



CGI MARKET NEWS

Follow us on Twitter @ColumbiaGrain

ISSUE 80, SEPTEMBER 23, 2022

COLUMBIA GRAIN INTERNATIONAL, LLC



Columbia Grain™
PRODUCER SOLUTIONS

CULTIVATING MARKETS™

COLUMBIA GRAIN PRODUCER SOLUTIONS

Phil Symons

Grain markets have had historically significant price swings this year making the decision to pull the trigger on your grain sales even more complex than in a “normal year”. With Columbia Grain Producer Solutions we aim to provide you with the most up to date market information on what is potentially driving the markets in certain directions and help to enhance your ‘predictive intelligence’ when creating your marketing plan. We should always aim to build a marketing plan around your cost of production and allow the market to direct us in what tools we should be using given the current market conditions.

Be sure to take a look at some of the Accumulator contracts that we are able to put together for your operation as well – looking out to new crop 2023 and 2024 at current levels would not be a bad place to start looking at scaling into some forward sales using one of our Accumulator contracts to help build a premium to the existing Futures values – be sure to give your local Columbia Grain merchandiser a call to look at all the alternatives that we can offer you in our Columbia Grain Producers Solutions platform.

WHAT'S INSIDE

- 1 **Producer Solutions**
- 2 **Red Wheat
Soft White Wheat**
- 3 **International Wheat**
- 4 **Oilseeds**

RED WHEAT

Rudy Weitze, Merchant

Spring wheat harvest is all but wrapped up in most areas. For the week of September the 18th the USDA is calling Montana 100% complete, Minnesota 92%, North Dakota 91%, and Washington 98%. It has been a very solid harvest with few quality concerns to report. Winter wheat planting is now plugging along in many areas as well. Montana is called 35% planted, and the states along the southern plains are ranging from 13% to 33%. We are watching the Southern Plains very closely for both weather and planted acres; it still is very dry in most areas and fall crops have been a struggle. Some areas have said fields that are disastered out will go right to wheat. Montana wheat acres could be varying with some farmers planted and other

waiting for rain. The futures market has seen some action this week. Since Sep 1, we have seen upwards trade with Kansas City rising nearly 60 cents and Minneapolis seeing a 40-cent gain. Domestically, millers have been looking for coverage and exports are still slow less typical business. The Russia/Ukraine conflict is making news in the market again. Ukraine has been making solid progress in pushing back the Russian invasion. In response, Russia has decided to mobilize 300,000 reserve troops and hold referendums in four Ukrainian provinces for statehood—this is certainly a progressing situation and should have some impact on the market. In other news, the Fed decided to raise rates 75 basis points which is leading the USD to

new highs. Weather and dryness are still major concerns in the market as well and shouldn't be overlooked. While we have seen sideways trade for the past month, expect volatility to persist in this market.

BULLISH

- Geopolitical concerns
- Weather and dryness

BEARISH

- Lack of demand
 - Red hot USD
-



SOFT WHITE WHEAT

Steve Yorke, Merchant

As wheat harvest comes to a close, cash prices are still holding in there above the \$9.00+ level. Mainly on the exporter being short as grower selling continues to be light. China has jumped in along with CCC(Yemen) to help soak up some of this large white

wheat crop. The Australian crop is expected to be another huge one so competition will be fierce early, on so any business we can get on before then will be welcomed. I can't see us racing past \$10.00 again this year unless we see another escalation in the Black Sea

situation. As we all know this situation changes on a daily basis so stay tuned. New crop opportunities once again are looking favorable. Check in with our buyers to help you with all the tools available from Columbia Grain Producer Solutions.

INTERNATIONAL WHEAT

Ron Williams, Merchant

Look for markets to remain volatile moving forward. I do not see how the current geopolitical situation allows for the market to calm down anytime soon. Supplies are available, it is more a matter of confidently securing them. Supply security will continue to be an increasingly important topic for our customers, both near and long term. Many millers do not have the ability to simply increase their stock levels, but they do have the ability to extend their coverage further out the curve. It will be interesting to see if the comments this week by President Putin lead to any uptick in buying, even at the higher prices.

SOFT WHITE

SWW continues to be priced out of the money on any upcoming cheap wheat business. Granted, there were a few cargoes early on to China, Indonesia, and others. However, values have since rallied to a point that we are not competitive for this type of business at this time; I look for this scenario to continue for the next several months. We will need offers from other suppliers to increase or our values will need to move lower to attract business. For example, to compete with the Australians for commercial business to Yemen for Nov/Dec shipment, SWW would need to be close to \$2.00 per bushel lower.

HARD RED WINTER

I look for PNW values to remain strong throughout this crop year. There is more than enough inelastic export demand to keep the values well supported. Our traditional PNW tributary supply will be on fumes for the third year in a row as we approach next harvest.

HARD RED SPRING

There is little change to the story, and I do not expect to see change anytime soon. Canadian exporters remain aggressive in their pricing making difficult to compete for any nontraditional business.

OILSEEDS

Kevin Chang, Merchant

ICE November Canola futures closed Wednesday night with CAD 18 higher than the previous session at CAD 802.20. It was an exciting day for trading Canola as the soybean complex pointed lower after Fed announced an interest rate hike by 75 basis points to 3.25%. Macros suggested Canola should have pointed lower today, although, in my opinion, today's rally has to do with two main reasonings as we have no new fundamentals. The first reason being the Canola crush margin has never been this great historically. In this kind of environment, the crusher needs to utilize plant capacity at 100% without downtime; otherwise, the commercial loses an ample money opportunity. The second reason is that currency is too attractive for funds as they have short positions, according to the CFTC report. As many readers know of this wire, ICE Canola futures traded under the Canadian dollar. As mentioned from different wires, funds and banks have been holding

the short position for nearly four months. For example, if a bank shorted Nov futures in June at CAD 1050 and is now priced at CAD 802, that is a considerable gain by USD 4.44/bu. However, if currency comes into equation, the margin gets more comprehensive as they naturally shorted the Canadian dollar when they shorted Canola futures. As of June 1st, CAD 1 was around USD 0.79, which means CAD 1050 at USD 829.50, and as of today, CAD 1 equates to US\$ 0.7424. If you do the quick math, today's close CAD 802 becomes USD 595.40. Meaning you have an opportunity to cover your short or profit by 5.31/bu instead. As we closed today above the sentimental zone at CAD 800, someone can argue this could turn into a bull market; still, I don't believe we are there yet as recession worries remained a significant and influential factor as Powell suggested we are far from a healthy global economy at today's meeting.

As you can see from the chart to the right, the market recovered back from the lowest point of the trend line in the last seven trading sessions. By observing today's close, it failed to go above 20 days moving average but above a sentimental zone of 800. For the next two weeks, technical trade suggests it should trade between 815-780. As I commented above, I am not convinced of a bull market yet as there are many macro moving pieces, but a day like today could change a whole outlook.

CHART OF CANOLA FUTURES



CHART OF DEC SOYBEAN OIL FUTURES



CHART OF NOV SOYBEAN FUTURES



CGI MARKET NEWS

ISSUE 80, SEPTEMBER 23, 2022



Columbia Grain™

CULTIVATING GROWTH™

1300 SW 5th Avenue, 29th Floor
Portland, OR 97201-5636

503 224 8624
columbiagrains.com

- @ColumbiaGrain
- Columbia-Grain-International
- columbia_grain_international
- columbia-grain