CGI MARKET NEWS

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COLUMBIA GRAIN INTERNATIONAL, LLC

WHAT'S INSIDE

***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 upward trend. As with most markets, the cure to high prices, are high prices, and that is exactly what happened. Throughout the upward 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 the buyers hit the market, 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 continue to be a hot topic in recent 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. 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. Due to high initial prices and low input costs, malting barley will be a favorable crop choice that is gaining a lot of traction with growers and thus malting barley buying pace has been relatively high. The heavy buying pace has eased to some degree in recent weeks as maltsters assess '23/24 initial pipelines. Don't be surprised if interest tapers off some in the next couple weeks with it only to pick back up as we get a little closer to planting assessment time. Again, maltsters are simply gauging commitments and don't want to overdo things this early on – thus, many may enter a slight back-peddling mantra. 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.

COLUMBIA GRAIN PRODUCER SOLUTIONS

Phil Symons

Grain markets 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 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 look 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.

CORNS AND SOYBEANS

***Thomas Lahey**, Merchant*

Temperatures dropping into the negative thirties and worse across the Northern Plains in December shouldn't surprise anyone at this point. But, for the second year in a row, a polar vortex stretching event over the holidays has made a complete mess of the PNW soybean market. To be fair, the polar vortex is only part of the problem this year. In addition to the severe cold leading into Christmas, the plains were blanketed by snowstorms in the weeks prior, and, just as the cold was letting up in the interior, the PNW was lashed repeatedly with ice and windstorms, along with torrential rains.

Suffice to say, the railroads have struggled mightily to perform. As a result, logistics are twisted to no end and secondary freight has doubled from $800 to $1,600, pumping up delivered premiums, while leaving basis unchanged in the interior. Trains loaded in unbearable weather last week are still sitting at origins and trains empty in the middle of December still haven't made it back to origin. It's essentially worst-case scenario for everyone involved.

At the same time, fresh export sales to China have seemingly extended the PNW program through most of January, adding to the pressure on railroads to get back on track. That will make all the more difficult as they fight limited crew availability over the New Year's holiday weekend, but it will be necessary for the PNW to take full advantage of its export window before South America takes the wheel.

Speaking of South America, soybean futures rallied through the $15 mark for the first time in months this week on continued hot and dry weather across growing regions in Argentina. No less supportive is China easing its restrictive covid policies, which is expected to support import volumes. On the flip side, production in Brazil is still expected to set records, so upside potential in the futures market seems somewhat limited, at least until more is known about the size of the southern hemisphere's crop.

On the corn front, there's not much to talk about, at least when it comes to PNW exports. Cash markets have been extremely thin in the northern tier, mostly finding support from southwest feed markets that usually play second fiddle to PNW exports for elevators in the north. This year, production deficits in states like Kansas, Nebraska, Oklahoma, and Texas, have forced corn that usually goes to the PNW for export out of the Dakotas and Minnesota into feed markets in California and TX, a rarity as far as trade flows go.

Meanwhile, the PNW has missed almost all the export business it usually competes for through this point of the year to countries like Brazil, Argentina, and even Ukraine! The outlook for the latter half of the crop year doesn't strongly suggest that will change, but there could be an opportunity down the road in March, April, and May, perhaps, when South American export capacities are booked with soybean vessels destined for China. Until then, interior basis values will take their lead from domestic markets, like feed and ethanol, and are expected to stay somewhat muted.

HARD RED SPRING WHEAT

***Rudy Weitze**, Merchant*

Spring wheat futures are riding a mild rally into the New Year with the Minny contract gaining nearly 25 cents in the last five sessions. News of potential winterkill in the Southern Plains HRW crop combined with a dry Argentina have helped to support the wheat complex. Despite this, trading volume has been low with the holidays and there has been a lack of headlines to keep feeding the bulls. The chart looks neutral, and it will be interesting to see if the gains can be sustained through the end of the month and into the New Year. Winter weather across the Northern Tier has severely hurt rail performance and has sent single cars and shuttle trains into further delays. In turn, this has left mills on the hunt for some nearby coverage and looking to buy railcars that can ship ASAP. Export markets are slow this week, so there is not much to report on that front. Managed money for spring wheat sits at about 4,000 short and has been hovering between 5,000 short and 2,500 long for a while. As we turn the calendar, I would stress the importance of rewarding rallies. There's still a lot of spring wheat in the bin and it'll be looking for homes at some point. With persistent drought across wheat producing areas, we're a few big rains away from some large chunks being taken out of the market. Have a happy and healthy New Year!

INTERNATIONAL WHEAT

***Ron Williams**, Merchant*

I hope all of you had a Merry Christmas and were able to spend time with your families. Looking forward, as we will soon begin a new calendar year, I expect interest from our buyers to pick up once they return after the holidays. The buyers will want to see where markets are as they look ahead and try to determine their upcoming requirements; this interest will not translate directly to sales right away, as many of our typical buyers are covered through April (with some covered as far out as June or July). The demand destruction due to COVID and high wheat prices has severely damaged business, reducing the wheat buyers ultimately need to buy. Some buyers are forced to be even more economic than they have been in the past, causing them to originate their needs elsewhere (Canada and Australia) at better prices, assuming the quality meets their requirements.

Aggressive offers out of Russia will continue to make it difficult for other suppliers to be successful in any cheap wheat-type business (such as Egypt). This will force all other suppliers to offer more aggressively to market their crop, which will work to keep a lid on global prices. The PNW will struggle to price against Australia and Canada for the balance of the crop year. I am currently forecasting our PNW wheat exports for this crop year to be around 338 million bushels. This is far less than the 576 million bushels we exported in the 2020/2021 crop year. I have a difficult time finding much in the way of bullish news at this point. In general, I believe values to move lower over time.

Have a safe and happy New Year.

HARD RED WINTER WHEAT

***Justin Beach**, Merchant*

The extreme cold seen across the US is starting to abate and we are now looking at above normal temps in the coming weeks fresh off much discussion of winterkill for US HRW- predominantly in the Midwest and South. Other topics that will dominate the market will be the fact that Russian and Australian wheat remains considerably cheaper than US options. The US continues to be the most expensive wheat in the world. Black Sea vessel loadings should continue to slow throughout the winter and our best hope for incremental demand appears to be capacity that is tied up offshore and a demand shift to the US because of these constraints. CBOT HRW calendar spreads are heavily inverted and prompting US producers and commercials to sell their wheat now. However, the rail freight market is heavily inverted as the freight end remains balled up on lack of performance from the railroads in conjunction with horrid weather across the US this week and last and regular holiday season delays.

Technically- charts look much better than they did 2 weeks ago and with funds holding a sizeable Chicago short I wouldn't be surprised to see another 20-40c of life in the board if managed money feels compelled to cover. This will be coupled with Black Sea tensions, South American weather, and US weather as the main driving factors going forward. At some point the main focus will return to being uncompetitively priced internationally. However, it does beg the question of whether the US will need to price into incremental business given the tightness of stocks domestically. We are still advising that this is a market to reward rallies with cash sales given historically high prices and inverted market structure.

BULLISH FACTORS

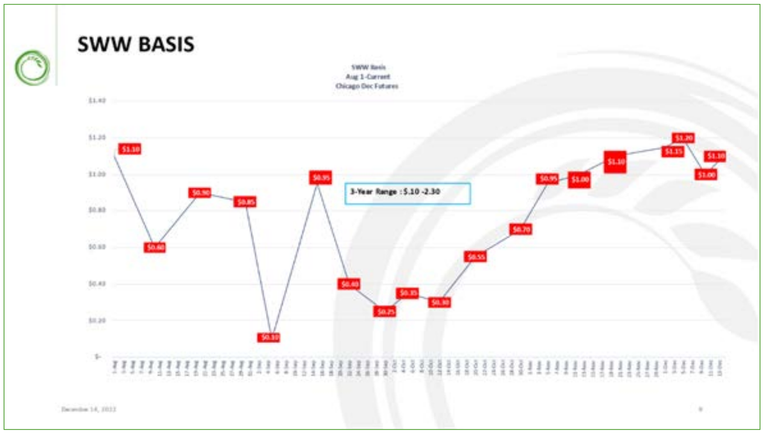
- China Re-Opening
- Historically poor crop conditions
- Technicals
- Minneapolis gaining on Kansas City
- Fund Chicago Wheat short

BEARISH FACTORS

- Increasing secondary freight costs
- Lack of demand and prohibitive prices
- Higher HRW acreage planted domestically
- Cheaper offshore options

SOFT WHITE WHEAT

***Steve Yorke**, Merchant*



As we cruise through the holiday season markets remain somewhat stagnant, especially white wheat. Futures have bounced slightly in the past ten days, but SWW remains around $8.50 with no reason to head in either direction unless we see surprise export business show up. China continues to pop in-and-out of the market and to date we are at seven cargos of white wheat. This is welcomed demand and should keep the balance sheet tight which will help steady prices. Australia's harvest is winding down and for the most part it is another huge crop that will compete with our white wheat moving forward. There is some damage from the rains on the East Side of Australia that will go into the feed channels, but the West Side was spared heavy damage-which is where most of the white wheat is grown. Weather continues to be the main driver at the moment. All eyes should be on futures as we are seeing September Chicago wheat trading above the $8.00 level once again. HTA's and accumulators may fit into your marketing plan and as always, we are here to discuss strategy moving forward. Our next Grower Meeting will be held at Zeppos in Pullman on February 2nd, exact time TBA in the coming weeks. This meeting will focus on Producer Solutions tools and a Pulse market update.

PULSES AND EDIBLE BEANS

***Matt Searcy**, Merchant*

FIELD PEAS

Field Pea markets have been mostly quiet with the exceptions of a few US Government Tenders. Global buyers are largely covered heading into the new year. Protein fractionators have been able to get coverage without needing to push yellow pea bids past green pea values. Green Pea values have been relatively firmer but without a huge demand story to claim it.

LENTILS

Holiday trade continues in the lentil market with global demand quietly covered nearby. US rail logistics are improving post potential rail strike; cleaning the backlog of shipments. The unwinding of the shipment backlog will continue well into the early months of 2023. The Australian red lentil crop is currently being harvested, which is putting pressure on the global marketplace. Latin America and Asian markets remain quiet for green lentils.

CHICKPEAS

Global Demand for chickpeas has stayed consistent over the past couple weeks. The supply story within Mexico is coming to fruition with more buyer's looking to the US for small caliber sizes. The US market needs this export demand to stabilize prices given the ~40% increase in production year-on-year.

DRY BEANS:

Dry bean markets have been well bid the past few weeks as US/Canada/Mexico harvest pressure is largely gone and Latin American buyer's look to extend coverage. The final USDA Production Report is scheduled for January 12th and will conclude the 2022/2023 production year. Any sizeable adjustment to the ND Pinto yield will be a story that'll affect the market into 2023.

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