT	93 / 110	90 / 110	Z
NOV	60 / 71	95 / 105	U
DEC	- / -	98 / 108	Z

FOB basis on the IL River is slightly over DVE while April through June/July values are well above. This continues to drive spreads further inverted, with CK/N & CN/U making new highs today.

Beneficial precipitation across Argentina and southern Brazil sparked profit taking around commodity markets. US prices were support too from dollar weakness and spillover from wheat.

Analysts from Brazil's Deral had the southern state of Parana bringing 3.7 mmts of first crop corn and 15.4 mmts of second crop corn. Both are consistent with their prior estimate.

Some underpinning support was seen from a rebound in weekly ethanol production.

Weekly export sales of 1.1 mmts were a near-two month high, bringing the cumulative total to 23.1 mmts (-46%), export inspection data were at the low end of market expectations. Contrasting movements were observed for Gulf basis offers.

While spot (Feb) offers dipped, deferred months trended higher on better export demand and firmer barge freight costs amid reported shipping delays along parts of the Mississippi and Illinois Rivers.

With some attention shifting to possible 23/24 acreage mixes, a survey by Farm Futures magazine included a projection for US maize plantings at 36.6 mha (+2% y/y), compared to the USDA's initial outlook (released Nov 2022) of 37.3 mmts.

BARLEY

➢ USDA – World Barley

Barley World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	47,127	-50(-.11%)	47,177	48,619	52,452	52,606	48,851
Beginning Stocks (1000 MT)	18,178	+58(+.32%)	18,120	20,793	21,718	20,169	21,437
Production (1000 MT)	149,465	-65(-.04%)	149,530	145,469	160,905	158,360	139,598
MY Imports (1000 MT)	29,503	+490(+1.69%)	29,013	30,131	36,077	28,647	24,763
TY Imports (1000 MT)	28,998	+221(+.77%)	28,777	29,128	36,922	28,008	25,170
TY Imp. from U.S. (1000 MT)	0	-	0	69	347	154	99
Total Supply (1000 MT)	197,146	+483(+.25%)	196,663	196,393	218,700	207,176	185,798
MY Exports (1000 MT)	29,695	+128(+.43%)	29,567	32,413	36,281	28,951	25,537
TY Exports (1000 MT)	29,561	+75(+.25%)	29,486	28,515	37,372	29,478	27,135
Feed and Residual (1000 MT)	104,231	+549(+.53%)	103,682	99,849	115,800	110,765	95,773
FSI Consumption (1000 MT)	45,485	-21(-.05%)	45,506	45,953	45,826	45,742	44,319
Total Consumption (1000 MT)	149,716	+528(+.35%)	149,188	145,802	161,626	156,507	140,092
Ending Stocks (1000 MT)	17,735	-173(-.97%)	17,908	18,178	20,793	21,718	20,169
Total Distribution (1000 MT)	197,146	+483(+.25%)	196,663	196,393	218,700	207,176	185,798
Yield (MT/HA)	3.17	-	3.17	2.99	3.07	3.01	2.86

Source: USDA PS&D

In its first outlook for the next season, Canada's AAFC predicted a 5% y/y increase in sowings amid potentially high prices and robust demand. Assuming average yields, production is pegged at 10.0 mmts, equal to the prior year, with exports seen at 3.4 mmts (3.7 mmts) and ending stocks at 1.0 mmts. (0.9mmts).

Argentina's Ag. Ministry lowered its 22/23 production forecast by 0.2 mmts, to 4.5 mmts (5.2 mmts). With projected exports unchanged at 3.1 mmts (3.7 mmts), projected ending stocks were cut by 0.2 mmts, to 0.1 mmts (0.2mmts).

Barley markets continue to track the lower as French prices dipped slightly, on spillover from wheat, with the downside capped by recent slow producer selling.

Losses were curtailed by an uptick in buying interest, with China reportedly securing up to 360,000 mts feed barley, for Jan-Apr shipment.

It was reported two bulkers carrying corn and barley departed Ukrainian ports on Monday under the Black Sea Grain Initiative. "The Joint Coordination Centre (JCC) reports that two vessels left Ukrainian ports on January 23rd carrying a total of 42,560 mts of grain and other food products under the Black Sea Grain Initiative. The Amyntor vessel is heading to the Netherlands with 27,260 tonnes of corn on board, while the Ata bulker is carrying 15,300 mts of barley to Israel. Another seven vessels transited the maritime humanitarian corridor on Monday on their way to the Ukrainian ports.

As of the 23rd of January, the total tonnage of grain and other foodstuffs exported from the three Ukrainian ports is 18,372,920 mts. A total of 1,340 voyages - 667 inbound and 673 outbound - have been enabled so far," the JCC said.

➢ Chinese buyers returned for French barley this month

26 January 2023 by Gus Trompiz and Michael Hogan, Reuters - Chinese buyers are thought to have booked at least several large vessels of French barley this month, swelling a French export programme as merchants ship out a previous round of sales from late last year, European traders said.

China has become a major export market for French barley in recent years. As one of the few European barley origins approved for import by Beijing, France has attracted extra demand during a trade dispute between China and Australia.

In the latest deals, Chinese importers bought five to six panamax cargoes of some 60,000 mts each for shipment in the coming months, three traders said.

There was also market talk that the volume may have reached 10-15 vessels, or as much as 900,000 mts.

The latest sales were believed to have taken place in the past three weeks and were for crop from the 2022 harvest to be shipped in first half of 2023, mostly between January and March/April, traders said.

The barley was thought to have been sold for livestock feed rather than malt production.

Further sales were not expected immediately, though, after a sharp rise in French barley premiums following this month's deals and with the Lunar New Year holidays starting in China, traders said.

Merchants are already due to load five to six large vessels in France with barley for China in January, most of which were believed to have been sold in late November.

The sales to China could bring an acceleration in French barley shipments after a slow start to the 2022/23 campaign that led farming agency FranceAgriMer last week to trim its forecast for barley exports outside the European Union.

French sales have tempered speculation about an imminent return of Australian barley to China, as Beijing and Canberra resume dialogue after diplomatic tensions. Australian barley is subject to a prohibitive Chinese tariff, though China has continued to buy Australian wheat.

Chinese demand for French barley this season was also thought to have been encouraged by drought in Argentina and war disruption to Ukrainian supplies, traders said.

- **<u>There is almost no demand for Ukrainian Barley</u>**

26 January 2023 Interfax - There is currently almost no demand for Ukrainian barley due to the absence of China's interest and weak demand on Ukraine's domestic market, Ukrainian media said, citing the GrainTrade electronic grain exchange.

Against the background of a shortage of offers and increased competition on the world market, the export of barley from Ukraine as of January 20 in the 2022-2023 marketing year (July 2022-June 2023) amounted to 1.76 mmts, whereas it stood at 5.4 mmts on the same date in the previous marketing year, GrainTrade said. Ukraine harvested 6 mmts of barley in the 2022-2023 marketing year as compared to 9.4 mmts in the 2021-2022 marketing year, and 7.4 mmts in the 2020-2021 marketing year, it said.

During the two previous marketing years, 45% of the barley exported from Ukraine was bought by China, in particular, 2.9 mmts in the 2020-2021 marketing year, and 2.6 mmts in the 2021-2022 marketing year, but this marketing year, China's demand for Ukrainian barley is almost absent due to problems with the delivery of agricultural products from Ukraine to Asian markets, it said.

In recent years, China begun to actively buy French barley, especially against the background of trade disputes with Australia and a decrease in supplies from Ukraine. In January, Chinese importers purchased up to ten batches of French fodder barley weighing 600,000-900,000 thousand mts with delivery in the coming months, so the demand for Ukrainian barley will remain minimal for the time being, GrainTrade said.

Besides, domestic breweries show very little interest in malting barley, because these enterprises currently need a smaller amount of raw materials due to regular power supply disruptions.

"Against the background of low export demand, the purchase prices for barley in the ports of Ukraine remain at the level of $175-$190 per tonne, or 7,000-7,200 hryvni per tonne SRT, while the prices for deliveries to the port of fodder wheat and corn have risen to $200-$215 per tonne," GrainTrade said.

The electronic grain exchange also said that in its January report, the U.S. Department of Agriculture estimated world barley production in the 2022-2023 marketing year at 149.5 mmts, which will almost match the level of the 2021-2022 marketing year, but will be 10.8 mmts lower than the 160.27 mmts in the 2020-2021 marketing year. In the report, the barley harvest forecast for Ukraine is reduced by 0.3 to 6.1 mmts, but is increased for Argentina by 0.1 to 4.2 mmts. For Australia, the barley production forecast remains at the level of 13.4 mmts, at 51.5 mmts for the European Union, and at 10 mmts for Canada.

<u>Barley Export Prices (FOB, US$/mt)</u> **as of 24 January 2023**

		TW	LW	LY	%Y/Y
Australia Feed (Adelaide) b)	Feb	294	294	271	+ 9
Australia Malting (Adelaide) c)	Feb	372	367	294	+ 27
Argentina Feed	Feb	345	345	290	+ 19
Black Sea Feed	Feb	279	275	298	- 6
EU (France) Feed (Rouen)	Jan	294	295	303	- 3
EU (France) Spring Malting	Jan	-	-	-	-

Source: International Grains Council

- **<u>Japan receives no offers for regular feed-wheat, barley tender</u>**

25 January 2023 - Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) said it received no offers for feed-quality wheat or barley in a simultaneous buy and sell (SBS) auction that closed late on Wednesday.

The ministry had sought 70,000 mts of feed wheat and 40,000 mts of feed barley to be loaded by Feb. 15 and arrive in Japan by March 16 in the tender.

Japan buys and sells its feed wheat and barley via so-called SBS auctions, in which end-users and importers specify the origin, price and quantity of grain, allowing millers to meet their varied needs for the feed grain.

GRAIN SORGHUM

- **<u>USDA – World Grain Sorghum</u>**

Sorghum World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	40,938	-369(-.89%)	41,307	41,459	42,836	39,666	41,096
Beginning Stocks (1000 MT)	4,391	-146(-3.22%)	4,537	3,965	3,855	5,491	4,684
Production (1000 MT)	58,842	-1219(-2.03%)	60,061	62,197	62,572	57,719	59,363
MY Imports (1000 MT)	6,866	-1493(-17.86%)	8,359	12,564	9,920	5,605	3,326
TY Imports (1000 MT)	6,866	-1493(-17.86%)	8,359	12,530	9,958	5,629	3,248
TY Imp. from U.S. (1000 MT)	0	-	0	7,291	7,000	5,325	2,383
Total Supply (1000 MT)	70,099	-2858(-3.92%)	72,957	78,726	76,347	68,815	67,373
MY Exports (1000 MT)	7,762	-1397(-15.25%)	9,159	11,936	11,423	6,514	3,402
TY Exports (1000 MT)	7,322	-1500(-17%)	8,822	11,779	10,552	6,386	3,334
Feed and Residual (1000 MT)	21,786	-1493(-6.41%)	23,279	27,282	24,182	21,240	20,887
FSI Consumption (1000 MT)	36,736	-	36,736	35,117	36,777	37,206	37,593
Total Consumption (1000 MT)	58,522	-1493(-2.49%)	60,015	62,399	60,959	58,446	58,480
Ending Stocks (1000 MT)	3,815	+32(+.85%)	3,783	4,391	3,965	3,855	5,491
Total Distribution (1000 MT)	70,099	-2858(-3.92%)	72,957	78,726	76,347	68,815	67,373
Yield (MT/HA)	1.44	(-.69%)	1.45	1.50	1.46	1.46	1.44

Source: USDA PS&D

Plantings in Argentina reached 81% complete as at 19 January, well ahead of previous year (73%).

Grain Sorghum Export Prices (FOB, US$/mt) as of 24th January 2023

		TW	LW	LY	%Y/Y
US (Gulf)	Feb	367	370	329	+ 11
Argentina (Up River)	Feb	300	300	263	+ 14
Australia (Brisbane)	Feb	335	335	261	+ 28

Source: International Grains Council

- **USDA – U.S. Grain Sorghum**

Sorghum United States as of January 2023					
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21
Area Harvested (1000 HA)	1,849	-369(-16.64%)	2,218	2,626	2,062
Beginning Stocks (1000 MT)	1,201	-151(-11.17%)	1,352	516	764
Production (1000 MT)	4,770	-1219(-20.35%)	5,989	11,375	9,474
MY Imports (1000 MT)	1	-	1	0	1
TY Imports (1000 MT)	1	-	1	1	1
TY Imp. from U.S. (1000 MT)	0	-	0	0	0
Total Supply (1000 MT)	5,972	-1370(-18.66%)	7,342	11,891	10,239
MY Exports (1000 MT)	2,540	-1397(-35.48%)	3,937	7,476	7,085
TY Exports (1000 MT)	2,500	-1500(-37.5%)	4,000	7,351	6,926
Feed and Residual (1000 MT)	1,778	-	1,778	2,066	2,465
FSI Consumption (1000 MT)	1,016	-	1,016	1,148	173
Total Consumption (1000 MT)	2,794	-	2,794	3,214	2,638
Ending Stocks (1000 MT)	638	+27(+4.42%)	611	1,201	516
Total Distribution (1000 MT)	5,972	-1370(-18.66%)	7,342	11,891	10,239
Yield (MT/HA)	2.58	(-4.44%)	2.70	4.33	4.59

Source: USDA PS&D

- **U.S. Export Grain Sorghum Corn Values – Friday 27th January 2023**

Grain Sorghum CIF NOLA Gulf barge/rail quotes, in cents/bus basis CBOT futures: USDA (U.S. No. 2, CIF NOLA Gulf barge/rail quotes, in cents/bus.

TX FOB VESSEL MILO (USc/MT)	1/26/2023	1/27/2023	
March	255	250	H
April	245	250	K
May		250	K

Sorghum export quotations were modestly weaker w/w, largely linked to losses in CME maize futures with dollar-denominated values were broadly steady on currency movements. In Australia, although local prices were lower.

US weekly net export sales were sharply higher w/w, following an uptick in purchases by China, at 189,000 mts, taking the 2022/23 (Sep/Aug) total commitments to 0.5 mmts (-91% y/y).

Oats

- **USDA – World Oats**

Oats World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	9,451	-	9,451	9,610	10,078	9,555	9,840
Beginning Stocks (1000 MT)	2,373	+179(+8.16%)	2,194	3,094	2,229	2,186	3,019
Production (1000 MT)	24,853	-50(-.2%)	24,903	22,528	25,723	23,214	22,205
MY Imports (1000 MT)	2,738	-5(-.18%)	2,743	2,403	2,527	2,511	2,342
TY Imports (1000 MT)	2,627	-5(-.19%)	2,632	2,335	2,616	2,517	2,243
TY Imp. from U.S. (1000 MT)	0	-	0	22	42	23	20
Total Supply (1000 MT)	29,964	+124(+.42%)	29,840	28,025	30,479	27,911	27,566
MY Exports (1000 MT)	2,783	-	2,783	2,486	2,766	2,529	2,359
TY Exports (1000 MT)	2,749	-5(-.18%)	2,754	2,333	2,700	2,632	2,328
Feed and Residual (1000 MT)	16,581	-55(-.33%)	16,636	15,393	16,953	15,621	15,901
FSI Consumption (1000 MT)	7,959	-	7,959	7,773	7,666	7,532	7,120
Total Consumption (1000 MT)	24,540	-55(-.22%)	24,595	23,166	24,619	23,153	23,021
Ending Stocks (1000 MT)	2,641	+179(+7.27%)	2,462	2,373	3,094	2,229	2,186
Total Distribution (1000 MT)	29,964	+124(+.42%)	29,840	28,025	30,479	27,911	27,566
Yield (MT/HA)	2.63	-	2.63	2.34	2.55	2.43	2.26

Source: USDA PS&D

CME CBOT Oat Futures – Daily Nearby

Source: https://www.barchart.com/futures/quotes/ZOU22/interactive-chart

CME March 2023 Oats Futures settled on Friday at $3.88¼/bu, up 2 cents on the day, and gaining 17 cents for the week.

Oats Export Prices (FOB, US$/mt) as of 24th January 2023

		TW	LW	LY	%Y/Y
Canada (Vancouver)	Feb	292	292	622	-53

Source: International Grains Council

OILSEEDS COMPLEX

- **China's weekly soybean crush rises to 2.08 mmts, stocks stable**

19 January 2023, CNGOIC - Chinese soybean crush volumes rose slightly against the previous week to 2.08 mmts, data from the National Grain and Oil Information Centre (CNGOIC) showed.

This was 4.5% higher against the level reported a week ago, as well as compared to the previous month and a year ago.

The crush volume was slightly above earlier expectations of 2.05 mmts, though CNGOIC expects the level to drop to 1.2 mmts this week, as activity dips ahead of Lunar New Year and crushing plants close early for the holidays.

China's soybean crush volume has continued to hold steady at around 2 mmts for eight consecutive weeks, as elevated import arrivals helped to sustain a higher crush.

CNGOIC expects imports to reach 8 mmts in January.

Stocks across the soybean complex were stable to lower on the back of the higher crush volume, with soybean stocks falling by 4.05% on the week to 4.26 mmts.

This was 2.65% higher from last month and 9.51% more against a year ago.

The dip came after three consecutive weeks of gains, as the rate of crushing outpaced the rate of soybean arrivals.

Soymeal stocks also fell last week by 18.64% from the previous week to 480,000 mt, the first time in eight weeks as the uptake from domestic consumers picked up ahead of the festive holiday.

This was 29.72% more compared to last month, and 25% less against a year ago.

However, sales are expected to be slow this week, and consumption following the holiday is likely to be sluggish as hog farming margins remain unfavorable.

Lastly, soyoil stock levels were unchanged from the previous week at 710,000 mts, with the higher crush and increased uptake from consumers balancing each other out. The level was 9.23% more from last month but 8.97% lower from last year.

Market activity this week was largely subdued with most of the country gearing up for Lunar New Year and the holiday lasting for most of next week.

- **EU weekly soybean imports fall to 189.7k mts, MY total at 5.9 mmts**

17 January 2023 - EU weekly soybean imports fell to 189,723 mt in the week to January 15, with the bulk of the soybeans shipped to Germany (63,562 mt) and Spain (61,439 mt), European Commission data showed on Tuesday.

Total soybean imports into the economic bloc since July 1, 2022, increased to 5.97 mmts, however, the backlog from the level of imports last year on the same date exceeds 16%.

Imports of soybean meal in the reporting week increased to 320,207 mt, bringing total imports since July 1, 2022 to 8.7 mmts. That is almost the same as last year.

Almost half of the volume imported in the week to January 15 was delivered to Germany (113,838 mt).

- **Russian Ag Ministry proposes to hike soybean export duty to 50%**

19 January 2023, Interfax - Russia's Agriculture Ministry, which has proposed to raise the export duty on rapeseed as of March 1, might also propose to hike the export duty on soybeans by 150% to 50% from the current 20%, Deputy Agriculture Minister Oksana Lut said at a meeting with leading oil crop processors, Vedomosti reported on Thursday, citing two participants in the meeting.

The prohibitive duty could go into effect in 2025, the paper's sources said.

The Agriculture Ministry did not respond to questions, but the reports about such a meeting and its agenda were confirmed by a spokesman for the Oil and Fat Union, Vedomosti said.

The duty hike is supposed to encourage investors to build oil processing facilities in Russia's Far East, which harvested 2.3 mmts of soybeans in 2022, more than a third of the country's total of 6 mmts, the meeting participants said.

But this region already has processing capacity for up to 1 mmts of soybeans, OleoScope analyst Kirill Lozovoi said. There are also problems with the profitability of processing and shipping soybean meal and isolate from the Far East to the European part of the country, where the main customers for these feed ingredients - poultry and other livestock farmers - are located, it was said at the meeting. A prohibitive duty similar to the one already imposed on sunflower seeds would make exports, foremost to China, unprofitable and enable processors to buy raw material at lower prices.

Russia imposed an export duty on soybeans at the end of December 2020 in order to prevent the growth of prices for processed soybean products - oil and meal. At the time it was 30% but not less than 165 euros per tonne. As of July 1, 2021, it was lowered to 20% but not less than $100 per tonne, which enabled farmers to export part of their crop. In September 2022, the duty was extended to the end of 2024.

OleoScope estimated that soybean exports totaled 1.21 mmts in the first 11 months of 2022, and the main market was China. Processors, meanwhile, exported 550,000 mts of soybean oil and 522 mts of meal.

Industry investors are prepared to expand capacity in the Far East, one participant in the meeting said. Sodruzhestvo Group, for example, plans to build a plant for intensive soybean processing with capacity of 500,000 mts per year by 2025. Rusagro Group (MOEX: AGRO) is also considering building new plants in the region. A spokesman for Rusagro declined to comment, while a source close to Sodruzhestvo confirmed the plans announced at the meeting.

The Agriculture Ministry will push to raise the duty if it sees projects being implemented, and it requested roadmaps from companies for this purpose, one of the meeting participants said.

A spokesman for the Economic Development Ministry, which represents Russia at the level of the Eurasian Economic Union, said the ministry would ensure this proposal is considered if it is submitted. The ministry is prepared to discuss granting investors soft loans to build processing plants in the Far East. Financing for such projects in Central Russia is now being blocked due to a shortage of soybeans for new capacity.

The Agriculture Ministry is aiming to increase soybean production in Russia to 7.5 mmts by the end of 2025, including to 3.3 mmts in the Far East Federal District.

Soybeans

➢ USDA – World Soybean

Oilseed, Soybean World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	136,143	+1098(+.81%)	135,045	130,949	128,997	123,197	125,458
Beginning Stocks (1000 MT)	98,215	+2630(+2.75%)	95,585	100,034	94,732	114,259	99,881
Production (1000 MT)	388,008	-3161(-.81%)	391,169	358,100	368,522	340,367	362,660
MY Imports (1000 MT)	164,318	-1894(-1.14%)	166,212	157,127	165,545	165,124	146,022
Total Supply (1000 MT)	650,541	-2425(-.37%)	652,966	615,261	628,799	619,750	608,563
MY Exports (1000 MT)	167,532	-1845(-1.09%)	169,377	153,888	164,994	165,556	149,187
Crush (1000 MT)	327,323	-1994(-.61%)	329,317	314,194	315,443	312,301	298,619
Food Use Dom. Cons. (1000 MT)	23,045	+500(+2.22%)	22,545	21,700	21,676	20,954	20,091
Feed Waste Dom. Cons. (1000 MT)	29,124	+111(+.38%)	29,013	27,264	26,652	26,207	26,407
Total Dom. Cons. (1000 MT)	379,492	-1383(-.36%)	380,875	363,158	363,771	359,462	345,117
Ending Stocks (1000 MT)	103,517	+803(+.78%)	102,714	98,215	100,034	94,732	114,259
Total Distribution (1000 MT)	650,541	-2425(-.37%)	652,966	615,261	628,799	619,750	608,563
Yield (MT/HA)	2.85	(-1.72%)	2.90	2.73	2.86	2.76	2.89

Source: USDA PS&D

Throughout the week market sentiment was pressured by improving South American weather prospects, a seasonal slowdown in Asian buying and broader worries over future Chinese demand, while losses in soyaoil, which softened 4% w/w, also weighed.

Market attention remained focused on Argentina, where weekend rainfall was generally heavier than expected. While there are forecasts for more beneficial rains over the coming week, previous hot and dry conditions continued to shape crop expectations, with more moisture required to support yields.

In Brazil, Conab placed 22/23 harvesting at 2% done by 21 January (1% previous week, 6% previous year), as wet weather in central regions slowed operations. Fieldwork was largely limited to Mato Grosso, where positive early yields were reported from northern areas of the state.

<u>Soy Export Prices (FOB, US$/mt)</u> as of 24th January 2022

		TW	LW	LY	%Y/Y
US 2Y (Gulf)	Feb	593	619	565	+ 5
Argentina (Up River)	Jan	608	626	600	+ 1
Brazil (Paranagua)	Feb	574	598	546	+ 5

Source: International Grains Council

Brazil's Safras and Mercado reported the 22/23 soybean harvest reached 4.4%, compared to 11% last year when the crop was diminished by drought. Brazil's Deral expects the state of Parana will yield 20.7 mmts of soybeans via their most recent forecast. That is down by 3% citing the season's dryness in the South. While yield reports out of Mato Grosso have been positive, harvest progress is getting to be concerning. Overall bean harvest in Brazil is 5.2% vs 11.4 last year. The delayed progress has helped bean sales in the U.S. but, will this carry over into more Brazil beans available to compete against us this fall?

Recent rains in Argentina have finally shown some recovery in G/E conditions there. BAGE estimates that 7% of their crop is G/E vs 3% last week. P/VP is estimated to be 54% vs 60% lw and 22% ly. Reminder that 50% of Argentina's beans were planted late and recent weather should allow for normal yields if forecasted conditions maintain for these later planted acres. Bean plantings are essentially over with 98.8% of the acres in the ground.

➢ USDA – U.S. Soybeans

Oilseed, Soybean United States as of January 2023					
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21
Area Harvested (1000 HA)	34,939	-119(-.34%)	35,058	34,929	33,428
Beginning Stocks (1000 MT)	7,468	+18(+.24%)	7,450	6,994	14,276
Production (1000 MT)	116,377	-1889(-1.6%)	118,266	121,528	114,749
MY Imports (1000 MT)	408	-	408	433	539
Total Supply (1000 MT)	124,253	-1871(-1.48%)	126,124	128,955	129,564
MY Exports (1000 MT)	54,159	-1497(-2.69%)	55,656	58,721	61,665
Crush (1000 MT)	61,099	-	61,099	59,978	58,257
Food Use Dom. Cons. (1000 MT)	0	-	0	0	0
Feed Waste Dom. Cons. (1000 MT)	3,275	-102(-3.02%)	3,377	2,788	2,648
Total Dom. Cons. (1000 MT)	64,374	-102(-.16%)	64,476	62,766	60,905
Ending Stocks (1000 MT)	5,720	-272(-4.54%)	5,992	7,468	6,994
Total Distribution (1000 MT)	124,253	-1871(-1.48%)	126,124	128,955	129,564
Yield (MT/HA)	3.33	(-1.19%)	3.37	3.48	3.43

Source: USDA PS&D

In other news, the results of a Farm Futures survey of 560 producers showed US 2023/24 plantings could reach 36.0m ha, while a private analyst (S&P) placed acreage at 35.6 million (35.4 million previous year, USDA Jan est.).

➢ CME CBOT Soybeans Futures – Nearby Daily

Source: https://www.barchart.com/futures/quotes/ZSF23/interactive-chart

***CME March 2023 Soybean Futures** settled on Friday at $15.09½/bu,off 14 cents on the day, and gaining 3 cents for the week. May23 Soybeans closed at $15.04 1/2, down 10 1/4 cents, while July23 Soybeans closed at $14.96, down 8 1/2 cents, At the close beans were 14 cents weaker in the March contract and a dime in the red in the May.*

March is still at a nickel premium to May and is a 13½ cent premium to July. New crop beans lessened their discount, but are still $1.58 below the spot market. In the products, meal closed Friday $2.50 to $3.60 in the red.

Through the week the soybean complex had two-sided trade and improved conditions in South America. outweighed any new fund buying.

CFTC reported managed money soybean spec traders were 146,261 contracts net long as of 1/24. That was a 22k contract weaker net long through the week as the funds closed 14k longs and added 8k new shorts. Commercial soybean hedgers added 15k new long hedges which helped weaken their net short by 19k contracts to 179,807. In the products, the spec traders were 15k contracts less net long in meal and 18k contracts less net long in soybean oil. Commercials were also adding long hedges in the products, with 8k new longs for meal and 14k new longs for the oil through the week.

U.S. processor bids were mostly steady with more weakness noted in the west. Fairmont had some unplanned down time this week shutting production down and having a ripple effect on meal bids at neighboring plants. Crush margins remain strong and board crush closed up 4¼ cents for March at $1.99.

➢ U.S. Export Soy Values – Friday 27th January 2023

Soybeans Gulf barge/rail quotes, in cents/bus basis CBOT futures:

USDA (U.S. No. 2, CIF New Orleans) Gulf barge/rail quotes, in cents/bus.

CIF BEANS	1/26/2023	1/27/2023	
JAN	112 /	/	H
FEB	105 /	89 /	H
MAR	/ 102	89 / 92	H
APR	92 /	88 / 93	N
MAY	92 / 93	83 / 88	N
APR/MAY	/	87 / 91	N
JUL	/ 90	/	N
JUN/JUL	/	82 /	N
OCT	120 /	/	X

BRAZIL FOB BEANS @ PORT PARANAGUA

	1/26/2023	1/27/2023	
FEB	45 / 53	45 / 52	H
MAR	40 / 46	33 / 35	H
APR	30 / 33	28 / 31	K
MAY	44 / 48	41 / 43	K
JUN	47 / 50	45 / 50	N
JUL	57 / 60	60 / 67	N

CIF NOLA was firmer nearby and this followed barge freight which was higher as well on recent farmer movement.Export values remain at selling objectives vs the H while some processor bids are showing basis levels worth hedging and staying patient for now.

Canola / Rapeseed

➢ USDA – World Rapeseed

Oilseed, Rapeseed World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	40,509	+404(+1.01%)	40,105	38,142	34,916	34,707	35,868
Beginning Stocks (1000 MT)	4,477	+145(+3.35%)	4,332	6,297	7,566	9,802	8,040
Production (1000 MT)	84,786	+445(+.53%)	84,341	74,240	73,892	69,635	72,886
MY Imports (1000 MT)	16,914	+327(+1.97%)	16,587	13,883	16,662	15,711	14,635
Total Supply (1000 MT)	106,177	+917(+.87%)	105,260	94,420	98,120	95,148	95,561
MY Exports (1000 MT)	18,249	+540(+3.05%)	17,709	14,626	18,106	15,982	14,678
Crush (1000 MT)	77,802	+362(+.47%)	77,440	71,680	71,194	68,490	68,044
Food Use Dom. Cons. (1000 MT)	650	-	650	650	650	250	150
Feed Waste Dom. Cons. (1000 MT)	2,721	+63(+2.37%)	2,658	2,987	1,873	2,860	2,887
Total Dom. Cons. (1000 MT)	81,173	+425(+.53%)	80,748	75,317	73,717	71,600	71,081
Ending Stocks (1000 MT)	6,755	-48(-.71%)	6,803	4,477	6,297	7,566	9,802
Total Distribution (1000 MT)	106,177	+917(+.87%)	105,260	94,420	98,120	95,148	95,561
Yield (MT/HA)	2.09	(-.48%)	2.10	1.95	2.12	2.01	2.03

Source: USDA PS&D

In its first projection for 2023/24, AAFC projected Canadian canola 2023-24 crop at 18.5 mmts (18.2 mmts previous year), with the y/y increase reflecting a slight uptick in planted area and a return to trend yields. With consumption seen at 9.8 mmts (9.7 mmts), exports (Aug/Jul) are projected at 8.8 mmts (8.6 mmts).

Euronext rapeseed also fell on anticipation of ample supplies, and on reports that the German government was considering curbing the use of crop-based biofuels.

<u>Canola, Rapeseed, Sunseed Export Prices (FOB, US$/mt)</u> as of 10 January 2022

		TW	LW	LY	%Y/Y
Canola / Rapeseed					
Canada (Vancouver)	Feb	647	681	852	- 24
Australia (Kwinana) b)	Feb	733	741	689	+ 6
Sunflowerseed					
EU (France) (Bordeaux)	Jan	624	631	712	- 12

Source: International Grains Council

➢ U.S. Export Soybean Meal Values – Friday 26th January 2023

Soybean Meal Gulf barge/rail quotes, basis CBOT futures:

U.S., FOB Gulf	$597.25/MT
U.S., FOB PNW	$636.25/MT
Brazil, FOB	$576.25/MT
Argentina, FOB upriver	$591.75MT

➢ Canadian Canola sector faces a mountain of meal

27 January 2023 by Sean Pratt - It's hoped China and U.S. dairy farms will take most of the meal produced by new proposed crushing plants

Western Canada will be awash in canola meal once all the new canola crush facilities are built, says an analyst.

Canola crush capacity is expected to grow by 5.7 mmts over the next few years, a 50 percent increase over today's levels, according to the Canadian Oilseed Processors Association.

"Truth be told, most of those plants, or all of those plants, that have been announced will get built, because there are some deep pockets behind them," said Chuck Penner, analyst with LeftField Commodity Research.

That is going to result in an additional 3.5 to four mmts of annual canola meal production.

"The massive question is, where is all this meal going to go?" Penner said during a recent market outlook presentation at the annual general meetings of Saskatchewan's crop organizations.

The answer is mainly China, said Brittany Wood, director of canola utilization with the Canola Council of Canada.

The United States is the top buyer of Canadian canola meal, accounting for 3.4 mmts of the 5.7 mmts sold in 2021.

But that market is soon going to be "up to its armpits" in soybean meal, said Penner. U.S. soybean crush is expected to grow by 15 mmts over the next few years, resulting in an additional 12 mmts of soybean meal in that market.

"Growing domestic use of canola meal in the United States is going to be hard with all that soybean meal available," said Wood.

Instead, the council is focused on maintaining current sales to the vitally important California dairy market.

That will be a challenge considering soybean meal is set to become an even more cost-effective feed ingredient.

The council is going to continue to educate the dairy sector about how including canola meal in rations increases milk production and decreases methane emissions.

China bought 1.6 mmts of Canadian canola meal in 2021. It is mainly used in the country's aquaculture sector, which is poised for tremendous growth.

The country's dairy industry also has a good growth trajectory. LMC International is forecasting 16 million dairy cows in China by 2035, up from about 14 million today.

The same company is forecasting that China will be importing nearly 3.5 mmts of Canadian canola meal by 2035, more than double today's levels.

Canada is the third largest market for Canadian canola meal, consuming about 556,000 tonnes in 2021. Wood said there is still room for growth in Eastern Canada's dairy sector.

Sales to all other markets are negligible. But there is potential to replace rapeseed meal in Vietnam and Thailand, which each consume 150,000 to 300,000 tonnes of rapeseed/canola meal annually.

Wood said she doesn't envision a glut of canola meal weighing down markets. "A lot of it will move offshore," she said.

"I think demand will definitely be there."

LMC expects world oilseed meal consumption will rise by 106 mmts by 2035 due to continued growth in global meat and dairy consumption.

However, Penner can't shake the notion that meal prices are heading lower as an additional 12 mmts of soybean meal and 3.5 to four mmts of canola meal suddenly appears in North America.

"The meal side of that value equation is going to barf, while the oil side is going to be strong," he said.

➢ ICE Canadian Canola Futures – Daily Nearby

Source: https://www.barchart.com/futures/quotes/RSX22/interactive-chart
Prices in Canadian dollars per metric tonne

***ICE March 2023 Canola Futures** settled on Friday at C$807.70/mt, up C$1.60 on the day, and losing C$5.20 for the week. May23 811.40, up 4.30, Jul23 813.80, up 4.30, while new crop Nov23 798.80 was up 4.30*

The ICE Futures canola market was stronger at midday Friday, seeing a continued recovery off nearby lows to end the week. About 16,100 canola contracts traded as of 10:52 CST.

Farmers delivered 502,900 mts of canola into the commercial pipeline during the week, which was only down by 2,000 tonnes from the previous week. Wide crush margins and ideas the canola market was looking oversold after its recent selloff contributed to the gains.

A rally in Malaysian palm oil provided some spillover support, although Chicago soyoil futures were still softer at midday.

Canada exported 174,700 mts of canola during the week ending January 22nd, which was down from the 227,300 mts moved the previous week. However, year-to-date exports of 4.11 mmts continue to run well ahead of the previous year's pace of 3.27 million.

SUNFLOWERS

➢ USDA – World Sunflower Seed

Oilseed, Sunflowerseed World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	27,090	+194(+.72%)	26,896	28,819	26,857	25,984	25,810
Beginning Stocks (1000 MT)	8,034	+38(+.48%)	7,996	2,626	3,033	2,688	2,875
Production (1000 MT)	51,072	+372(+.73%)	50,700	57,314	49,196	54,160	50,659
MY Imports (1000 MT)	5,339	+7(+.13%)	5,332	3,784	2,735	3,343	2,890
Total Supply (1000 MT)	64,445	+417(+.65%)	64,028	63,724	54,964	60,191	56,424
MY Exports (1000 MT)	5,395	+50(+.94%)	5,345	3,910	2,900	3,687	3,213
Crush (1000 MT)	48,472	+686(+1.44%)	47,786	47,216	45,099	49,286	46,518
Food Use Dom. Cons. (1000 MT)	2,116	-	2,116	2,078	2,083	2,087	2,071
Feed Waste Dom. Cons. (1000 MT)	2,733	-	2,733	2,486	2,256	2,098	1,934
Total Dom. Cons. (1000 MT)	53,321	+686(+1.3%)	52,635	51,780	49,438	53,471	50,523
Ending Stocks (1000 MT)	5,729	-319(-5.27%)	6,048	8,034	2,626	3,033	2,688
Total Distribution (1000 MT)	64,445	+417(+.65%)	64,028	63,724	54,964	60,191	56,424
Yield (MT/HA)	1.89	-	1.89	1.99	1.83	2.08	1.96

Source: International Grains Council

➢ Sunflower seed processing lowest since 2015/16 MY in Ukraine

27 January 2023 APK Inform - According to preliminary estimates by APK-Inform, about 4.48 mmts of sunflower seed were processed in Ukraine for 4 months of 2022/23 MY, which was the minimum since 2015/16 MY.

Crisis in the country's energy sector, limits on the use of electricity and deliberate delay in the inspection of vessels in the "grain corridor" by Russia's side at the JCC that slows down shipments of sunflower oil are the key factors limiting the processing of sunflower seed.

A total of 10.4 mmts of sunflower seed can be processed in the country in 2022/23 MY, which is 10% less than the previous season.

The export of sunflower oil in 2022/23 MY may decrease by 8% compared to the previous season and amount to 4.15 mmts (minimum since 2015/16 MY).

The export of sunflower seed is as a separate factor affecting the processing of the oilseed and the export of sunflower oil in the current season. In September-

December 2022/23 MY, almost 1.2 mmts were exported from Ukraine, which was half of the APK-Inform forecast for the entire season.

"This indicator is atypically high for the industry. It results in significant strengthening of the competition for the oilseed, increase in sunflower seed prices even when the bid price of sunflower oil decreases and leads to sharper reduction in the supply of sunflower seed on the market", – the agency's analyst Svitlana Kyrychok noted.

However, she added that the situation in the energy sector and the expiration of the “grain deal” in March requiring new prolongation would not allow the processing volumes to increase sizable in February-March. That is, at this stage, the high rate of sunflower seed export compensates for moderate processing, and the liquidity of the oilseed for farmers remains almost at the pre-war level.

"However, in the long term prospect, such changes to the supply and demand balance may have negative consequences for the Ukrainian processing industry", – the expert summarized.

➢ Kazakhstan increased sunflower seed processing in 2022/23

27 January 2023 APK Inform - In Kazakhstan, the volume of sunflower seed processing increased in 2022/23 MY due to government support, in particular, a decrease in the export of the oilseed, Oil World reported.

The export of Kazakh vegetable oils and meal is steadily increasing, while China is becoming one of the top priorities. In September-December 2022, sunflower seed processing increased by ⅔ per year to 0.41 mmts.

The increase in sunflower seed processing has been observed since March 2022, and Oil World analysts predict a further growth in 2022/23 MY (September-August) to 1.1 mmts compared to 0.8 mmts of the previous season and 0.6 mmts two seasons earlier.

The export of sunflower oil in September-November 2022 doubled to 57 kmts, of which 21 kmts were supplied to China, 23 kmts to Uzbekistan and 12 kmts to Tajikistan.

Kazakhstan has introduced an export duty on sunflower seed in the amount of 20%, but not less than 100 EUR/mt.

Kazakhstan introduced an export duty on sunflower seed in the amount of 20%, but not less than 100 EUR/mt. The duty will come into force in February.

It is indicated that the duty on the export of sunflower seed has been introduced on a permanent basis.

The next step after the introduction of the export duty is the imposition of a tariff quota by the Ministry of Trade. A certain amount of sunflower seed will be exported duty-free, and above this amount will be shipped with duty. The preliminary size of the quota will be set at the level of the average volume of exports for previous years.

According to the estimates of the National Association of Oilseed Processors of Kazakhstan, during the first 5 months of 2022/23, sunflower exports have already exceeded the volume of exported oilseeds for the entire last season. The Association warned that the further uncontrolled export of sunflower seeds in the conditions of a shortage of this product on the world market endangers the signing of the memorandum on the stabilization of prices for sunflower oil in the Republic.

According to the estimates of the National Oilseed Processors Association of Kazakhstan (NOPA), for the first 5 months of 2022/23 MY, sunflower seed export will exceed the volume of export for the entire previous season. The Association warns that the further uncontrolled export of sunflower seed in the conditions of a shortage of this product on the world market threatens the signing of the memorandum on the stabilization of prices for sunflower oil in the country.

Vegetable Oils

➢ USDA – World Soybean Oil

Oil, Soybean World as of January 2023							
Attribute	**22/23 Jan'23**	**Change**	**22/23 Dec'22**	**21/22**	**20/21**	**19/20**	**18/19**
Crush (1000 MT)	327,323	-1749(-.53%)	329,072	314,194	315,443	312,301	298,619
Extr. Rate, 999.9999 (PERCENT)	0.19	-	0.19	0.19	0.19	0.19	0.19
Beginning Stocks (1000 MT)	4,563	+1(+.02%)	4,562	5,293	5,375	4,717	4,275
Production (1000 MT)	61,494	-381(-.62%)	61,875	59,259	59,232	58,519	56,063
MY Imports (1000 MT)	11,346	-210(-1.82%)	11,556	11,461	11,712	11,479	10,978
Total Supply (1000 MT)	77,403	-590(-.76%)	77,993	76,013	76,319	74,715	71,316
MY Exports (1000 MT)	12,280	-336(-2.66%)	12,616	12,150	12,610	12,372	11,479
Industrial Dom. Cons. (1000 MT)	12,534	+80(+.64%)	12,454	11,869	11,224	11,193	11,103
Food Use Dom. Cons. (1000 MT)	47,709	-268(-.56%)	47,977	47,366	47,102	45,670	43,907
Feed Waste Dom. Cons. (1000 MT)	80	-	80	65	90	105	110
Total Dom. Cons. (1000 MT)	60,323	-188(-.31%)	60,511	59,300	58,416	56,968	55,120
Ending Stocks (1000 MT)	4,800	-66(-1.36%)	4,866	4,563	5,293	5,375	4,717
Total Distribution (1000 MT)	77,403	-590(-.76%)	77,993	76,013	76,319	74,715	71,316

Source: USDA PS&D

➢ World Veg Oil Roundup

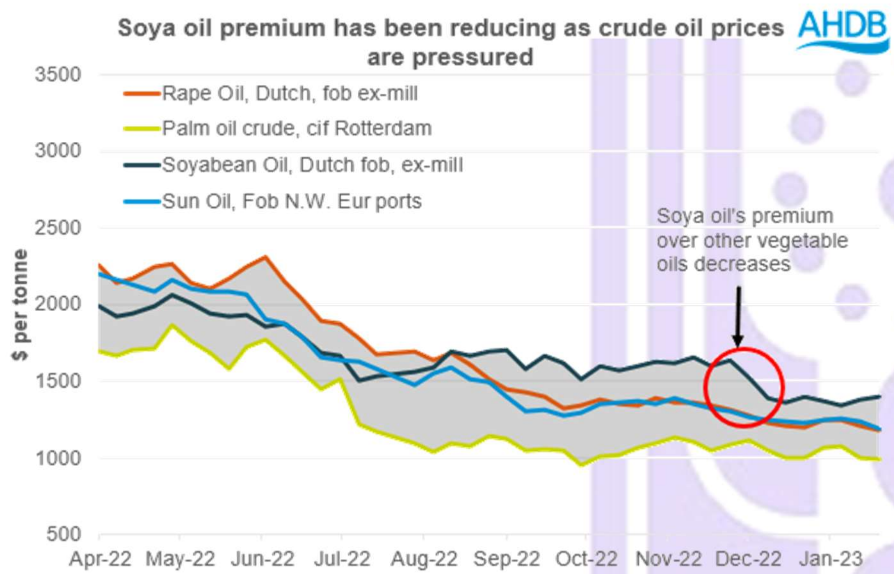
25 January 2023, AHDB - Since November 2022, vegetable oil prices in general have been drifting down from the highs recorded in the first half of 2022. The relationship between these vegetable oils in Europe has started to converge and trade within a tighter range.

The US and Brazil’s demand for soyabean oil in biodiesel production has been driving soyabean oil’s premium, moving this to the top of the vegetable oil complex. Though this premium has reduced recently, as shown in the graph below.

To some extent the pressure on crude oil over this period has pressured soyabean oil prices, to reduce this premium, to trade slightly more in line with other vegetable oils in the complex. Large supplies of rape, sun and palm oil are all being offered at competitive prices, which have also brought soyabean oil down.

Palm oil prices, the floor to the vegetable oil complex, have been tracking sideways recently. This is due to a lack of market direction with output lower due to seasonality (in major producers Malaysia and Indonesia), and large ending stocks. In Malaysia, ending stocks are historically high at 2.19 mmts, as of December 2022. Further to that, the Malaysian Palm Oil Council (MPOC) estimates indicate palm oil prices will remain supported around current levels in 2023, with prices set to average $920-

$970/t. Also, in February, Indonesia is expected to increase their biodiesel admixture from 30% to 35%, so therefore a supported floor to the vegetable oil complex could continue going forward. However, there are questions around palm oil demand from the EU, with laws that could create a trade barrier to palm oil shipments.



Source: OilWorld.biz

Rape oil in the EU has been trading within the middle of the vegetable oil complex at a marginal discount to sun oil. With a recovery in rapeseed production for this marketing year combined with increased imports (of rapeseed). The EU's crush is expected to increase by 9% year-on-year and exports of rape oil are going to increase and compete on the export market with sun oil out of the EU and Black Sea.

Two key watch points over the next few months which could drive vegetable oil prices:

First - Establishing the damage to Argentina's soyabean crop – their crop has been revised down recently, but recent rains combined with Brazil's record soyabean crop at 152.7 mmts (Conab) could still mean total production out of South America is strong. Brazilian harvest too has started. Which could weigh on oilseed and vegetable oil prices as we progress through the end of the 2022/23 marketing year – but it's expected that soyabean oil premium will remain due to biodiesel demand mentioned above. However, should soyabean oil see pressure going forward, this could bring down the ceiling to the vegetable oil complex.

Second - Chinese demand for ag commodities will be a key watch point over the next few months given the easing of their COVID-19 restrictions. With prices of vegetable oil reducing recently, Chinese appetite for vegetable oils has increased. Total ending stocks of oils for December was pegged at 1.7 mmts, a 17-month high (MPOC). If we see Chinese purchasing increase exponentially, that could keep prices elevated for palm oil despite EU demand concerns. This could keep some support to the floor of the vegetable oil complex.

Overall, from this, we could see a further tightening in the price range of the vegetable oil complex. This could mean other vegetable oils could be more closely linked to driving rape oil prices going forward, which will filter into rapeseed prices.

Soybean Oil Prices – (*FOB, US$/mt*) 24 January 2023

Argentina (Up River)	Feb	$1,162
Brazil (Paranagua)	Feb	$1.133

➢ USDA – U.S. Soybean Oil

Oil, Soybean United States as of January 2023					
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21
Crush (1000 MT)	61,099	-	61,099	59,978	58,257
Extr. Rate, 999.9999 (PERCENT)	0.20	-	0.20	0.20	0.19
Beginning Stocks (1000 MT)	903	-	903	967	840
Production (1000 MT)	11,934	-	11,934	11,858	11,350
MY Imports (1000 MT)	136	-	136	138	137
Total Supply (1000 MT)	12,973	-	12,973	12,963	12,327
MY Exports (1000 MT)	363	-136(-27.25%)	499	804	785
Industrial Dom. Cons. (1000 MT)	5,262	-	5,262	4,694	4,046
Food Use Dom. Cons. (1000 MT)	6,486	+136(+2.14%)	6,350	6,562	6,529
Feed Waste Dom. Cons. (1000 MT)	0	-	0	0	0
Total Dom. Cons. (1000 MT)	11,748	+136(+1.17%)	11,612	11,256	10,575
Ending Stocks (1000 MT)	862	-	862	903	967
Total Distribution (1000 MT)	12,973	-	12,973	12,963	12,327

Source: USDA PS&D

➢ NOPA December soy crush below most estimates at 177.505 mbus

17 January 2023, by Julie Ingwersen, NOPA - The monthly U.S. soybean crush declined by 0.9% in December from a month earlier, falling below an average of analyst expectations, while soyoil stocks rose to an eight-month high, according to National Oilseed Processors Association (NOPA) data released on Tuesday.

NOPA members, which account for around 95% of soybeans processed in the United States, crushed 177.505 million bushels of soybeans last month, down from the 179.184 million bushels processed in November and down 4.8% from the December 2021 crush of 186.438 million bushels.

NOPA's crush figure of 177.505 million bushels fell below the average estimate of 182.907 million bushels from 10 analysts in a Reuters survey. Analyst estimates ranged from 174.380 million to 188.0 million bushels, with a median of 184.107 million bushels.

Frigid temperatures and heavy snow across parts of the central United States late last month curbed crushing operations and disrupted transportation around several facilities, some analysts said ahead of NOPA's report.

Soyoil supplies among NOPA members as of Dec. 31 climbed to 1.791 billion pounds, above an average of trade expectations and up from 1.630 billion pounds at the end of November, but still below the year-ago figure of 2.031 billion pounds.

Soyoil supplies at the end of December were expected to have climbed to 1.725 billion pounds, according to the average of estimates gathered from seven analysts. Estimates ranged from 1.679 billion to 1.775 billion pounds, with a median of 1.725 billion pounds.

➤ CME Soybean Oil – Nearby Daily

Source: Barchart https://www.barchart.com/futures/quotes/ZLU22/interactive-chart

CME March 2023 Soybean Oil Futures *settled on Friday at $60.62/cwt, off 17 cents on the day, and losing 135 cents for the week.*

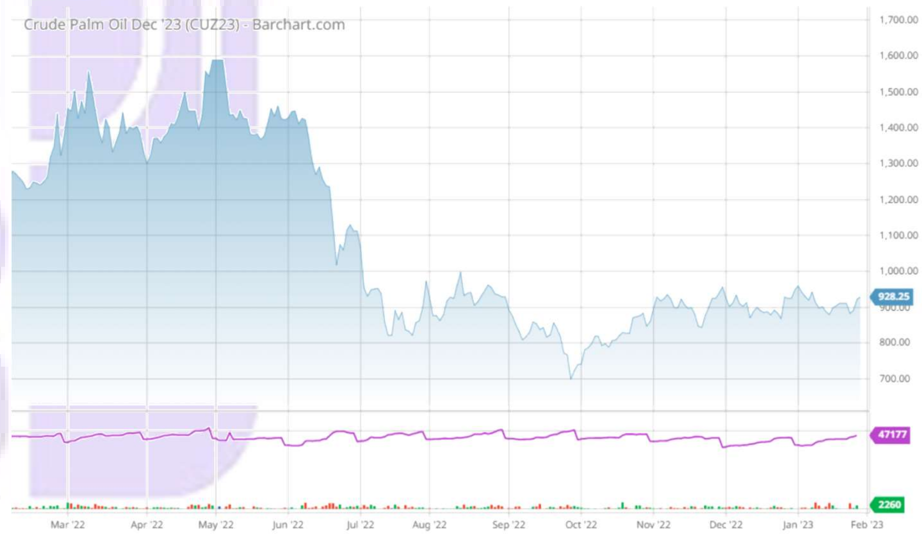
BO prices went into the weekend with Friday losses of 5 to 17 points. USDA cited the B100 cash price at $5.50/gal in MN for the week, a 20c drop from last week.

➤ USDA – World Palm Oil

Oil, Palm World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	25,479	-	25,479	25,138	24,474	24,078	23,383
Beginning Stocks (1000 MT)	16,738	-21(-.13%)	16,759	15,128	15,829	14,878	12,840
Production (1000 MT)	77,215	-	77,215	73,826	73,076	73,030	74,178
MY Imports (1000 MT)	49,478	-10(-.02%)	49,488	42,692	47,526	47,477	50,541
Total Supply (1000 MT)	143,431	-31(-.02%)	143,462	131,646	136,431	135,385	137,559
MY Exports (1000 MT)	50,893	+5(+.01%)	50,888	43,790	48,188	48,491	51,746
Industrial Dom. Cons. (1000 MT)	24,586	-70(-.28%)	24,656	22,191	23,430	23,144	22,640
Food Use Dom. Cons. (1000 MT)	50,621	+105(+.21%)	50,516	47,396	48,986	47,215	47,605
Feed Waste Dom. Cons. (1000 MT)	832	-	832	1,531	699	706	690
Total Dom. Cons. (1000 MT)	76,039	+35(+.05%)	76,004	71,118	73,115	71,065	70,935
Ending Stocks (1000 MT)	16,499	-71(-.43%)	16,570	16,738	15,128	15,829	14,878
Total Distribution (1000 MT)	143,431	-31(-.02%)	143,462	131,646	136,431	135,385	137,559
Yield (MT/HA)	3.03	-	3.03	2.94	2.99	3.03	3.17

Source: USDA PS&D

➤ CME Palm Oil Swaps – Daily Nearby



Source: Barchart https://www.barchart.com/futures/quotes/CUU22/interactive-chart

CME December 2022 Palm Oil Swaps *settling at $922.35/mt on Friday, up $31.25 on the day, and gaining $11.60/mt for the week.*

RBD PALM OIL Export Prices – (*FOB, US$/mt*)

Malaysia Feb $948

Palm hits near 3-week high as floods stoke output concerns

28 January 2023 by Mei Mei Chu, Reuters - Malaysian palm oil futures climbed on Monday to their highest in nearly three weeks as worries grew that floods could hurt output in the world's second largest producer.

The benchmark palm oil contract FCPOc3 for April delivery on the Bursa Malaysia Derivatives Exchange gained 68, or 1.74%, to 3,970 ringgit ($937.43) a tonne. The contract rose for a third straight session and hit its highest since January 11th.
($1 = 4.2350 ringgit)

Farmers in Malaysia's southern state of Johor are worried that stagnant flood waters would affect their palm oil yields, after heavy rains last week displaced thousands of people in several palm oil producing states, according to state news agency Bernama.

Chinese markets opening sharply higher after the Lunar New Year holidays and talks of Indonesia may further reduce its domestic palm oil sales ratio also supported prices, said Anilkumar Bagani, research head of Mumbai-based vegetable oils broker Sunvin Group.

Dalian's most-active soyoil contract DBYcv1 rose 1.3%, while its palm oil contract DCPcv1 gained 2.5%. Soyoil prices on the Chicago Board of Trade BOcv1 were up 1.6%.

Palm oil is affected by price movements in related oils as they compete for a share in the global vegetable oils market.

Oil prices climbed on tensions in the Middle East following a drone attack in Iran and as Beijing pledged over the weekend to promote a consumption recovery which would support fuel demand. O/R

Stronger crude oil futures make palm a more attractive option for biodiesel feedstock.

Palm oil may bounce more towards 3,980 ringgit, as it has broken a resistance at 3,888 ringgit per tonne, Reuters technical analyst Wang Tao said. TECH/C

Indonesia's 2022 palm oil exports fell 8.5%, output sluggish

26 January 2023 by Bernadette Christina, Reuters - Indonesia's palm oil exports fell 8.5% last year because of a volatile regulatory environment and sluggish output that is expected to continue this year, the Indonesia Palm Oil Association (GAPKI) said on Wednesday.

The world's top palm oil producer exported 30.8 mmts of palm oil product in 2022, down from 33.7 mmts a year earlier.

To control soaring prices of domestic cooking oil last year, the government implemented various changes in palm oil export policy, including a three-week export ban starting in late April.

A slight drop in palm oil production last year amid rising domestic consumption in the energy sector also contributed to the lower exports, GAPKI Chairman Joko Priyono told a media briefing.

"Biodiesel consumption (last year) jumped because consumption of fuel rose after the pandemic," he said.

Indonesia uses palm oil as a feedstock for its 30% mandatory blend in biodiesel. The blend will be raised to 35% in February and will be known as B35.

Last year, the Southeast Asian nation produced 46.7 mmts of crude palm oil, down 0.4% from 2021. It also produced 4.5 mmts of palm kernel oil.

"This is the fourth year of stagnant output while domestic consumption continues rising," Joko said. "In 2023, we expect production to be stagnant again due to high fertiliser prices. Farmers have been using lower dosage, which would affect output this year." Indonesia's palm oil stocks were 3.65 mmts by the end of 2022.

Plant Protein Meals

➢ USDA – World Soybean Meal

Meal, Soybean World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Crush (1000 MT)	327,326	-1994(-.61%)	329,320	314,197	315,446	312,306	298,624
Extr. Rate, 999.9999 (PERCENT)	0.78	-	0.78	0.78	0.79	0.79	0.78
Beginning Stocks (1000 MT)	13,993	-43(-.31%)	14,036	14,344	15,540	16,039	16,395
Production (1000 MT)	256,927	-1572(-.61%)	258,499	246,571	247,820	245,312	233,884
MY Imports (1000 MT)	65,451	-184(-.28%)	65,635	65,234	64,071	62,502	63,640
Total Supply (1000 MT)	336,371	-1799(-.53%)	338,170	326,149	327,431	323,853	313,919
MY Exports (1000 MT)	69,735	-350(-.5%)	70,085	68,190	68,975	67,592	68,018
Industrial Dom. Cons. (1000 MT)	1,407	-	1,407	1,332	1,367	1,367	1,336
Food Use Dom. Cons. (1000 MT)	817	-	817	806	741	761	581
Feed Waste Dom. Cons. (1000 MT)	250,290	-807(-.32%)	251,097	241,828	242,004	238,593	227,945
Total Dom. Cons. (1000 MT)	252,514	-807(-.32%)	253,321	243,966	244,112	240,721	229,862
Ending Stocks (1000 MT)	14,122	-642(-4.35%)	14,764	13,993	14,344	15,540	16,039
Total Distribution (1000 MT)	336,371	-1799(-.53%)	338,170	326,149	327,431	323,853	313,919
SME (1000 MT)	250,290	-807(-.32%)	251,097	241,828	242,004	238,593	227,945

Source: USDA PS&D

➢ India's soymeal exports to jump as drought curbs Argentine supply

18 January 2023 by Rajendra Jadhav, Reuters - India's soymeal exports could more than double in the 2022/23 marketing year, as drought in top exporter Argentina lifted global prices, prompting buyers to turn to the south Asian country with cheaper rates, four industry officials told Reuters.

The revival in the exports of the animal feed has boosted soybean crushing in India and the availability of soyoil, which could reduce imports of soyoil and palm oil by the world's biggest buyer in coming months.

Oil mills have contracted to export around 160,000 mts of soymeal for January shipments and another 100,000 mts for February shipments, mostly to Asian countries such as Vietnam, Bangladesh, Japan and Nepal, the officials said.

"Exports demand for Indian soymeal has been improving since it is cheaper than supplies from Argentina," Hemant Bansal, vice president, oilseed crushing and refining at Patanjali Foods Ltd told Reuters. "Asian buyers are saving on freight as well due to the proximity."

Bansal estimated India's soymeal exports in the current marketing year could rise to 1.5-2 mmts, from 644,000 mts a year ago.

Soymeal prices rose in the world market as Argentina's soybean production was forecast to fall to 41 mmts in 2022/23 due to drought, from 48 mmts previously estimated.

India's soymeal exports in the first three months of the 2022/23 marketing year, which started on October 1st, jumped 223% to 325,409 mts, according to trade body the Solvent Extractors' Association of India.

Soybean crush margins have improved due to recovery in soymeal exports, but the correction in soyoil prices in the past few days is threatening to wipe out the margins, said Manoj Agrawal, an exporter.

Soyoil and palm oil imports were seen declining in the coming months with improvement in local supplies, a Mumbai-based dealer with a global trade house said.

Edible oil availability has improved because of higher imports in the December quarter and as soyoil supplies are rising from domestic soybean crushing, he added.

➢ USDA – U.S Soybean Meal

Meal, Soybean United States as of January 2023					
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21
Crush (1000 MT)	61,099	-	61,099	59,978	58,257
Extr. Rate, 999.9999 (PERCENT)	0.78	-	0.78	0.78	0.79
Beginning Stocks (1000 MT)	282	-	282	309	310
Production (1000 MT)	47,935	-	47,935	47,002	45,872
MY Imports (1000 MT)	544	-	544	589	712
Total Supply (1000 MT)	48,761	-	48,761	47,900	46,894
MY Exports (1000 MT)	12,428	-	12,428	12,269	12,406
Industrial Dom. Cons. (1000 MT)	0	-	0	0	0
Food Use Dom. Cons. (1000 MT)	0	-	0	0	0
Feed Waste Dom. Cons. (1000 MT)	36,015	-	36,015	35,349	34,179
Total Dom. Cons. (1000 MT)	36,015	-	36,015	35,349	34,179
Ending Stocks (1000 MT)	318	-	318	282	309
Total Distribution (1000 MT)	48,761	-	48,761	47,900	46,894
SME (1000 MT)	36,015	-	36,015	35,349	34,179

Source: USDA PS&D

➢ CME CBOT Soybean Meal

Source: Barchart https://www.barchart.com/futures/quotes/ZMU22/interactive-chart

***CME March 2023 Soybean Meal Futures,** settled on Friday at $481.70/short ton, off $3.60 on the day, but gaining $18.00/short ton for the week.*

U.S. Export Soybean Meal Values – Friday 27th January 2023

Soybean Meal Gulf barge/rail quotes, basis CBOT futures:

U.S., fob Gulf	$590.00MT
Brazil, fob Paranagua	$541.50/MT
Argentina, fob upriver	$568.00/MT

CIF SOYBEAN MEAL	1/26/2023	1/27/2023		
JAN	60 / -	60 / -	H	UNC
FEB	60 / -	55 / -	H	
MAR	45 / -	50 / -	H	
APR	32 / 42	38 / 42	K	
MAY	32 / 42	32 / 42	K	UNC
JUN	32 / 42	32 / 42	N	UNC

DDG's – Prices turn lower on average

27 January 2023 Mary Kennedy, DTN – The DTN average price for domestic distillers dried grains (DDG) from 35 locations reporting for the week ended Jan. 26 was $273 per ton, down $3 on average from one week ago. Prices were mixed again this week but lower on average for the first time in well over a month. Demand has slowed for spot supplies even as soybean meal prices continue to push higher, and corn basis and futures remain strong. As plant production increased again, DDG supplies remain readily available in most areas.

Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ended Jan. 26 was 1.12%. The value of DDG relative to soybean meal was 57.22%, and the cost per unit of protein for DDG was $10.11 compared to the cost per unit of protein for soybean meal at $10.04.

In its weekly DDGS export update, the U.S. Grains Council said: "On the export market, Barge CIF NOLA prices are $1/MT lower and are averaging $333/MT for February through April shipment.

FOB NOLA offers are down $1-2/MT this week at $337-338/MT while U.S. rail rates have contracted $14.

Finally, softer ocean freight markets continue to allow offers for 40-foot containers to Southeast Asia to move lower. The average offer for Q2 shipment is down $1/mt at $395/mt this week."

VALUE OF DDG VS. CORN & SOYBEAN MEAL

Settlement Price:	**Quote Date**	**Bushel**	**Short Ton**
Corn	1/26/2023	$6.8250	$243.7500
Soybean Meal	1/26/2023		$477.10
DDG Weekly Average Spot Price	1/26/2023		$273.00
DDG Value Relative to:		**1/26/2023**	**1/19/2023**
Corn		1.12%	1.14%
Soybean Meal		57.22%	58.57%
Cost Per Unit of Protein:			
DDG		$10.11	$10.22
Soybean Meal		$10.04	$9.92

Notes: Corn and soybean prices take from DTN Market Quotes. DDG price represents the average spot price from Midwest companies collected on Thursday afternoons. Soybean meal cost per unit of protein is cost per ton divided by 47.5. DDG cost per unit of protein is cost per ton divided by 27.

COTTON

➢ USDA – World Cotton

Cotton World as of January 2023							
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21	19/20	18/19
Area Harvested (1000 HA)	31,916	-148(-.46%)	32,064	32,313	31,366	34,466	33,216
Beginning Stocks (1000 480 lb. Bales)	85,340	-104(-.12%)	85,444	86,733	98,406	82,575	82,828
Production (1000 480 lb. Bales)	115,396	-332(-.29%)	115,728	115,715	111,489	120,163	118,490
Imports (1000 480 lb. Bales)	41,626	-645(-1.53%)	42,271	42,889	48,693	40,703	42,451
Total Supply (1000 480 lb. Bales)	242,362	-1081(-.44%)	243,443	245,337	258,588	243,441	243,769
Exports (1000 480 lb. Bales)	41,656	-595(-1.41%)	42,251	42,863	48,726	41,057	41,484
Use (1000 480 lb. Bales)	110,853	-846(-.76%)	111,699	117,501	123,188	104,064	119,783
Loss (1000 480 lb. Bales)	-80	-12(17.65%)	-68	-367	-59	-86	-73
Total Dom. Cons. (1000 480 lb. Bales)	110,773	-858(-.77%)	111,631	117,134	123,129	103,978	119,710
Ending Stocks (1000 480 lb. Bales)	89,933	+372(+.42%)	89,561	85,340	86,733	98,406	82,575
Total Distribution (1000 480 lb. Bales)	242,362	-1081(-.44%)	243,443	245,337	258,588	243,441	243,769
Stock to Use % (PERCENT)	58.97	+1(+1.36%)	58.18	53.22	50.45	67.81	51.20
Yield (KG/HA)	787	+1(+.13%)	786	780	774	759	777

Source: USDA PS&D

12 January 2023 USDA WASDE - This month's U.S. 2022/23 cotton forecasts include higher production and ending stocks, no change in U.S. mill use, and lower exports. US production is 438,000 bales higher, at 14.7 million, with yield at a record 947 pounds/acre, up 9% from the December estimate.

Major consumers including China, India, and Pakistan are facing challenges including a downward trend in profit margins and yarn orders, which in turn have resulted in conservative buying practices for cotton lint. Additionally, a lower global consumption forecast reflects the slowing of overall global demand for cotton products.

➢ USDA – U.S Cotton

Cotton United States as of January 2023					
Attribute	22/23 Jan'23	Change	22/23 Dec'22	21/22	20/21
Area Harvested (1000 HA)	3,011	-176(-5.52%)	3,187	4,157	3,325
Beginning Stocks (1000 480 lb. Bales)	3,750	-	3,750	3,150	7,250
Production (1000 480 lb. Bales)	14,680	+438(+3.08%)	14,242	17,523	14,608
Imports (1000 480 lb. Bales)	5	-	5	5	2
Total Supply (1000 480 lb. Bales)	18,435	+438(+2.43%)	17,997	20,678	21,860
Exports (1000 480 lb. Bales)	12,000	-250(-2.04%)	12,250	14,622	16,352
Use (1000 480 lb. Bales)	2,200	-	2,200	2,550	2,400
Loss (1000 480 lb. Bales)	35	-12(-25.53%)	47	-244	-42
Total Dom. Cons. (1000 480 lb. Bales)	2,235	-12(-.53%)	2,247	2,306	2,358
Ending Stocks (1000 480 lb. Bales)	4,200	+700(+20%)	3,500	3,750	3,150
Total Distribution (1000 480 lb. Bales)	18,435	+438(+2.43%)	17,997	20,678	21,860
Stock to Use % (PERCENT)	29.58	+5(+22.13%)	24.22	21.84	16.80
Yield (KG/HA)	1,062	+89(+9.15%)	973	918	957

Source: USDA PS&D

➢ CME Cotton – Weekly Nearby

Source: Barchart https://www.barchart.com/futures/quotes/ZMU22/interactive-chart *Weekly*

***CME March 2023 Cotton Futures** settled on Friday at $86.89/cwt, down 61 points on the day, and gaining losing $0.19/cwt for the week. May23 Cotton closed at 87.45, down 57 points, while Jul23 Cotton closed at 87.8, down 54 points*

The front month cotton futures market went into the weekend with 34 to 61 point losses on Friday. For March, that meant a 19 point gain Friday to Friday. December cotton futures were 91 points higher from Friday to Friday, ending at a 131 point discount to the spot market.

The Commitment of Traders report showed managed money firms were closing 5.1k shorts and adding 3.9k new longs through the week that ended 1/24. That flipped the group back to net long, with a 7,122 contract net long as of Tuesday's settle. Commercial cotton traders added 7.5k new short hedgers for a 40,416 contract net short.

USDA's weekly Classings report showed 152,112 bales of upland cotton was classed through the week for a season's total of 13.328 million. Adding Pima, the season's classings sits at 13.732m bales.

The Seam had 16,160 bales sold on 1/26 at an average gross price of 82.74 cents. USDA's weekly Cotton Market Review mentioned the bulk price was 85.21 cents for the week's 60,998 bales sold. The Cotlook A Index was 101.65 cents/lb after another 50 point boost on 1/26. The USDA average world price (AWP) for cotton was raised 262 points this afternoon to 75.05 cents per pound. It will be in effect until next Thursday.

ENERGY & ETHANOL

➢ **India is moving closer to its ethanol blending goal**

17 January 2023 by Kushan Mitra - Two 'E' words underlined the theme of the recently concluded Auto Expo 2023 in Greater Noida. The first was, of course, 'Electric'. Almost every pavilion and stall you walked into had an electric vehicle—from futuristic concepts like the Maruti-Suzuki EVX, Hyundai's very real Ioniq 5, to production-ready models from Tata Motors. On the upper floor of the India Expo Mart, the two-wheeler and commercial vehicle areas were pretty much only about EVs too.

But the second 'E' will make an immediate difference to your life, and that 'E' is 'Ethanol'. There was a whole pavilion dedicated to vehicles running on Ethanol at the Auto Expo. But why? Because this government has made ethanol blending in petrol one of its priority areas that would help the country's agricultural sector. This is likely to substitute and curtail crude oil imports from the Arabian peninsula and elsewhere.

The regular petrol you fill in your cars today is something called E10, a blend of up to 10 per cent ethanol with petrol. But in the coming months, the government wants carmakers to make their new vehicles compatible with E20, which, quite obviously, is a blend of petrol and 20 per cent ethanol. But this raises several technical issues.

The alternative fuel challenge

If you remember your high-school chemistry, you would know that alcohols like ethanol are solvents that can be highly corrosive to metals. While E10 blends have caused no significant issues in current vehicles, minor but essential modifications are required for internal-combustion engines to run E20 blends. These changes are essentially on the engine's rubber and plastic tubings and lubricating oils.

While a current engine could run E20 fuel in a pinch, extended use could lead to leaking pipes and damaged parts. Formula 1 fans would know that the Honda powertrains on Red Bull racing cars faced some issues early in the 2022 season, as the higher proportion of ethanol in the fuel used this year led to problems with fuel pipes and other minor components.

E20 fuel could be coming to a petrol pump near you—particularly in metropolitan areas—sooner than you think. That is precisely why large manufacturers like Maruti-Suzuki have said that all the cars they sell will be E20 compliant from 1 April 2023. E20 fuel, like premium high-octane petrol, will likely need to be sold from a separate dispensing unit. Incidentally, If you want your car to live on unblended petrol, you should fill some of this branded petrol now.

E20 just the beginning

E20 is just the start. Inspired by Brazil, the Indian government wants to move to Flex Fuel Vehicles or FFVs. These vehicles can run on an ethanol-petrol blend of up to 85 per cent, aka E85 fuel. Such FFVs will require much more complex engineering, though. According to a senior technical director at a car company, the switch to FFV will require changes to fuel plumbing and many of the moving parts of an internal combustion engine, such as pistons and valves.

FFVs, though, do run in Brazil, and while some food security activists have condemned them because foodgrains used to make ethanol are diverted from human and animal consumption to fuel production, others like road transport and highways minister Nitin Gadkari are of a different view. Gadkari argues that the excess food grain and sugar stock used to make blendable ethanol will give farmers an alternate income stream. India, after all, grows enough food grain. However, global events like the war in Ukraine, which has upended wheat and sunflower oil seed supply globally, should be a cautionary tale for policymakers. Moreover, sugarcane, the main feedstock for ethanol, is a heavy consumer of water, and India, unlike Brazil, has a severe groundwater crisis.

Even in Brazil, environmental activists have raised serious questions about increased sugarcane farming leading to deforestation of the Amazon. And then there is another major issue—calorific value. The fact is that ethanol packs less punch than petrol, 20 per cent less. Engines that run on blends of ethanol and petrol will produce less power than an engine running on pure petrol, just like higher octane ratings of petrol produce more power than lower octane ratings. That said, if higher blends of ethanol and petrol, starting from E20, are slightly cheaper than regular fuel, it could encourage car and motorcycle users to make the switch. Especially since the Narendra Modi-led Cabinet Committee for Economic Affairs has announced that ethanol will be procured for Rs 65.61 per litre. This price will make ethanol production by distillers profitable and justify a high Minimum Support Price (MSP) for farmers.

It would be perverse to charge similar amounts for regular and ethanol-blended petrol, but stranger things have happened in India. A discount on ethanol-blended fuels will encourage car buyers to give up petrol and diesel-powered vehicles for FFVs. Such discounts did wonders for diesel adoption in India in the mid-2000s.

Long story short, the government is keen to increase ethanol usage in vehicles in India, and the industry, particularly carmakers, is making those changes. In the two and three-wheeler industry, the shift toward electrification is increasing. But EVs still cost a significant premium over regular internal combustion engine vehicles. The increased cost is unviable for most car owners in India, who do not drive more than 10,000 kilometres annually. The path to lowering emissions and managing our crude import bill will be through ethanol blending. But the path might not be one that car owners (or oil marketing companies, for that matter) find easy to shift onto.

@kushanmitra is an automotive journalist based in New Delhi. He was one of the jury members on the ICOTY panel. Views are personal.

➢ **Carbon capture pipeline prepares ethanol industry for the future**

27 January 2023 by Dana Siefkes Lewis - In South Dakota, corn production generates more than $4 billion in total value for the state and remains a key driver of our ag economy. Historically, we have celebrated how this level of productivity among our corn growers makes them leaders in both feeding and fueling the world. The ethanol industry today purchases approximately 60% of all the corn grown in the state, which makes the dozens of ethanol plants across South Dakota critical to maintaining strong commodity prices and land values in the years to come.

However, the simple truth is that agricultural markets rarely remain stable and likely face even greater fluctuations than most other industries. That's certainly been true for ethanol producers in recent years who confronted small refinery waivers that artificially removed billions of gallons of demand from the marketplace and a global health pandemic that dramatically reduced the number of people traveling. Based on those experiences, we can no longer afford to stand still and hope for the best. Instead, it is important to find new ways to make investments today that adequately prepare us for the future and take advantage of emerging economic opportunities.

That's why virtually every ethanol plant in South Dakota has joined a carbon capture, transportation and storage project. I believe I have a unique perspective on this trend. For nearly two decades, I was the Chief Administrative Officer for Redfield Energy, plus had the privilege of serving as President of the South Dakota Ethanol Producers Association and an executive committee member of the Renewable Fuels Association, a national industry association.

Several months ago, I joined Summit Carbon Solutions, who is partnering with Dakota Ethanol in Wentworth, Redfield Energy in Redfield, Ringneck Energy in Onida, and the Glacial Lakes Energy plants in Aberdeen, Huron, Mina, and Watertown to develop the largest carbon capture project in the world. This is a nearly $800 million investment in South Dakota alone that will, once operational, allow these partners to sell their product at a premium in the growing number of states and countries that have adopted low carbon fuel standards. The bottom line is that ethanol producers will struggle to remain viable in the years to come if they fail to access these markets.

The implications of that failure would be far reaching. The loss of the ethanol industry in South Dakota would result in the elimination of more than 1,000 jobs in the ethanol industry alone, thousands of jobs that are directly impacted by the ethanol plants they work with, and the elimination of $600 million in annual contributions to our state GDP. And more troubling, it would wipe out the industry responsible for purchasing a majority of the corn grown in the state and all the challenges that would create across our economy including reduced commodity prices, land values, and more.

Admittedly, there is a lot of noise around carbon capture projects including Summit Carbon Solutions. What that obscures is that landowners are increasingly embracing the public benefits of these investments. Across the Midwest, Summit Carbon Solutions has partnered with 2,400 landowners to sign 3,850 easement agreements. In South Dakota, the company has partnered with 460 landowners to sign 730 easement agreements. And more are signing up every day.

They are doing so because there is broad recognition that we need to ensure the future of ethanol and the ability of the industry to continue serving as a strong end market for corn growers. Even after holding dozens of public forums and meetings with policymakers across the state not to mention thousands of one-on-one meetings with landowners, our team remains committed to answering questions, addressing concerns, and engaging with stakeholders in a transparent way. If you would like to contact the company to learn more about the project or ask questions, we encourage you to contact us at info@summitcarbon.com.

Dana Siefkes-Lewis is Summit Carbon Solutions Director of Public Affairs in South Dakota. Prior to holding this position, she was the Chief Administrative Officer for Redfield Energy. This article originally appeared on Aberdeen News: Carbon capture pipeline prepares ethanol industry for the future

➢ CME Ethanol Futures - Nearby Weekly

Source: Barchart https://www.barchart.com/futures/quotes/FLV22/interactive-chart

***CME Nearby Ethanol March 2023** settling on Friday at $2.18000/gallon, up 1.000 cents on the day, and losing 1.000 cents for the week.*

Mar WTI crude oil (CLH23) on Friday closed down -1.33 (-1.64%), and Mar RBOB gasoline (RBH23) closed down -2.31 (-0.88%).

USDA saw the week's average ethanol prices as 1 to 7 cents weaker from $1.97 to $2.20/gal regionally. DDGS were reported from $220/ton in Ohio to $315/ton in NE through the week – which was within $20 of last week but mostly $5-$15/ton lower.

The cash corn oil market saw quotes ranging from 66 to 70 cents/lb regionally, with bids mostly 1-2 cents weaker wk/wk.

The Energy Information Administration (EIA) at midweek showed a third straight weekly gain in domestic ethanol production for the week ended Jan. 20, up 4,000 barrels per day (bpd) to a five-week high 1.012 million bpd, 2.2% below a year ago. Output in the Midwest PADD 2 rose 5,000 bpd to 963,000 bpd, also a five-week high while down 1.6% versus the same week in 2022.

Germany mulling withdrawal from crop-based biofuels by 2030 according to The Association of the German Biofuels Industry. Proposals are to reduce the maximum level of biofuel blending in German fossil fuels from 4.4% in 2023 to 2.3% in 2024 and towards zero in 2030.

U.S. Corn Values delivered Ethanol Plants – Friday 27th January 2023

Corn Delivered Selected Plants / Roadl quotes, in cents/bus basis CBOT futures: USDA (U.S. No. 2, 14.5% moisture, in cents/bus.

Nearby Ethanol Bids	1/26/2023	1/27/2023		
Blair, NE	60	60	H	**UNC**
Cedar Rapids, IA	-10	-12	H	
Decatur, IL	27	27	H	**UNC**
Fort Dodge, IA	43	43	H	**UNC**
N. Manchester, IN	5	5	H	**UNC**
Portland, IN	17	17	H	**UNC**

NYMEX WTI Crude Oil – Daily Cash

Source: Barchart https://www.barchart.com/futures/quotes/CLY00/interactive-chart

***NYMEX Cash WTI Crude Oil Futures** settled on Friday at $79.68/barrel, off $1.33 on the day, and losing $1.63 for the week.*

Crude Oil Retreats On Dollar Strength And Technical Selling

27 January 2023 by Rich Asplund, Barchart – Crude oil and gasoline prices Friday gave up an early advance and turned lower. A stronger dollar (DXY00) Friday undercut energy prices. Also, technical selling pressured prices as long liquidation emerged Friday after crude failed to surpass Monday's 1-week high or the 100-day moving average.

Friday's U.S. economic data was mixed for energy demand and crude prices. On the bearish side, Dec personal spending fell -0.2% m/m, the biggest decline in a year. Conversely, Dec pending home sales unexpectedly rose +2.5% m/m, stronger than expectations of -1.0% m/m and the biggest increase in 14 months. Also, the University of Michigan U.S Jan consumer sentiment was revised up by +0.3 to a 9-month high of 64.9.

Increased travel and consumer spending in China during the week-long Lunar New Year holiday is bullish for crude prices. The holiday period saw tourism rebound in Hong Kong and Macau, with 40,000 mainland visitors arriving in Macau on the second day of the holiday, the most since the start of the pandemic.

The video player is currently playing an ad. You can skip the ad in 5 sec with a mouse or keyboard

China boosted its crude import quotas earlier this month, a sign from the world's largest crude importer that it is gearing up to meet higher demand. As of last week, China has issued a combined 132 million metric tons (MMT) of quotas for crude imports in 2023, well above the quota for 109 MMT at the same time last year.

Delegates from OPEC+ said the group would maintain its crude production targets at current levels when they meet on Feb 1, as they await clarity on the recovery in consumption in China and the impact of sanctions on Russian crude supplies. Goldman Sachs predicts that OPEC+ will only start to reverse its supply cuts, currently about 2 million bpd, in the second half of this year when accelerating demand will tighten the market.

In a bullish factor, Vortexa reported Monday that the amount of crude stored on tankers that have been stationary for at least a week fell -1.2% w/w to 86.77 million bbl in the week ending January 20th.

Increased OPEC crude output is bearish for oil prices. OPEC Dec crude production rose +150,000 bpd to 29.140 million bpd. OPEC+ on December 4 decided to keep the group's crude production targets unchanged for January, in line with expectations. OPEC+ will meet again on February 1 to discuss its production targets.

Wednesday's EIA report showed that (1) U.S. crude oil inventories as of January 20 were +2.5% above the seasonal 5-year average, (2) gasoline inventories were -7.7% below the seasonal 5-year average, and (3) distillate inventories were -19.6% below the 5-year seasonal average. U.S. crude oil production in the week ended January 20 was unchanged w/w at 12.2 million bpd, which is only 0.9 million bpd (-6.9%) below the Feb-2020 record-high of 13.1 million bpd.

Baker Hughes reported Friday that active U.S. oil rigs in the week ended January 27 fell by -4 rigs to 609 rigs, modestly below the 2-1/2 year high of 627 rigs posted on December 2. U.S. active oil rigs have more than tripled from the 17-year low of 172 rigs seen in Aug 2020, signaling an increase in U.S. crude oil production capacity.

➢ NYMEX Natural Gas – Daily Cash

Source: Barchart https://www.barchart.com/futures/quotes/CLY00/interactive-chart

***NYMEX December 2022 Natural Gas Futures** settled on Friday at $3.109/MMBtu, up $0.165 on the day, but losing 0.065 cents for the week..*

➢ Nat-Gas Prices Surge Ahead Of Expiration Of Feb Nat-Gas Contract

27 January 2023 by Rich Asplund, Barchart – Feb nat-gas Friday recovered from early losses and closed sharply higher on fund short covering ahead of Friday's expiration of the New York Mercantile Exchange's Feb nat-gas contract.

Nat-gas prices Friday initially opened lower after updated weather forecasts shifted warmer for most of the U.S. starting Feb 1, reducing heating demand for nat-gas. Also, a report Friday from Rystad Energy weighed on crude prices when Rystad said nat-gas prices might fall to as low as $2 per million British thermal units in the next few months as rising supplies are poised to outpace demand.

EBW Analytics Group said in a note to clients Wednesday that nat-gas prices are facing "extended downside risks over the next 30-45 days" due to a combination of strong production, constrained export demand because of the Freeport LNG terminal shutdown, growing inventory surpluses, and mild winter temperatures.

Nat-gas prices have fallen sharply over the past month and posted a 1-3/4 year nearest-futures low Thursday as abnormally mild weather across the northern hemisphere erodes heating demand for nat-gas. The warm temperatures this winter have caused rising nat-gas inventories in Europe and the U.S., with gas storage across Europe currently 74% full as of Thursday, far above the 5-year average for this time of year of 58%. Also, U.S. nat-gas inventories are +4.9% above their 5-year average as of Jan 20, the most in nearly two years

A negative factor for nat-gas prices is the continued closure of the Freeport LNG export terminal. On Jan 12, the Rapidian Energy Group said that the Freeport LNG export terminal, closed since an explosion on June 8, will likely be offline "for several more months." The report cited the delay in the "extensive personnel training" that is being required by federal regulators overseeing the restart of the terminal. The closure of the facility has been bearish for nat-gas prices since the reduction in LNG exports has boosted U.S. nat-gas inventories. The Freeport terminal normally accounts for about 20% of all U.S. nat-gas exports and receives about 2 bcf, or 2.5%, of the output from the lower 48 U.S. states.

Lower-48 state dry gas production on Friday was 100.7 bcf (+6.6% y/y), modestly below the record high of 103.6 bcf posted on Oct 3, according to BNEF. Lower-48 state gas demand Friday was 101.0 bcf/day, down by -7.4% y/y, according to BNEF. On Friday, LNG net flows to U.S. LNG export terminals were 12.8 bcf/day, up +0.5% w/w.

A decline in U.S. electricity output is bearish for nat-gas demand from utility providers. The Edison Electric Institute reported Wednesday that total U.S. electricity output in the week ended Jan 21 fell -9.7% y/y to 76,887 GWh (gigawatt hours). However, cumulative U.S. electricity output in the 52-week period ending Jan 21 rose +1.9% y/y to 4,121,985 GWh.

Nat-gas prices have support as EU countries agreed to cut nat-gas demand from Russia by 15% by early 2023. Also, Russia recently slashed nat-gas exports to Europe to 20% of capacity, putting upward pressure on European nat-gas prices.

Thursday's weekly EIA report was bullish for nat-gas prices since it showed U.S. nat gas inventories fell -91 bcf, more than expectations of -84 bcf. However, nat-gas inventories are now +4.9% above their 5-year seasonal average, the most in nearly two years.

Baker Hughes reported Friday that the number of active U.S. nat-gas drilling rigs in the week ended Jan 27 rose by +4 to 160 rigs, modestly below the 3-1/4 year high of 166 rigs posted in the week ended Sep 9. Active rigs have more than doubled from the record low of 68 rigs posted in July 2020 (data since 1987).

TRANSPORTATION

- **<u>Baltic Dry Freight Index – Daily = 677</u>**

Source: https://www.tradingview.com/chart/?symbol=INDEX%3ABDI

Average spot rates for capasize bulkers plummeted by a third over the past week to a new 2½ year low as Asia celebrated the week-long Chinese New Year holiday, dragged down by a dip in capesize and panamax rates.

The Baltic Exchange's Capesize 5TC basket of average spot rates across five key routes dropped 31.2% over the seven-day period to $4,443 per day, falling to its lowest level in nearly five months.

Rates for two benchmark iron ore routes fell the most over the week, reflecting China's lower demand for the commodity as its steel industry and other sectors break for the Lunar Year festivities.

The overall index, which factors in rates for capesize, panamax and supramax shipping vessels, fell 19 points, or about 2.6%, to 721, its lowest since early-June 2020.

The capesize index lost 50 points, or 6.8%, to 685, its lowest since mid-September 2022. Average daily earnings for capesizes, which typically transport 150,000-tonne cargoes such as iron ore and coal, were down $410 at $5,684.

The panamax index was down 13 points, or about 1.2%, at 1,035, also a more than two-year low. Average daily earnings for panamaxes, which usually carry coal or grain cargoes of about 60,000 mts to 70,000 mts, fell by $115 to $9,313.

Among smaller vessels, the supramax index snapped its more than a month long losing streak, gaining four points to 649.

- **<u>Baltic Dry Index Records Fourth Consecutive Weekly Drop</u>**

27 January 2023 International Shipping News - The Baltic Exchange's main sea freight index, tracking rates for ships carrying dry bulk commodities, marked its fourth consecutive weekly fall on Friday as capesize demand remained numb.

The overall index, which factors in rates for capesize, panamax and supramax shipping vessels, was down one point to 676, levels last seen during June 2020. The index was down 11.4% for the week.

The capesize index lost 15 points, or about 2.7%, at 534, a near five-month low. It was down 32% for the week, also a fourth consecutive weekly fall.

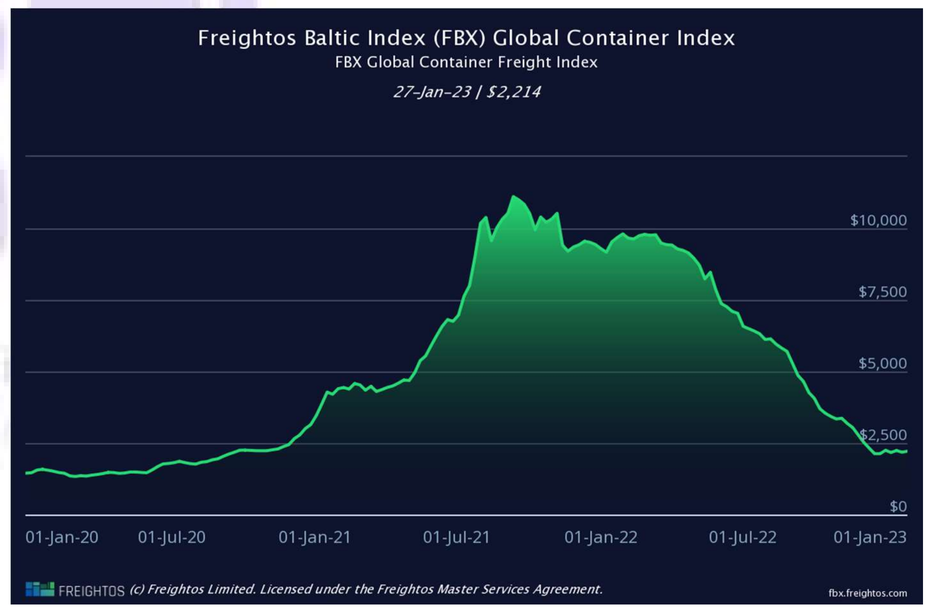
Average daily earnings for capesizes, which typically transport 150,000-tonne cargoes such as iron ore and coal, were down $118 to $4,433.

The panamax index was up nine points, or about 0.9%, at 1,054. However, it edged down 0.6% on its second consecutive weekly drop.

Average daily earnings for panamaxes, which usually carry coal or grain cargoes of about 60,000 to 70,000 mts, rose by $78 to $9,487.

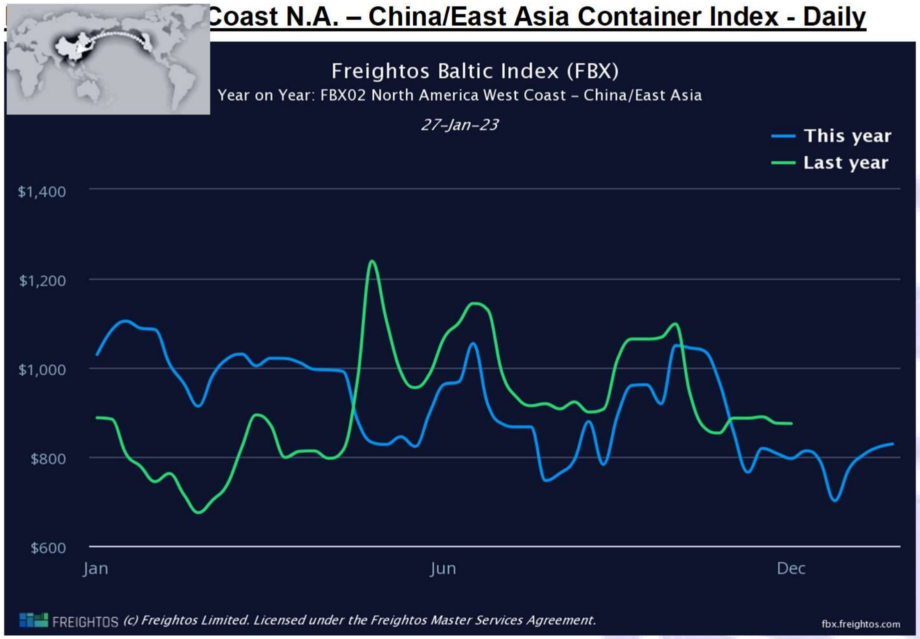
Among smaller vessels, the supramax index rose five points to 650.

- **<u>Freightos Baltic Index (FBX): Global Container Freight Index</u>**



Source: httpsfbx.freightos.com/

Coast N.A. – China/East Asia Container Index - Daily



Source: httpsfbx.freightos.com/

FBX stands for Freightos Baltic Index. It is the leading international Freight Rate Index, in cooperation with the Baltic Exchange, providing market rates for 40' containers (FEUs).

Prices used in the index are rolling short term Freight All Kind (FAK) spot tariffs and related surcharges between carriers, freight forwarders and high-volume shippers. Index values are calculated by taking the median price for all prices (to ignore the influence of outliers on active lanes) with weighting by carrier. 50 to 70 million price points are collected every month.

The weekly freight index is calculated as an average of the five business days from the same week and published each Friday.

Rough start to 2023 for dry bulk, tanker, gas, container shipping

BDI dry bulk shipping index sinks to lowest point since June 2020

23 January 2023 by Greg Miller - "Spot rates are off to a slower start in 2023 across most shipping segments," conceded Jefferies analyst Omar Nokta in his new quarterly outlook. "The ingredients are in place, however, for a recovery in the coming months, especially post-Lunar New Year."

That's the "glass-half-full" view for bulk commodity shipping: Rates are down due to normal seasonality combined with an earlier than usual Lunar New Year holiday and the transient effect of China's new COVID-19 policy. An upswing will follow.

The "glass-half-empty" view: Beyond seasonality, the across-the-board rate weakness in ocean shipping points to worsening recessionary pressures around the globe, and the "China reopening" sales pitch is overblown.

Dry bulk

Dry bulk — the world's largest ocean trade by volume — is almost always weak in the first quarter. It is also more exposed to China than any other shipping segment.

Rates have been particularly low this year. The Baltic Dry Index (BDI) fell to just 740 points on Monday. That's its lowest level since June 2020 in the early stages of the pandemic. The BDI has fallen 41% since the beginning of this year and 87% since its latest peak in October 2021.

According to Clarksons Securities, spot rates for Capesizes — larger bulkers with capacity of around 180,000 deadweight tons (DWT) — were down to $6,100 per day on Monday, close to cash breakeven.

Spot rates for midsized bulkers known as Panamaxes (65,000-90,000 DWT) were at $9,500 per day, half the rates from a year ago. Rates for smaller bulkers known as Supramaxes (45,000-60,000 DWT) were at $7,200 per day, down 63% year on year.

While rates have fallen, dry bulk stocks have gone in the opposite direction as stockpickers anticipate a rate rebound. Star Bulk (NASDAQ: SBLK) is up 14% year to date and Genco Shipping & Trading (NYSE: GNK) is up 12%.

According to BTIG shipping analyst Gregory Lewis, "We understand the [stock] move higher, as over the last 10 years, the BDI has rebounded an average of around 10% one month post-Chinese New Year and around 30% two months post-Chinese New Year."

Nokta maintained that China's reopening will be "a key support factor in the coming months." He believes "it will have a materially positive impact on shipping markets, with tankers and dry bulk the top beneficiaries."

Crude and product tankers

Crude and product tanker rates remain very profitable and much higher than they were at this time last year. Nevertheless, they're down sharply from highs in the fourth quarter.

Spot rates for modern-built very large crude carriers (VLCCs; tankers that carry 2 million barrels) were at $38,200 per day on Monday, according to Clarksons. That's triple the rates a year ago but almost two-thirds less than the $119,600-per-day high in late November.

Sanctions on Russian crude — including "self-sanctions" — mostly affect demand for Suezmaxes (1 million-barrel capacity tankers) and Aframaxes (750,000 barrels).

Consultancy Poten & Partners estimates that trade disruptions since the war began have tripled combined demand for Aframaxes and Suezmaxes measured in ton-miles (volume multiplied by distances).

Rates for these tankers have pulled back from previous highs but less so than VLCC rates, likely due to sanctions support. Clarksons estimated that rates for modern-built Aframaxes were $80,200 per day on Monday, over five times rates a year ago but down from $111,400 per day in late November.

Product tanker rates have also taken a big step down. "Product tanker rates have been softer to start 2023, though there are several drivers of further strength ahead," said Nokta.

Rates for larger modern-built product tankers known as LR2s averaged $36,700 per day as of Monday, less than half the $88,100-per-day high in early December. Rates for medium-range (MR) product tankers averaged $26,800 per day, down almost two-thirds from $74,700 per day in early December.

MR rates are heavily driven by refined products exports from the U.S. Gulf. Nokta noted that “U.S. Gulf refineries are ramping up activity after shutting in nearly 3 million barrels per day of capacity late last year due to severe weather.”

Furthermore, the European Union ban on imports of Russian products starting Feb. 5 “should lead to a substantial increase in ton-miles,” said Nokta. Replacement EU imports on long-haul voyages from Asia and the Middle East should boost LR2 tanker demand.

LNG and LPG shipping

The liquefied natural gas (LNG) shipping market was one of the biggest beneficiaries of the war. Rates surged as the EU raced to replace Russian pipeline gas with U.S seaborne exports.

In mid-November, spot rates for benchmark tri-fuel diesel engine (TFDE) LNG carriers hit $455,000 per day, according to Clarksons. More efficient two-stroke LNG carriers reached $503,000 per day. This is the highest spot-rate assessment for any commercial ship in history.

TFDE spot rates had fallen all the way back down to $68,300 per day on Monday.

According to Clarksons analyst Frode Mørkedal, “Vessel capacity is more plentiful and utilities appear to be more optimistic about post-winter gas inventories, resulting in less concern about supply security.”

Market sentiment is also getting hit by capacity fears. Unlike in dry bulk and oil tanker shipping, where there are minimal vessels on order, the LNG orderbook is extremely high. LNG tonnage on order equates to 52% of tonnage on the water, according to Clarksons.

Rates are also falling for transport of liquefied petroleum gas (LPG), i.e., propane and butane. Rates for modern-built very large gas carriers (VLGCs) averaged $39,900 per day on Monday, said Clarksons. That’s roughly in line with rates at this time last year and the five-year average. But it’s less than a third of the recent high of $123,800 per day in early December.

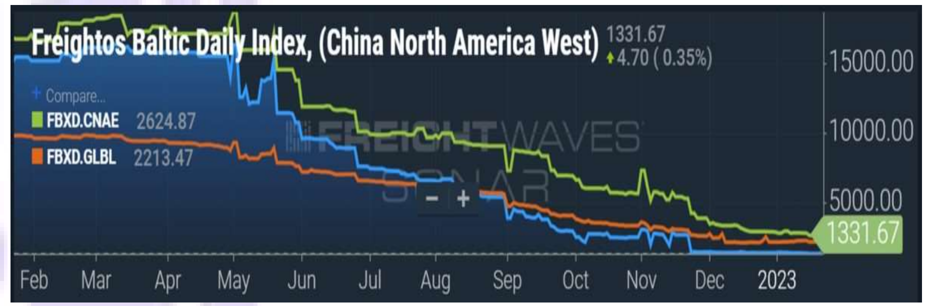
The LPG sector also faces pressure from a high orderbook. VLGC capacity on order equates to 22% of existing capacity.

Container shipping

Container shipping confronts the very same situation: Container-ship capacity on order is 28% of existing tonnage.

“There’s no way around it,” said Stifel shipping analyst Ben Nolan. “The container shipping fleet is set to grow sharply over the next several years. Soft demand with frothy supply does not seem like a recipe for a bottom anytime soon.”

That said, spot container freight rates do appear to have reached a temporary bottom. The Freightos Baltic Daily Index (FBX) for the Asia-West Coast route has been flat since late November, the Asia-East Coast FBX index has been flat throughout this month, and the FBX global composite has been steady since early December.



Spot rate in $ per FEU. Blue line: Asia-West Coast. Green line: Asia-East Coast. Orange line: global composite. (Chart: FreightWaves SONAR)

Container shipping stocks have likewise arrested their slide, at least for now.

Shares of liner company Matson (NYSE: MATX) and container-ship leasing companies Danaos (NYSE: DAC) and Global Ship Lease (NYSE: GSL) have been relatively steady since October. Shares of liner company Zim (NYSE: ZIM) finally stopped their plunge in late December.

➢ Illinois River Barge Freight

27 January 2023 – Indicative values, “bid/offer”, as a% of tariff (1976 benchmark rates short ton (2,000 lbs)). Use to calculate “Delivery Value Equivalents” (DVE).

IL RIVER FREIGHT

	1/26/2023	1/27/2023	
wk 1/22	650/700	650/700	UNC
wk 1/29	625/675	625/675	UNC
wk 2/5 & 2/12	600/650	600/650	UNC
wk 2/19 & 2/26	575/625	575/625	UNC
Mar	550/575	550/575	UNC
April	525/550	525/550	UNC
May	500/525	500/525	UNC
June	475/525	475/525	UNC
July	475/525	475/525	UNC
August	550/625	550/625	UNC
Sept	650/750	650/750	UNC
Oct	750/850	750/850	UNC

ST LOUIS BARGE

FREIGHT 14'	1/26/2023	1/27/2023	
wk 1/22	475/500	450/500	
wk 1/29	450/475	450/475	UNC
wk 2/5 & 2/12	425/450	425/450	UNC
wk 2/19 & 2/26	425/450	425/450	UNC
Mar	400/450	400/450	UNC
April	400/450	400/450	UNC
May	400/450	400/450	UNC
June	400/450	400/450	UNC
July	400/450	400/450	UNC
August	500/600	500/600	UNC
Sept	600/700	600/700	UNC
Oct	700/850	700/850	UNC

LOGISTICS

➢ UN: Exports through Black Sea initiative near 18 mmts

19 January 2023 by Susan Reidy - Exports under the Black Sea Grain Initiative have reached 17.8 mmts from August through mid-January, according to the United Nations (UN).

The grain and other food products have been exported to 42 countries, said Farhan Haq, deputy spokesman during a Jan. 18 briefing.

December exports totaled 3.7 mmts, up from 2.6 mmts in November. In the last two weeks, nearly 1.2 mmts of food have been moved from Ukrainian Black Sea ports, Haq said. “However, unfavorable weather conditions both in Odesa ports as well as in Turkish inspection areas have curbed some movements recently,” he said.

The Black Sea Grain Initiative is an agreement between Russia and Ukraine made with Turkey and the UN following Russia’s Feb. 24 invasion of Ukraine. On July 24, the initiative restarted the movement of grain and agricultural products on the Black Sea, which had stopped due to Russia’s blockade that sparked fears of a global food shortage. The deal was extended 120 days in late November.

China is the primary recipient of the exports, followed by Spain and Turkey, according to information from the Joint Coordination Centre (JCC). Nearly 44% of the exported wheat has been shipped to low and lower-middle income countries and 64% to developing economies.

The World Food Programme bought 8% of the total wheat exported under the initiative in 2022.

Haq said more than 1,300 voyages have been enabled by the JCC and there are more than 100 vessels in Turkish waters with 32 waiting for inspection. The rest have applied to participate in the initiative. “Since November, the JCC has been deploying three inspection teams daily,” Haw said. “So far, this month, the teams conclude an average of 5.3 inspections per day. In the last two weeks, the average waiting time of vessels between application and inspection is 21 days.” The UN said it urges all parties to work to remove obstacles for the reduction of the backlog and improve operational efficiencies within the JCC, he said.

➢ China holds key to shipping costs

19 January 2023 by Michael King - If 2022 taught us anything, it was to expect the unexpected. It was the year that shocked us with war in Ukraine, endless Chinese COVID-19 lockdowns, soaring inflation and extreme weather, including in the United States where Mississippi River levels dropped to record lows. It also, finally, saw the world stride toward a post-COVID future, even as large swathes of the global economy teetered on recession.

Those in the business of buying bulk carrier capacity have had their own surprises, not just in 2022 but throughout the pandemic — not least because they could have expected freight costs to subside more significantly than they have given the mismatch between fleet and volume growth.

“In the four years since 2018 the dry bulk fleet has expanded by 15%, but the volume of cargo has only expanded by 2.9%,” said Will Fray, director at Maritime Strategies International (MSI). “Even tonne-miles have only increased by 3.5% over this period.”

So, what has been bridging the gap between supply and demand growth? Fray said port congestion caused by COVID supply chain disruptions has been “absolutely critical” to the strength of the freight market through 2021 and 2022. Indeed, he argued, congestion has been the prime driver of pricing. Quite simply, rates through the period “cannot be explained otherwise,” he said.

The port congestion equation

By tying up large chunks of the global bulk carrier fleet, port congestion has helped offset slow demand growth by taking effective capacity out of the market, which has inflated returns for ship owners but added to freight and charter costs for shippers.

“We estimate the positive impact of various fleet inefficiencies on market balances in 2021-22 to have been equivalent to the iron ore trade between Australia and China,” Fray said. However, any reduction in port congestion could see freight and charter costs slump. “When this support is removed as COVID-related inefficiencies subside, the freight market will come under pressure,” Fray said.

This process is already underway. Port congestion at Chinese ports has fallen for most ship categories during 2022, although the numbers still in queues remain substantial. At least 800 ships have been tied up at Chinese ports every week during 2022 and, in some weeks, that number has surpassed 1,000 vessels, according to Breakwave Advisors. In late November, in the less-than-capesize fleet segments used for shipping grains, some 239 panamax, 280 supramax and 171 handysize vessels were caught up in congestion in China.

Should this congestion ease, as many expect it will during 2023 — and particularly if China loosens its zero-COVID policies — then bulk carrier freight rates could tumble, especially as dry bulk volumes are expected to grow by just 1.6% in 2023, according to MSI.

Indeed, rates already have dropped significantly from the highs of 2021. The Baltic Dry Index (BDI) reached 5,650 points in October 2021, a two-year high, but had dropped to just 1,323 on Dec. 5, 2022. The Baltic Panamax Index (BPI) was down to 1,638 on Dec. 5 compared to a two-year peak of 4,328 in October 2021, while the Baltic Handysize Index (BHI) hit 732 in the first week of December, down from a two-year high of 2,062 in October 2021.

Similar declines are apparent in grain shipping costs. On Nov. 29, the International Grains Council’s (IGC) Grains and Oilseed Freight Index (GOFI) fell to 148 compared to a year-high of 243 points recorded in May. Year-on-year drops of between -27% and -32% were apparent across the IGC’s sub-indices in the last week of November.

Vessel demand and supply

There is little on the fleet growth side to prevent a drop in congestion from delivering lower grain shipping costs next year. Bimco expects fleet growth of just 2.1% in 2023, but even this will outstrip anticipated volume expansion.

“Demolition is expected to increase in 2023 as environmental regulations and an economic downturn could lead older tonnage to be recycled,” the analyst said. “Nonetheless, despite an aging fleet, total demolition should remain under 15 million dwt due to the small order book.”

Ship owners have started to cut sailing speeds to help reduce overall vessel availability. However, this is proving insufficient to buoy rates.

“Congestion started to clear in the second half of 2022,” Bimco said. “As of November, it is down 4.8% year-on-year. In response to a cooling market and a higher bunker price, average sailing speed closed in on 11 knots and is now down 4.5% for laden ships and 2.4% year-on-year for ballast ships. “Despite a drop in sailing speed, this has been insufficient to compensate for the easing of congestion, and the supply/demand balance has worsened (for ship owners) as a result.”

In 2023, Bimco expects both sailing speed and congestion to remain low due to limited cargo demand growth and new International Maritime Organization (IMO) Energy Efficiency Existing Ship Index (EEXI) regulations that enter force Jan. 1, 2023, and are designed to cut emissions.

Bulk carrier demand growth is due to be slow at 1.6% in 2023 due to the more general global downward trend in economic indicators across major economies. This growth is being reinforced by tighter fiscal and monetary policies as policymakers continue to target high inflation.

“Importantly for the dry bulk markets, this implies continuing pressures for the property sector and for durable goods demand sectors, which are typically sensitive to financing conditions,” MSI said.

The China question

China is always critical for the dry bulk trades and could well be the key to any major change in outlook given the pull-effect that steel and iron demand has on rates for the smaller, sub-capesize ships used by grain shippers.

After protests in China in late November against President Xi’s strict lockdown policies, there are signs that his zero-COVID strategy could soon be eased. Official encouragement was given to regional administrators to avoid full lockdowns and reduce regular PCR tests in December, while Xi was reported to have told visiting European Council President Charles Michel that the Omicron variant was less lethal than previous variants and his government was going to ramp up its vaccination program.

“Over the past couple of days, a number of large cities — including Beijing, Shanghai, Guangzhou and Shenzhen — scrapped negative PCR test result requirements for public transport,” said Nomura in early December. “Overall, we believe China is discouraging full-city hard lockdowns and taking steps to loosen the overly restrictive COVID curbs, especially the massive regular PCR tests. However, many other cities have yet to catch up, and some cities have even recently introduced new PCR test requirements, suggesting the central government has not given clear and direct instruction yet and local governments are still confused.”

Any opening up of China's economy could spark economic activity back into life and drive dry bulk demand. Capesize rates are driven primarily by the steel industry and shipments of iron ore and there were signs that Chinese demand was increasing during November when Chinese crude steel output and prices increased. Breakwave Advisors predicted that China's steel output likely bottomed out in late July and noted that stockpiles have continued to decline.

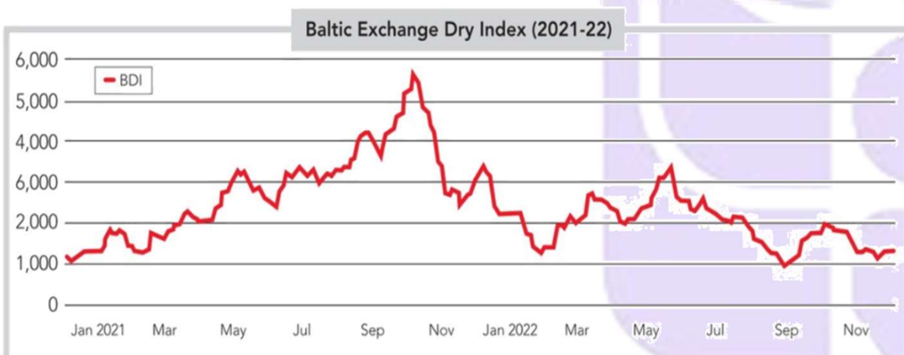
MSI believes that any improvement in China's property sector or a relaxation of China's zero-COVID policy "has the potential to boost demand significantly and presents a clear upside risk to trade."

"Progress, however, is likely to be incremental and take a number of months, especially as we currently see a significant increase in COVID-19 cases across China," the analyst added. "Until such progress, the freight markets need to contend with the outlook for what could be particularly weak trade in Q1 2023."

The Black Sea

Of course, the grains shipping market has been subject to its own particular travails in 2022, not least because war in Ukraine has limited exports via the Black Sea and record-low water levels on the Mississippi River have stymied the US market.

The Black Sea Grain Initiative (BSGI) has now been extended into 2023, although exports continue to suffer delays, tying up bulk carriers as they await clearances and inspections.



Credit: Baltic Exchange

"Despite the renewal of the grain deal, de-congestion in the region is crucial for the shorter journey of vessels," said Tanvi Sharma, research analyst at Drewry. "Recently, many ballast vessels had to undergo inspections that were delayed by as many as nine days, while the waiting time of laden ships stretched for two weeks in Turkey. As the winter sets in, resolution of such bottlenecks by the Joint Coordination Centre is essential for continued supply of grain in the market."

Sharma believes that Ukraine's importance as a grain exporter makes the ongoing viability of the BSGI critical.

"There is a lack of alternative modal routes for this trade," Sharma told World Grain. "Several European economies, such as Ukraine and Russia, have broad gauge railway tracks while others have narrow gauge tracks. Since Poland falls in the latter category, any exports from Ukraine to Poland will be through the broad gauge and thereafter the cargo will have to be reloaded on the Euro rail gauge, increasing the cost and rendering the transport mode inefficient and uncompetitive.

"At the same time, war prevents significant exports via roads, which in any case is a costly logistics solution for bulk cargo. This leaves stakeholders relying on seaborne trade."

This is essential for owners of mid-sized vessels that cater to the grain market. Any change in the market conditions affects the supply of crew, insurance, journey time as well as risk in the market. All in all, freight cost is impacted.

Mississippi River problems

In the United States, it will take some time for exporters to recover from lower water levels during 2022, added Drewry's Sharma.

"The hampering of exports in the third and fourth quarters of 2022 from the US Gulf due to low water levels on the Mississippi River is impacting grain exports in the peak season," Sharma said. "Waiting time for vessels has risen due to disrupted inland waterway connectivity. Such bottlenecks have a significant impact on the supply of grain as well as shipping supply and demand."

Rates forecast for 2023

The upshot of all of which is likely to be falling bulk carrier rates in the first part of 2023 with grain supplies limited from key sources.

Sharma said the impact of the Russia-Ukraine war was likely to place a ceiling on supply from the Black Sea, while the US harvest forecast did not look promising for the next year.

"We expect an 8% decline in grain exports from the US in 2023," she added. "US grain exports were 20% down in the first half of 2022 as compared to the first half of 2021. USDA estimates a significant drop of about 11% in coarse grain exports in 2022-23, even though the drop in wheat exports is a minor 1% in the same period." As a result, Drewry expects "charter rates to decline in 2023."

Bimco added that in 2023 weather conditions could continue to be a disrupting factor as La Niña occurs for a third consecutive year, affecting mining and agriculture globally.

"Based on the IMF's base case economic forecast and the market outlook for the three major bulks, we expect that freight and time charter rates will remain weaker than those seen during 2021 and the start of 2022," said the analyst, adding that rates could increase in the second half of next year if economic conditions improve.

Bimco added: "The Chinese government will remain a wildcard, as their economic policy retains the potential to boost bulk demand."

For his part, Fray expects the availability of tonnage to improve in 2023 as congestion eases, pushing freight rates down.

"This is even after taking into account an uptick in Chinese import demand on the back of more economic stimulus and a marginal slowing of the fleet due to EEXI regulations — factors that have convinced some other analysts that the dry bulk freight market will be strong next year," he said. "In effect we believe that the negative effect on freight rates of an unwinding of COVID-related inefficiencies will more than offset a basket of positive factors."

Michael King is a multi-award-winning journalist and podcaster as well as a shipping and logistics consultant. He also supplies an array of corporate services. For more information, email mikeking121@gmail.com.

GOVERNMENT

Corn Refiner's Association - Trade Update

24 January 2023 CRT Trade Update -

- **USMCA:** Mexico announced a temporary 50% tariff on white corn exports to ensure sufficient supplies and price stability, according to reports. The tariff, announced last week, was effective immediately and runs through June 30th.
- **USMCA:** USDA Under Secretary for Trade Alexis Taylor and USTR's Chief Agricultural Negotiator Ambassador Doug McKalip are in Mexico to discuss biotech and Mexico's GM corn import ban, according to Politico. Several sources speculate that Mexico's recent proposed modification to the GM corn ban will fall short of U.S. officials' expectations for full USMCA compliance.
- **USMCA**: Remarking on Mexico's proposal to modify its planned ban of GM corn and glyphosate, USDA Secretary Vilsack said, "There is no reason to compromise" and that the U.S. expects Mexico to fully comply with its USMCA obligations. Vilsack said the U.S. will likely respond to Mexico's proposed modifications to the Decree by Jan. 15, but no public update was available at the time of this writing.
- **USMCA**: A USMCA panel rejected the U.S. interpretation of the auto rules of origin under the USMCA, siding with Canada and Mexico who filed the dispute. The Office of the U.S. Trade Representative conveyed disappoint with the panel's finding but did not comment on whether it will appeal. "We are reviewing the report and considering the next steps," Adam Hodge, spokesman for the U.S. Trade Representative's Office said in a statement.
- **U.S. – EU:** U.S. and EU officials announced an agreement that ensures U.S. existing access to the EU markets for a wide array of agricultural products (e.g. rice, almonds, wheat and corn, among others). The subject products will receive favorable tariff rate quota (TRQ) levels following the departure of the United Kingdom from the EU.
- **U.S. – India**: During the 13th ministerial-level meeting of the Trade Policy Forum (TPF), the U.S. and India discussed areas of trade cooperation, including "targeted tariff reductions," restoring India's participation in the General System of Preferences (GSP), and increasing agriculture trade discussions, according to a USTR readout.
- **U.S. – Indo-Pacific**: President Biden and Japanese Prime Minister Fumio Kishida, meeting in Washington, D.C. last week, issued a joint statement stating, "We will build resilience in our societies and supply chains among like-minded partners" and reaffirm the two nations' "economic leadership". The statement noted that "The Indo-Pacific Economic Framework (IPEF) is at the center of achieving these goals."

  India will host a special round of IPEF talks, Feb. 8-11, according to a press release from the U.S. Department of Commerce. The meetings will focus on three of the four pillars: Pillar II (Supply Chains), Pillar III (Clean Energy), and Pillar IV (Anti-Corruption and Tax). India opted out of Pillar I (Trade).
- **WTO:** WTO Director-General Okonjo-Iweala called on member countries to facilitate farmers' ability in developing countries to meet global trade standards and underscored the need to enable farmers to meet sanitary and phyto-sanitary (SPS) requirements.

  In conjunction with the World Economic forum, WTO Director-General Okonjo-Iweala called on countries to make progress on several WTO initiatives, including negotiations provided for in the Fisheries Subsidies Agreement; a decision on extending the TRIPS waiver compromise beyond COVID-19 vaccines to cover therapeutics and diagnostics; food security and agriculture reform; and WTO and dispute settlement reform.
- **Trade Policy:** This week wass the 75th anniversary of USTR. USTR was created through the Trade Expansion Act of 1962, in which Congress called for President Kennedy to appoint a Special Representative for Trade Negotiations to conduct U.S. trade negotiations.
- **Trade Policy**: Representative Jason Smith (R-MO) was selected as the next Chairman of the House Ways and Means Committee. Following the selection by the Republican Steering Committee, Rep. Smith said in a statement, "We will examine using both trade policy and our tax code to re-shore and strengthen our supply chains, where products and services vital to our national security are made here at home using American labor, as well as craft policies that help America achieve food and medical security rather than dependence on nations like China."

Mexico Imposes Tariff on White Corn Exports

Mexico has imposed a 50% tariff on the exports of white corn used to make tortillas, *Mexico News Daily* reported. The decree, published in Mexico's official federal gazette on Monday, will remain in effect until June 30, 2023.

The decree notes that white corn makes up 89% of Mexico's grain production, with 332 kilograms per capita consumed annually in the country. Much of this is in the form of tortillas, which are a key source of calories in the Mexican diet.

According to data from Mexico's national statistical institute (INEGI), the average price of tortillas in Mexico showed a 19% annual increase at the close of 2022, with some cities experiencing much larger price hikes.

➢ After Mexico Trip on GMO Issue, McKalip, Taylor Threaten Trade Action

The Hagstrom Report writes that after traveling to Mexico City on Monday to discuss Mexico's decision to end the use of genetically engineered products, Doug McKalip, the chief U.S. agricultural trade negotiator, and Alexis Taylor, the Agriculture undersecretary for trade and foreign agricultural affairs, signaled that the negotiations had not made progress, and that if the issue is not resolved, the United States will consider take a trade action against Mexico.

In a joint statement after the meeting, McKalip and Taylor said, "We appreciate our Mexican counterparts' time and dedication in trying to hammer out a solution. We made it clear today that if this issue is not resolved, we will consider all options, including taking formal steps to enforce our rights under the U.S.-Mexico-Canada agreement."

The National Corn Growers Association applauded the development, with President Tom Haag stating, "This is a significant development and good news for corn growers. Secretary Vilsack and USTR Ambassador Tai are making it crystal clear that they are going to make the Mexican government abide by what it agreed to under USMCA."

➢ US Rice Farmers May Be Losing Mexico, Their Largest Foreign Market

Up until recently Mexico counted on the United States for nearly 100% of its rice imports, reports *Agri-Pulse*. The U.S. was the only country able to ship rice to Mexico duty-free, which kept competitor countries at bay.

But now South American paddy rice is flowing into Mexico in the hundreds of thousands of tons thanks to Mexico's efforts to combat inflation. With food prices rising, President Andrés Manuel López Obrador issued a presidential decree on May 17 that temporarily suspended import duties on 66 food items, including paddy rice. The U.S. went from being the only country that was able to ship rice duty-free to Mexico to just one of many, and that's when rice from Brazil, Uruguay, Argentina, and elsewhere began replacing U.S. grain.

U.S. rice exports to Mexico dropped by 27% in the first 11 months of last year, according to USDA data.

"As we reviewed our exports in Western Hemisphere markets over the past year, it was alarming to see our market share in Mexico and some Central American countries primarily lost to South American suppliers due to current price and quality advantages," Steve Vargas, chair of the USA Rice International Promotion Committee, said in a statement after the group met for a planning conference last week in the Dominican Republic. "It is critical that we stem this negative tide, and we spent time discussing ways to utilize our marketing funds to do that, while also acknowledging that this is neither a problem that appeared overnight, nor will it be as easily addressed."

➢ White House Pressed for Gene-Editing Regulatory Advances

Biotech crop developers are calling on the Biden administration to reform U.S. regulatory oversight of gene-edited plant products to compete with other countries that have streamlined approval processes.

Biotech crop approvals in Brazil, for example, "are now consistently much faster than U.S. approvals," Jerry Hjelle of Hjelle Advisors in Missouri, which advises small and medium-sized biotech companies, told the Office of Science and Technology Policy at a recent listening session. "Inconsistencies and delays at USDA for gene-edited products are threatened to hamper U.S. competitiveness even at the field trial testing stage."

The White House Office of Science & Technology Policy is accepting comments until Feb. 3 on biotech regulatory gaps and inefficiencies, and until this Friday on an executive order issued by President Joe Biden establishing the National Biotechnology and Biomanufacturing Initiative.

➢ China Committee Member Cites Food Security Concerns

A special new House committee is going to put a focus on China's investments in agricultural land around the world, reports *Agri-Pulse*. South Dakota Rep. Dusty Johnson, a Republican member of the Select Committee on China, says Chinese investment in U.S. farmland and ag processing isn't the only concern. It's also major Chinese investments in Africa and other regions.

"I think we want to assess what is the motivation of the Chinese Communist party, what kind of power, influence and impact do they gain by these foreign purchases, and try to decide whether or not that serves American interests. I suspect that it does not," Johnson told reporters.

He noted that Russia has influence in Europe that it wouldn't have except for its control of European energy supplies. "I would not want the Chinese Communist Party to have that kind of control over the global food supply."

➢ China Approves Several Biotech Traits

Chinese officials have given their blessing to a handful of strains of alfalfa, canola and other crops, offering a sense of optimism that the wheels may be turning on the country's notoriously slow approval process, according to *Agri-Pulse*.

According to reports, the approvals include a pair of GMO alfalfa traits developed by Forage Genetics International, a subsidiary of Land O'Lakes, as well as canola traits developed by Corteva.

Beth Ellikidis, who heads up the agriculture and environment issue area for the Biotechnology Innovation Organization, called the news "a positive step toward resolving the long-standing challenges developers face" in China.

- **US, EU Finalize Post-Brexit Ag TRQs**

Agri-Pulse reports that the U.S. and European Union have finalized the levels of agricultural tariff-rate quotas that needed to be altered after the UK exited the political and economic union that now includes 27 nations. The EU has been operating from a provisional estimate of what those tariff levels should be since the UK departed in 2020.

The TRQs were originally agreed to after the founding of the World Trade Organization in 1995, but they had to be reduced to reflect the fact that the UK is no longer importing goods under the bloc.

For example, the U.S. and EU agreed that the European quota for U.S. wheat should be lowered by 57 metric tons to account for the UK's absence.

U.S. rice farmers got a small boost from the new deal. While the EU quota was reduced because of Brexit, the new agreement raises the European quota by 8,000 tons over the provisional level set in 2020.

Keep in mind: The new quota adjustment for U.S. beef is separate from an unrelated European deal to settle the WTO trade dispute over non-hormone beef trade. That agreement, reached during the Trump administration, gave U.S. exporters 35,000 tons of Europe's 45,000-ton tariff rate quota for beef from animals that were never treated with growth hormones.

This latest adjustment of the EU's original TRQ for U.S. and Canadian beef was set at 10,500 tons.

- **Proposed foreign ownership restrictions popping up in states**

Members of some 13 state legislatures have introduced or plan to introduce bills to restrict foreign ownership of land to some degree, reports *Agri-Pulse.*

The bills range from restricting "foreign adversaries" from purchasing "agricultural production land" to creating state-level boards that function similarly to the Committee on Foreign Investment in the U.S.

According to the National Agricultural Law Center, the states where the bills are in play are Mississippi, Missouri, Montana, North Dakota, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington and Wyoming.

- **Texas, Ag Groups Sue EPA on WOTUS Rule**

A total of 18 interest groups including oil and housing interests filed a 42-page lawsuit asking the U.S. District Court in the Southern District of Texas in Galveston to vacate the final WOTUS rule, reports *DTN's Progressive Farmer.* The lawsuits were filed even though the new WOTUS rule does not officially become law until sometime around March 1.

On Wednesday, the state of Texas asked the same court to vacate the rule, alleging it violates the state's rights by expanding federal jurisdiction over waters otherwise regulated by the state.

Both lawsuits ask the court to find the WOTUS rule to be "arbitrary, capricious, and abuse of discretion" and allege that much of the language used in the final rule is "vague" and left wide open to interpretation.

Agriculture interests supported the previous Navigable Waters Protection Rule because it allowed landowners to more easily decipher whether their properties contained WOTUS.

The new rule, the lawsuit said, requires landowners to "assess not only their own land, but also vast expanses of land beyond their own holdings, using multiple vaguely defined connections to potentially remote features, in an effort to determine if their land is regulated under the CWA."

- **Bipartisan Bill Would Overhaul Trucking Regulations**

Dusty Johnson has joined a senior Democrat on the Ag Committee, California's Jim Costa, to introduce a bill aimed at easing truck driver shortages and other trucking issues, reports *Agri-Pulse.*

They hope their Safer Highways and Increased Performance for Interstate Trucking (SHIP IT) Act will reduce trucking bottlenecks by allowing vehicle waivers during disease and supply chain emergencies, streamlining the CDL process and expanding trucker access to parking and rest facilities.

International Crop & Weather Highlights

- **Will fading La Nina boost prospects for the 2023 U.S. corn crop?**

24 Jan 2023 by Karen Braun, Reuters News - While La Nina's predicted exit within the next couple months could bring relief to parched crop areas in the southern U.S. Plains and Argentina, weather implications for the upcoming U.S. corn crop are not as clear-cut.

La Nina, which arises when surface waters in the equatorial Pacific Ocean are cooler than normal, may soon fade out, making way for average or even warmer conditions to form toward mid-2023. That mildly increases the chance of a bountiful U.S. corn crop, but a disaster cannot be ruled out.

La Nina and its warm-phase cousin El Nino usually peak in strength during the U.S. winter. The U.S. summer can either be a maintenance or transition period for this oceanic pattern, known as El Nino-Southern Oscillation (ENSO).

Therefore, it is more common for ENSO to be in a neutral-negative (La Nina-like) or neutral-positive (El Nino-like) state during the U.S. summer. This reduces the correlation between U.S. summer crop outcomes and ENSO, whereas dryness in Argentina's summer or the U.S. Plains' winter is a very good bet during La Nina, for example.

La Nina is on its third consecutive season, but its departure could be near. Forecasters expect neutral-positive conditions for the May-August time frame, when weather is important for U.S. corn. There is a slight bias for El Nino to form after August.

Although it varied greatly by state, U.S. farmers on average did not produce a stellar corn crop in 2022 due to drought in the west. That has kept domestic corn supplies tight and prices elevated, putting more pressure on the 2023 harvest to perform.

PROBABILITIES

It cannot be said that El Nino is favorable for U.S. corn yields because El Nino or neutral-positive ENSO prevailed in the summer months of what were some of the poorest harvests including 2012, 2002, 1993 and 1983.

However, when compared with long-term yield trends, nine of the 11 best yielding years within the past four decades coincided with El Nino or neutral-positive during June-August. Most recently, that includes 2017, 2014, 2009, 2004 and 1994 and excludes 2016.

A mid-year neutral-positive ENSO historically offers the best chances for temperatures in the crop-heavy Midwest to be below average during the most critical months of July and August. The four coolest July-August periods within the last 20 years or so occurred during neutral-positive ENSO years. Those were also the years that featured the best corn yields.

But the hot summer of 2012 is also among the neutral-positive years.

Above-average summer rainfall in the Midwest is slightly more likely during positive ENSO phases versus negative ones, and the separation is most prominent using late spring ENSO readings. Of the 10 driest July-Augusts over the past four decades, only three took place after neutral-positive ENSO or El Nino conditions dominated the period centered around May.

The wettest Midwestern July-August, 2016, occurred during an El Nino-La Nina transition. The 2012 season was among the driest.

It is important to remember that ENSO is not necessarily the main driver of U.S. summer weather patterns, though it could offer an initial bias. Right now, the focus is on excessively dry conditions across the Plains and whether those ease toward the spring when corn planting begins.

2023 ANALOGS

Compared solely against U.S. crop outcomes, the general La Nina-to-El Nino trend predicted for 2023 historically favors slightly better corn yields, though there is one stinker in the bunch.

Recent years where an early-year La Nina gave way to El Nino by year's end include 2018, 2009 and 2006. U.S. corn yield was average in 2006 and a little above in 2018. The 2009 yield was considered bin-busting, though that result is controversial as heavy late-season rains docked crop quality.

The strong corn-yielding year of 2014 offers another possible comparison as it featured neutral-negative ENSO that tracked to El Nino by the end of the year.

La Nina fading to neutral-positive ENSO toward the end of the year is the less ideal scenario as company includes 2012, the infamous U.S. drought year. However, the positive ENSO conditions faded back into neutral-negative for the 2012-13 winter.

Karen Braun is a market analyst for Reuters. Views expressed above are her own.

- **<u>USDA/WAOB Joint Agricultural Weather Facility – 21st January 2023</u>**

Europe – Cooler But Continued Wet

- Cooler but wet weather prevailed over the entire continent, maintaining abundant moisture supplies for dormant (central and north) to semi-dormant (south) winter grains and oilseeds.

Middle East – Increasingly Dry In Central Turkey, More Rain In Southern Areas

- Increasingly dry weather across central Turkey's Anatolian Plateau further reduced moisture reserves for dormant winter grains.
- Moderate to heavy rain and mountain snow continued in southern and southwestern Iran as well as southeastern Iraq, sustaining abundant moisture supplies for vegetative wheat and barley.

Northwestern Africa – Much-Needed Showers, But The Drought Is Far From Over

- Much-needed showers improved soil moisture for vegetative winter grains from northeastern Morocco into northern Tunisia, though the drought is far from over.
- Dry weather exacerbated drought in central and southwestern Morocco as well as central Tunisia.

South Asia – Warm In Southern India, Local Freeze In The North

- Sunny, warm weather in southern India advanced rabi crop development, while a localized freeze in northern India caused damage to wheat.

East Asia – Colder Weather Returns

- Colder weather returned to eastern and southern China, helping renew cold hardiness in dormant wheat and semi-dormant rapeseed.

Southeast Asia – Torrential Showers

- More localized downpours in the eastern Philippines added to already impressive rainfall totals and further exacerbated flooding in minor agricultural areas.

Australia – Some Showers In The East, Mostly Dry Elsewhere

- In the east, showers maintained adequate soil moisture for cotton and sorghum development but caused only brief delays in late winter crop harvesting.
- In the south and west, mostly dry weather favored final winter grain and oilseed harvesting.

South America – Late-Week Rain Benefited Emerging Summer Crops In Argentina

- Widespread, locally heavy showers brought much-needed relief from heat and dryness to summer grains, oilseeds, and cotton in much of Argentina.
- Unseasonable warmth and dryness persisted in Rio Grande do Sul, Brazil, but rain elsewhere benefited immature soybeans and other summer crops.

South Africa – Warm, Sunny Weather Promoted Rapid Growth Of Summer Crops

- Conditions remained overall favorable for vegetative to reproductive corn, although additional moisture will be needed as more crops enter flowering..

Source: USDA https://www.usda.gov/oce/weather-drought-monitor/publications

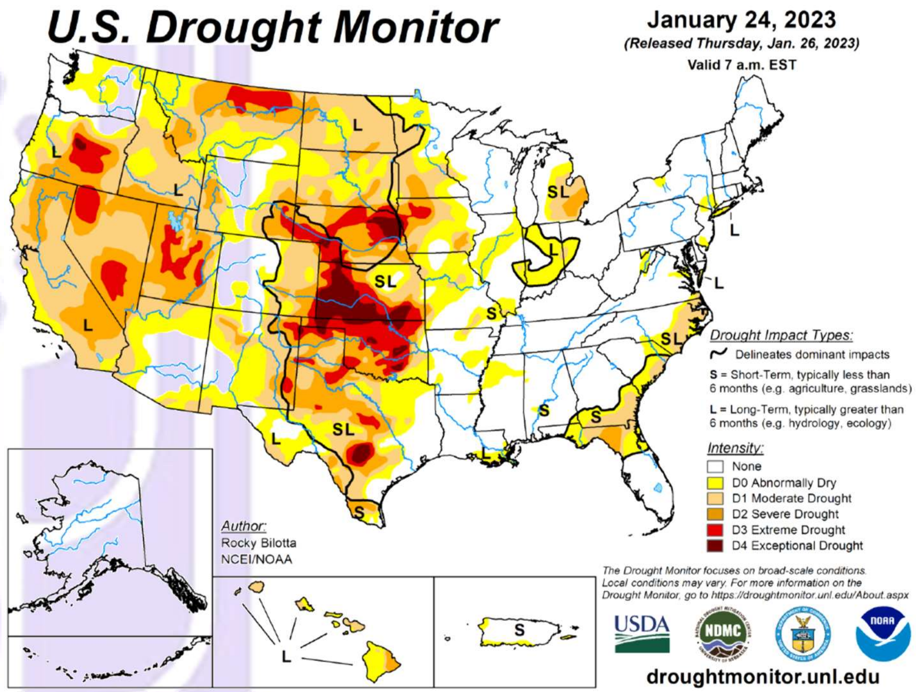
➢ U.S. Agricultural Weather Highlights – Friday 27th January 2023

In the West, generally light rain and snow showers stretch from the Pacific Northwest to the northern Rockies. Meanwhile, dry weather prevails in California, the Great Basin, and the Southwest. According to the California Department of Water Resources, the average water equivalency of the Sierra Nevada snowpack remains near 33 inches, nearly 130% of the typical seasonal peak value.

On the Plains, high winds are raking parts of the Dakotas in the wake of a cold front's passage. On January 26th, wind gusts topped 60 mph in North Dakota locations such as Williston, Minot, and Garrison. Early today, breezy conditions cover much of the remainder of the Plains, while rain and snow showers are developing in parts of Montana. The precipitation in Montana is associated with a new disturbance, closely trailing the recently departed cold front.

In the Corn Belt, a variable snow cover remains in place. The greatest depths exist across the upper Midwest, where in some places snow has been on the ground since late November. Early today, snow showers associated with a fast-moving cold front are crossing the upper Mississippi Valley and spreading into the Great Lakes region. The snow showers and gusty winds are resulting in mostly minor travel disruptions.

In the South, cool, dry weather prevails. Any remaining snow on the ground is mostly confined to the southern Appalachians and the Ozark Plateau. Early today, frost and freezes were reported as far south as the central Gulf Coast region and northern Florida.



Outlook: Disturbances crossing the northern U.S. will continue to generate occasional snow. During the weekend, heavy showers and locally severe thunderstorms will return across the South, with rainfall possibly totaling 1 to 3 inches or more. Meanwhile, increasingly cold air will engulf much of the country. By early next week, temperatures below 0°F will extend at least as far south as the central High Plains, while readings below -20°F may occur from the northern Rockies to the upper Great Lakes region. Elsewhere, freezes could affect California's Central Valley on several days next week, with the Western cold spell preceded by rain and snow showers.

The NWS 6- to 10-day outlook for February 1 – 5 calls for the likelihood of below-normal temperatures along and northwest of a line from southeastern Louisiana to southern New Jersey, while warmer than-normal weather will be confined to the southern Atlantic region. Meanwhile, near- or below-normal precipitation across much of the country, including the Plains, Midwest, and Southwest, should contrast with wetter-than-normal weather in northern California, the Northwest, and the area southeast of a line from coastal Texas to southern New England.

Contact: Brad Rippey, Agricultural Meteorologist, USDA/OCE/WAOB, Washington, D.C. (202-720-2397)
Web Site: https://www.usda.gov/sites/default/files/douments/TODAYSWX.pdf

References

- **<u>Conversion Calculations</u>**

Metric Tonne = 1000 kg, approximately 2204 lbs.
American or Short Ton = 2000 lbs.
British Tonne or Long Ton = 2240 lbs.

Metric Mts to Bushels:

- Wheat, soybeans = metric mts * 36.7437
- Corn, sorghum, rye = metric mts * 39.36825
- Barley = metric mts * 45.929625
- Oats = metric mts * 68.894438

Metric Mts to 480-lbs Bales

- Cotton = metric mts * 4.592917

Metric Mts to Hundredweight

- Rice = metric mts * 22.04622

Area & Weight

- 1 hectare = 2.471044 acres
- 1 kilogram = 2.204622 pounds

- **<u>Marketing Years</u>** (MY)

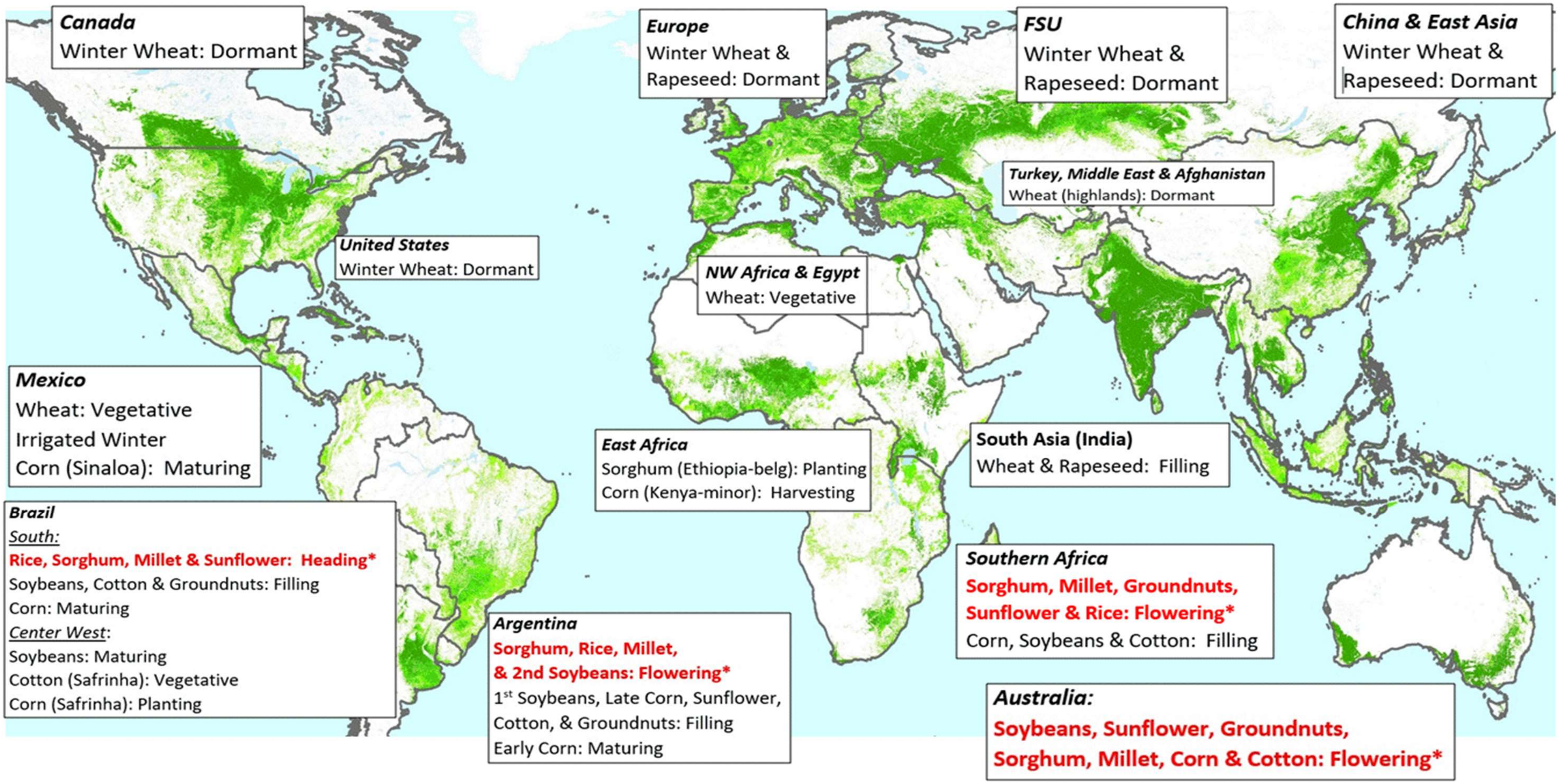
MY refers to the 12-month period at the onset of the main harvest, when the crop is marketed (i.e., consumed, traded, or stored). The year first listed begins a country's MY for that commodity (2021/22 starts in 2021); except for summer grains in certain Southern Hemisphere countries and for rice in selected countries, where the second year begins the MY (2021/22 starts in 2022). Key exporter MY's are:

Wheat	Corn	Barley	Sorghum
Argentina (Dec/Nov)	Argentina (Mar/Feb)	Australia (Nov/Oct)	Argentina (Mar/Feb)
Australia (Oct/Sep)	Brazil (Mar/Feb)	Canada (Aug/Jul)	Australia (Mar/Feb)
Canada (Aug/Jul)	Russia (Oct/Sep)	European Union (Jul/Jun)	United States (Sep/Aug)
China (Jul/Jun)	South Africa (May/Apr)	Kazakhstan (Jul/Jun)	
European Union (Jul/Jun)	Ukraine (Oct/Sep)	Russia (Jul/Jun)	
India (Apr/Mar)	United States (Sep/Aug)	Ukraine (Jul/Jun)	
Kazakhstan (Sep/Aug)		United States (Jun/May)	
Russia (Jul/Jun)			
Turkey (Jun/May)			
Ukraine (Jul/Jun)			
United States (Jun/May)			

For a complete list of local marketing years, please see the FAS website (https://apps.fas.usda.gov/psdonline/): go to Reports, Reference Data, and then Data Availability.

➢ **USDA FAS OGA Current Crop Calendar**

February Crop Calendar



*Crop stage sensitive to moisture and temperature stresses.

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https://ipad.fas.usda.gov/ogamaps/images/nov_calendar.gif