CGI MARKET NEWS

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COLUMBIA GRAIN INTERNATIONAL, LLC

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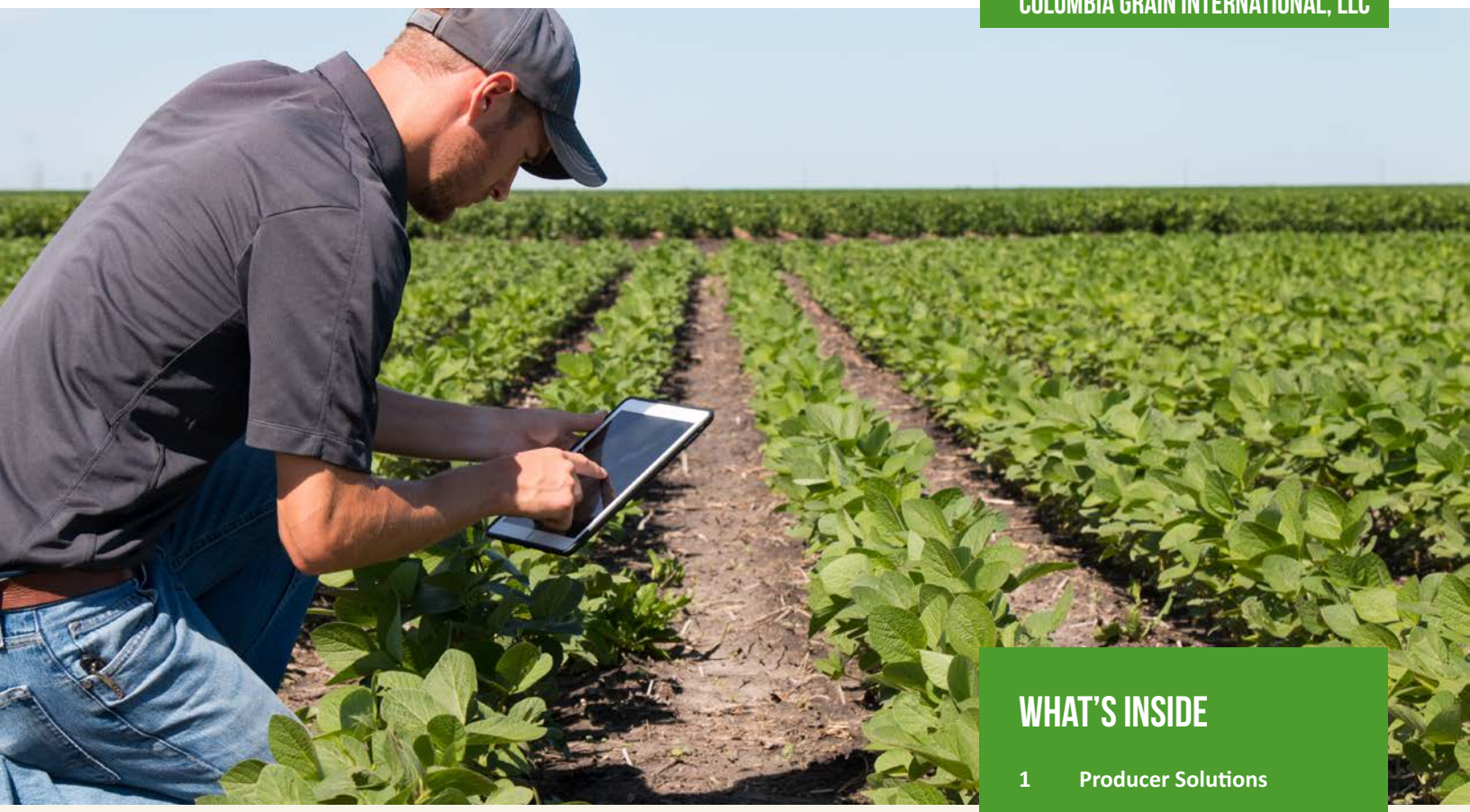

WHAT'S INSIDE

COLUMBIA GRAIN PRODUCER SOLUTIONS

Phil Symons

We mentioned in the last newsletter that we have some exciting news coming in terms of our Mobile App and Web Page, we are getting very close to releasing both of these exciting uses of technology. Stay tuned and look for additional information coming from us on this exciting topic in the very near future.

Grain markets have had some 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 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.

SOFT WHITE WHEAT

***Steve Yorke**, Merchant*

White wheat markets remain locked in a tight range as we are seeing very little new export business come into the market and grower selling has been just enough to satisfy previous sales that are on the books. Unless we see a big change in demand, I don't see prices getting back into the $9.00 range anytime soon. The Black Sea situation is still very real and could ramp up at any time but even with another futures rally white wheat will be reluctant to follow. Basis will back off again and cash prices will remain in the $8.50-$9.00 range. China did jump into the market last week for one cargo of white wheat which was a very welcomed surprise, but more is needed to provide a big spark. Yemen and any other swing demand has been quiet, so we are relying on routine business at the moment. As we move through the holidays all eyes will remain on the Black Sea and upcoming weather issues in the world. Club premiums remain at .50 cents today and should remain at the level. Plenty of opportunities for HTA's and accumulators so please reach out to our buyers to place orders and to discuss markets. Have a safe and Merry Christmas!

INTERNATIONAL WHEAT

***Ron Williams**, Merchant*

Happy holidays. Except for a little scheduled business. I expect markets will be quiet until after the the first of the year. Several of our customers have their demand covered through April, pushing their next shipment requirements out to June or July. Other buyers are working to determine what their needs will be for Q2 2023. I do not recall seeing this amount of uncertainty on the buyer's part before. Unfortunately, this puts much of the open demand out to where the Australians and Canadians have open export capacity. We will struggle against their aggressive pricing and open capacity the balance of the crop year. I do believe we will be able to pick up an occasional nearby SWW or HRS cargo if a buyer needs to move, and the competitions is out of loading capacity. I am currently forecasting our all wheat PNW export number to be the second lowest in the last ten years.

Enjoy the holidays and be safe.

HARD RED SPRING WHEAT

***Rudy Weitze**, Merchant*

Spring wheat futures have been in a steady decline since mid-November but have made some gains in the last few sessions. The market finally found some support around the 8.9 level and has been steadily gaining since bottoming out there. Futures found footing this week on the heels of news out of Ukraine. Russia has launched an attack on energy facilities near Odessa, a major grain export city in Ukraine. Shipments from the port have been suspended but are expected to resume when power is returned. In other news, we averted the rail strike with some intervention from the president and congress. However, rail service has been rather terrible with most railroads a month or more behind on car orders. Rail service combined with a lack of farming selling has been helping keep cash markets firm. Millers have decent coverage in the nearby months but have strong interest for wheat that can ship ASAP. Export markets are still slow with the US being priced out of the global marketplace, less typical business. Between short managed money positions, slightly better moisture profiles, and a lack of competitiveness in the global marketplace it's hard to feel bullish spring wheat futures. It's a good time to reward rallies and be an active marketer.

HARD RED WINTER WHEAT

***Justin Beach**, Merchant*

We will continue to have a headline market and the path of least resistance has proven to be lower. The most recent economic develops are CPI coming down to 7.1% YoY and the general thought that inflation will continue to cool. Also- the Fed raised rates 0.50% as expected and new projections for most Fed officials show rates cresting 5.0% as they believe it's necessary to achieve target inflation of 2.0%. These headlines will continue to weigh on futures and the money flow will influence calendar spreads. Retrospectively we didn't see an increase in demand due the war between Ukraine and Russia and related headlines are losing their shine as traders will begin to focus more on typical supply and demand, carryouts, spring planting intentions, and the health of the economy. Cash markets remain firm and this will continue to aid firmness in calendar spreads. Inverses are prevalent and prompting market participants to turn their HRW to USD and most believe that this will continue to be the case unless basis levels break considerably. Also, delivery stocks continue to dwindle into domestic and export channels, which has a similar effect on market structure. Gulf premiums have weakened as of late and traders are complaining of lack of routine business in the gulf but we are still at historically firm levels. Subsequently, PNW premiums have firmed. Growers continue to sell at a snail's pace but there seemed to be commercial length that needed to be unwound. The export sales report showed 50k MT of HRW to Iraq which is believed to be a new cash sale from the Gulf. The cash price spread between DNSW and HRW has 'normalized' and now continues to widen and, if sustained, should have millers flopping a portion of their domestic HRS demand to HRW. We all knew it needed to happen, but the timeframe remained uncertain given tightness of HRW in conjunction with larger on-farm stocks of HRS. New crop sales remain low and we are continuing to advise marketing a tranche of new crop if you haven't as we are still seeing historically high prices and demand remains lackluster. Also- MT HRW planted acres may not be up but domestic traders continue to contend that we will see a very large uptick in HRW planted acres domestically. All eyes remain on front end forecasts for freight movement, snow cover, and potential winterkill. If interested, please contact your local CGI Representative for all contract offerings including Columbia Producer Solutions.

***Joseph Foley**, Merchant*

SOYBEAN

Soybean prices have rallied back to the upper side of the recent price range, nearing 15.00/bu, a solid 1.00/bu higher than mid-October prices… hot/dry weather in Argentina continues to underpin prices with most analysts now estimating a crop of 45-48mmt (43.9mmt last year) …USDA is, at least for now, maintaining their 49.5mmt prediction, basis the December WASDE report released last week. Conversely, Brazil is expecting a significantly larger crop (152mmt vs last year's 127mmt) which could more than offset losses in Argentina. Northern Brazil has been getting timely rains, with only southern Brazil (Rio Grande) experiencing less-than-optimal conditions. Paraguay is also expecting a larger crop (10mmt vs. 4.2mmt last year).

On the demand side China has been increasing their purchases of U.S. beans for December-January shipment…Although stop and start policies in China vs. their fight against Covid have slowed the demand for imported proteins (low hog prices and meal trade); we still expect China to import 96-99mmt of soybeans this crop year, which is well above last year's reduced 91.6mmt.

Domestic demand for soy has been very good given extraordinarily high crush margins, which is supportive to cash and futures. Ongoing weather in S. America will be the key driver going forward for prices, along with the pace of Chinese buying.

YELLOW CORN

Corn futures are continuing a slow move downward, largely in response to very weak demand for U.S. exports…Total export commitments this marketing year (19mmt) are more than 50pct behind last year's 36.5mmt…Brazil continues to capture world market share which directly comes at the expense of our exports…. Adverse weather in Argentina along with sporadic increases in Ukraine/Russia hostilities are supportive, but Brazil's Safrinha/winter crop is a long way off, so certainly no weather issues yet to affect prices. Recall that 75% of Brazil's corn production is Safrinha, which is the primary source of their exports September through January.

Domestic demand for corn remains brisk, with shortfalls in Kansas/Missouri crops forcing the feeders in the Southwest to compete for Midwest bushels… Accordingly, the market has been noting the high numbers trading for Illinois cash, but again the lack of export demand is somewhat offsetting those bullish elements.

Look for prices to continue to key on Black Sea developments, S. American weather and whether the U.S. gets more competitive vs. other origins. China's buying (or lack thereof) is also in the mix here of course… Seasonally the U.S. should be more competitive March-June, so stay tuned.

***Ryan Statz**, Merchant*

DURUM

Durum markets have relaxed over the course of the last few weeks due to the influx of market ready supply hitting the commercial system all while seeing demand pace relax – essentially the teeter-totter effect that reversed course from the October & early November upwards trend. As with most markets, the cure to high prices, are high prices, and that is exactly what happened. Throughout the upwards market trend seen in October, domestic & international buyers stepped back into their hand-to-mouth buying pattern that they got accustomed to last year or got creative and found alternative resources to solving their demand. As mentioned in prior reports, buyers have needed to get creative on sourcing their needs throughout the last 12 months and any sort of uptick in prices will push them into the hand-to-mouth habit again. The difference between this year and last, is that adequate supplies are in the market so buyer's hands aren't forced into making a decision when we think business/demand must happen 'today'. This limitation will hamper prices from rallying to the same degree as seen in the prior year. Now, with the relaxation of prices, prepare for market buyers to hit the market looking for coverage. Just realize that if/when it happens, know that it likely doesn't need to ratchet markets higher to the same magnitude felt in October – if it does, we will find ourselves in the same situation a few months from now.

BARLEY

Malt Barley markets have been a hot topic the last few weeks. Due to poor crops and quality the last two years (this year included), maltsters are quickly trying to do what they can to prevent thin pipelines and lack of inbound flow. Thus, focus and attention is being put on the '23/24 crop especially early this year. The last few weeks, maltsters have started to issue new crop ('23/24) AOG pricing. Because of how early it is in the calendar year (only December), programs will start fairly limited with coverage and pace being thoroughly looked at. With that said, initial prices are looking very attractive and should give supply/demand balance sheets a good starting point from an acreage standpoint. Remember, ending stocks are tight and have been tight for a few years in a row now. Please stay in touch with your local CGI buyer about options and what can be done for you. Remember, new crop AOG programs will likely start slow because of how early it is in the calendar year.

OILSEEDS

***Kevin Chang**, Merchant*

ICE March Canola futures closed Wednesday night at CAD 4, higher than the previous session at CAD 858.5/MT, but futures were up $16 at one point. Chicago soyoil, European rapeseed, and Malaysian palm oil futures were higher on the day, providing spillover support. However, strength in the Canadian dollar tapped the brakes on canola's upside potential. However, rewinding from $16 to $4 was a little concerning. Still very much a sideways trending market. There were a few fundamental changes since my last wire other than the Statcan report released 12 days ago. The federal agency cut canola production for 2022 by almost one million MT from the September estimate of nearly 19.1 million MT. The 18.17 million MT came in below most trade projections. In addition to ICE Canola, CBOT soyoil looks bullish to start this week. Jan contracts up 192 points to 64.12 US cents/lbs after a bullish reversal and 219-point gain. This market is still off a massive 10 to 12 cents from where it was in November. However, this week, the market is on its way to a corrective bounce towards a target 66 to 68 cent region where a chart gap, 50% retracement of the December collapse, and a confluence of moving averages reside. The oil futures sell-off last week looked overdone.

CHART OF MAR CANOLA FUTURES

CHART OF MAR SOYBEAN OIL FUTURES

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PULSES AND EDIBLE BEANS

***Ryan VanPevenage**, Merchant*

Pulse demand- Chickpeas have shown the greatest strength with cultural holidays in the Middle East bringing strong demand in. Logistics being behind has slowed trading with the ability to execute on this demand has been tough. Pea demand has been slowed with limited volumes on USDA tenders and prices being above export demand indications. Lentils have slowed after a strong start to the crop with global buyers wanting to keep limited stocks at this time. Edible bean demand feels to be a growing snowball weekly as Mexico is looming with limited stocks across all products. Energy prices in Europe are affecting canning facilities ability to continue to run year-round, so we await further information on the affect this may have on pulse and bean demand.

Pulse supply- Canada December report showing the smaller production then the September report had showed. USA production was below average. Both regions are building stocks with a small demand picture and awaiting new crop acreage pictures.