CGI MARKET NEWS

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COLUMBIA GRAIN INTERNATIONAL, LLC

WHAT'S INSIDE

SOYBEANS OF OTHER COLORS (SBOC)

Kurt Haarmann, *Senior Vice President, Grain Division*

An important development has occurred in the U.S. Soybean market that warrants attention for some of our producers. Certain newer soybean varieties have come to market in recent years, which at times have an off-color seed coat. These varieties have specific other agronomic advantages related to weed control. An off shoot of the specific genetic event encoded into the plant can lead to the potential for the off-color seed coat. Initial end-use testing indicates no correlation between the seed coat color issue and the final quality of the interior of the soybean. Meal and oil tests seem to indicate normal results. However, the U.S. Soybean market, both domestically and for export, trades basis the U.S. Standards for Grain for Soybeans. It is important to note that these standards are part of the United States Grain Standards Act, originally passed in 1917 and amended multiple times since. Amendments to the US Grain Standards Act do literally require an Act of Congress to be passed into law.

The US Standards for Grain defines SBOC as "...Soybeans that have green, black, brown, or bicolored seed coats. Soybeans that have green seed coats will also be green in cross section. Bicolored soybeans will have seed coats of two colors, one of which is brown or black, and the brown or black color covers 50 percent of the seed coats. The hilum of a soybean is not considered a part of the seed coat for this determination."

The resulting confluence of the newer varieties and the US Standards for Soybeans generates lower grade designations basis the factor "Soybeans of Other Colors". The grades we utilize for settlement with our producers and with all our receiving customers show the same impact from these new varieties. This is important, because a high level of SBOC can result in monetary discounts to both our producers and to sales made by Columbia Grain.

We take great care in making sure that we are following the grading standards set forth by the USDA to help assure that we can then meet the requirements when we sell the commodities we purchase from our producers. We segregate grain and oilseeds to the best of our ability based on grade factors we are seeing and the requirements of the export market. Columbia Grain is actively working with other industry partners through our representatives at the National Grain & Feed Association and the North American Export Grain Association to address this problem with our buyers and the Federal Grain Inspection Service. If you feel this could be a problem for your crop, please reach out to your local Columbia Grain contact.

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. You should always aim to build a marketing plan around your cost of production and allow the market conditions to direct us in what marketing tools we should be using.

Be sure to look at some of the Accumulator contracts that we are able to put together for your operation. 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.

Just to show graphically how New Crop HRW (Kansas City Futures) look today compared to historical prices – below shows a rough futures price average over the past 12 years close to $6.50 - $7.00. On 10/5/2022, Kansas December 2023 futures were trading at $9.64 (close to $3.00 over the 12-year average price); at the same time we can also see that one of our accumulator contracts would get $10.34. So bottom line remains we are at historically high levels – be sure to build out your marketing plan and get orders working to help remove knee jerk reactions that inherently come when prices are at historical levels.

INTERNATIONAL WHEAT

***Ron Williams**, Merchant*

Export sales opportunities have been slow to come by the last few weeks. Unfortunately, I do not see the situation changing anytime soon. We will see the regular buyers in the market, but this does not lend itself to big export volumes. Given our current price levels some portion of our regular business will possibly switch to other origins. Currently, one of our buyers from the Philippines is looking to cover a Jan HRS/SWW combination cargo; at a $0.50-$0.60 a bushel discount to HRS they will purchase CWRS. It pays to load the CWRS in Vancouver, BC and pay the cost to two port the vessel and load the SWW in the Columbia River Distract. Fortunately, most of our regular HRS buyers will not make this switch. Our loyal soft white buyers are more dependent on the end use characteristics of SWW and not as able to switch origins. However, for the buyers that can use soft wheat from multiple origins they will buy elsewhere. The Aussies have the crop and are aggressive in their pricing, however the Aussie's aggressive stance could change due to the heavy rains the Eastern growing is experiencing. Quality degradation could give them pause and push some soft wheat buyers back to the U.S. Our PNW HRW will do its best to price away from business the balance of the crop year; we simply do not have the bushels to support a big export program. Short story is, we will need to become more competitively priced relative to the competition if we want to attract more buyers.

RED WHEAT

***Sam Ohden**, Merchant*

The month of September yielded a significant increase in flat price for both Hard Red Winter and Hard Red Spring wheat. Kansas City futures have continued to gain ground on Minneapolis, with HRW now a premium (in both futures and cash markets) to HRS. The September 30 USDA report gave us a snapshot of September 1 stocks, as well as revised production numbers. Production numbers for both classes proved to be a bullish surprise to the market, with average trade estimates for production coming in significantly above the USDA's number. Looking forward into the balance of October, the bulls will need to continue to be fed to maintain upward trajectory – but I would submit that downside risk may be limited given that we have very supportive underpinnings in the implied fundamental tightness of this crop year's balance sheet. Over the last few weeks, we've seen significant macro movement (particularly in the form of wild currency and interest rates), as well as condensing carries. Both of these two new inputs could prove to weigh on basis as the red-hot U.S. Dollar makes our exports less competitive versus other origins and tighter calendar spreads, coupled with high interest rates, make commercial grain companies less willing to hold on to stocks and instead keep inventories low; this was shown in the September stocks report number, proving commercial grain companies – especially in North Dakota – are holding significantly less inventories this year versus the same time last year.

BULLISH

- Persistent Northern Plains dryness
- Geopolitical concerns

BEARISH

- Lack of competitiveness in export markets
- Strong US Dollar

DURUM

***Ryan Statz**, Merchant*

With harvest all but wrapped up, the markets attention will turn to fundamental supply and demand drivers for movement. On September 30, 2022, the USDA issued its 2022 Small Grains Summary for updated production forecasts for this year's crop. Planted / harvested acreage was a big debate looming over market participants as prior production forecasts were being calculated based off of a planted acreage number that was issued by the USDA before much of the crop was in the ground. Because planting conditions were wide ranging within the durum production landscape – the market knew accuracy within would be a large question mark. Planted acreage cuts started with the FSA (Farm Service Agency) issuing their updates in late August with the USDA following suit in their September Small Grains update. The USDA cut planted acreage by about 340 mil acres (~17%) – mostly in North Dakota and Montana. The planted acreage cuts carried thru to final production being cut from 74 mbu to 64 mbu (-13.5%) nationwide. With many market participants knowing cuts were likely, a 10 mbu cut was especially large.

On the marketing side, weakness had been the name of the game as crop growing conditions were ideal and the market watched as production forecasts grew within (albeit, ideas were higher with the inaccurate acreage number provided in June). Domestic buyers sat back and watched the commercial system fill up from commitments from producers. With commercials filling up, values plummeted to levels not seen in 10 months. This initial flush took place throughout the months of August and September, and it just now seems to be subsiding. Now, with harvest wrapped up, bushels that were available off the combine are no longer there and are stocked away on the farm. Demand exists and will now need to incentivize growers to part ways with bushels at higher values; this is just now starting to occur and will set the stage for the tug-o-war game that will happen with buyers and producers.

PULSES AND EDIBLE BEANS

***Ryan VanPevenage**, Merchant*

LENTILS

Following a large tender in Algeria last week we've seen markets gain strength with demand driving the bus. Global shipping markets bending but not breaking quite yet as an average size crop looks to refill export homes that were depleted after last year's drought.

PEAS

USDA gov closes the fiscal year and purchases have slowed before the new budget opens. Petfood buying has slowed as well. A tight balance will hold prices for the current time but with Russian peas working into China it will be interesting to see where values will be in the spring.

CHICKPEAS

Limited demand has backed values off as global buyers are using other origins as strong replacement. Mexican chickpeas values have fallen $2-$3 cwt over the last 7-10 days. We await a winter rally for some strong pull.

BEANS

aggressive grower selling and limited upfront demand has pulled the rug on the market through harvest. Mexico crop progress remains to be unknown as weather in the south has looked very dry and hot for a growing season. Would expect firming upon demand and the finish of harvest.

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