

January 30, 2023

Weather

- Not many changes today
- Argentina is still going to struggle for “significant” moisture over the next ten days, although the models differ on whether it will be absolutely dry or a few showers will occur producing restricted amounts of moisture
 - Greater rain is needed since most of the nation is going to dry down rapidly due to warm to hot temperatures and restricted precipitation
- Southwestern Brazil will be drying down for a while as well, although the situation should be good for maturing early season crops and supporting their harvest as well as the planting early Safrinha crops
- U.S. southwestern Plains are not likely to get much moisture in the next week, despite previous forecasts suggesting otherwise earlier this week and last weekend
- U.S. Midwest precipitation will be limited for a while
- Northern U.S. Plains and Canada’s Prairies will get brief periods of rain and snow beginning this weekend and lasting for nearly ten days

News:

- Feed Leaders Committee bought 133,000 mt of optional origin Corn from the either the United States, South Africa, or South America. They also bought another 65,000 mt of either South American or US origin Corn was bought by the Korea Feed Association.
- Grain traders said a consortium of South Korean flour millers bought 86,200 mt of US origin Wheat.
- Dr. Cordonnier left his Brazilian crop estimates at 149 MMT for soybeans and 115 MMT for corn, but noted both could move lower if recent dryness in central and southern areas of the country persists. Cordonnier also left his Argentine crop forecasts at 52 MMT for soybeans and 56 MMT for corn. He has a neutral/lower bias toward soybeans given recent heat and dryness in key production areas. His bias is neutral toward the Argentine corn crop, down from neutral/higher due to the heat and moisture stress.
- Russia's government issued an order that will place an import quota limit on seeds from "unfriendly" countries, the limit will last until the end of 2024. Britain, the EU, and the United States are deemed "unfriendly".

- Russia's Urals oil price rose above the \$60 a barrel cap imposed by Western nations on Monday as Brent climbed, while freight rates were relatively soft despite new U.S. sanctions and rising tensions in the Red Sea.
- Soybean oil prices on China's Dalian Commodities Exchange fell for a third consecutive session on Tuesday, with soymeal prices also declining as demand slowed. Soybean oil contract for May delivery fell 3.8% to a seven-month closing low of 7,204 yuan (\$1,003.79) a metric ton. That was its biggest daily decline in more than a year. The most-active soymeal contract fell for a fourth straight session to 2,944 yuan (\$410.21) per ton, its lowest close since mid-July 2023.
- Saudi Arabia made a significant policy reversal by dropping its plan to expand its daily oil production capacity. State-run Saudi Aramco had originally aimed to increase its maximum sustainable production capacity from 12 million barrels per day (bpd) to 13 million bpd by 2027. Analysts note this shift in policy may reflect a recognition within OPEC+ that excess production capacity is impacting oil prices. They believe it makes little sense for Saudi Arabia to invest heavily in expanding its production capacity under these circumstances. The decision could have far-reaching implications for Aramco's capital spending, the Gulf supply chain and OPEC+ oil policy. Saudi Arabia also plans to free up an additional 1 million bpd of oil for export by replacing liquid fuels used for power generation within the kingdom with gas.

Gulke Group 2024 Winter Palm Springs Conference Rancho Las Palmas in Rancho Mirage, CA on Feb. 21-23. Current speakers include Drew Lerner on Weather, Roger Wallace on Livestock, Jamie Wasemiller on insurance, Michael Drury on economy and Jerry Gulke. Brian Phillips has agreed to preset his views via computer. **We've added a special session/discussion for Thurs pm on bio-fuels.** The conference will start at noon on Wednesday (Feb. 21) and conclude around noon on Friday (Feb. 23). The fee is \$695 for the conference for clients and \$2000 for non-clients. A second person within the household/company \$555. Sign up by calling or texting Jamie at 707-365-0601. Call Jamie if you need a room.

Brazil was Major Exporter of 10 Agricultural Commodities in 2023

The year 2023 was historical for Brazilian agriculture according to Roberto Perosa, Minister of Commerce and International Relations. The year marked expansion of markets and increased agricultural exports, which contributed to the largest balance of trade surplus in the nation's history: US\$ 98.8 billion.

In 2023, Brazil opened 78 new markets in 39 countries with the help of agricultural attachés, ambassadors, and Brazilian agribusinesses. For the first time, Brazil exported

beef and pork to Mexico and the Dominican Republic, cotton to Egypt, and corn to China, which continues to be Brazil's largest bilateral trade partner.

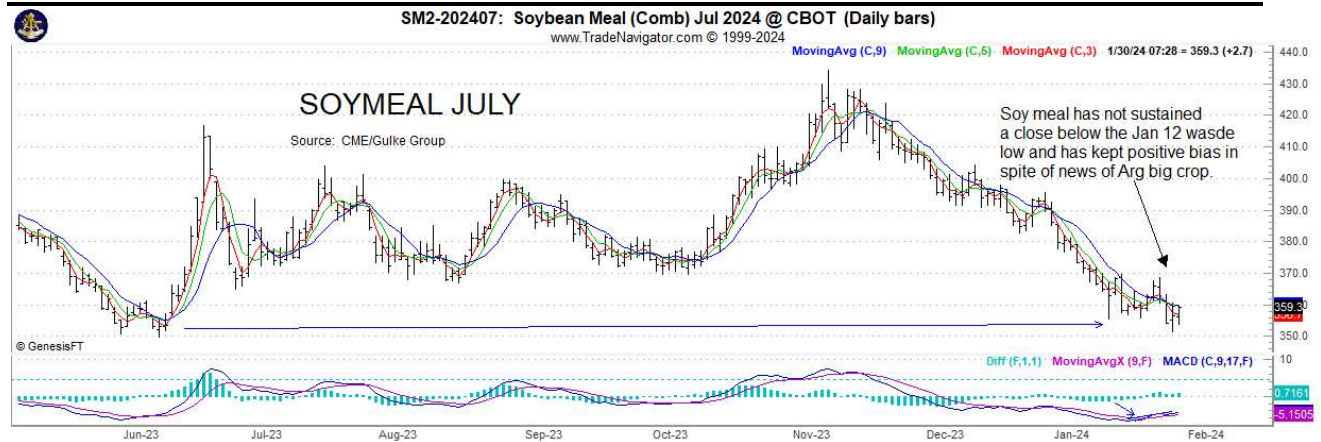
Brazil's agricultural exports hit a record US\$ 166 billion in 2023, 5% more than 2022 and 49% of Brazil's total exports. Agriculture represents one-quarter of Brazil's GDP and it employs approximately one-fifth of the population.

Brazil was the world's leading exporter of ten agricultural commodities in 2023: soybeans, soybean meal, corn, sugar, coffee, orange juice, beef, poultry, tobacco, and cellulose. Protein exports surged in 2023 with pork exports increased 9.2% in 2023 with poultry up 7.7% and beef up 1,2%.

Brazil recently launched a National Program for the Conversion of Degraded Pastures. This robust initiative has the goal of converting 40 million hectares of degraded pastures (98.8 million acres) to crop production over the next ten years with public and private investments of US\$ 120 billion. The expansion is focused on increasing production on existing land in the interior of the country, which reduces the pressure on deforestation.

Brazil's goal is to double agricultural production while focusing on sustainability and reduced carbon emissions positioning Brazil as the leader in sustainable food production.

Technicals:



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BO2-202407: Soybean Oil (Comb) Jul 2024 @ CBOT (Daily bars)

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Market Fundamentals:

Up to three cargoes of Brazilian soybeans were traded on Friday to a US East Coast crusher confirming rumors we hear last week. The three cargoes were traded on a last half February shipment basis at a 135 c/bu discount to CME's March futures soybean contract. The presence of heavy discounts for physical Brazilian soybeans versus the Chicago futures contract reflects how well-supplied much of the world's agriculture complex currently is. It can be normal to see sales May but rare during early Brazilian harvest. The US Department of Agriculture expects 217.3 million mt to be produced across the three major exporters (Brazil, Argentina and Paraguay) - up over 11% when compared to the 194.75 million mt produced in 2022/23. At the same time, Chinese companies' appetite for imported soybeans is softer than expected at this time of the year, as domestic hog production margins have suffered amid a glut of production. Soybean meal on the DCE (Dalian Commodity Exchange) hit a 40-month low.

Yesterday's Trades: Corn – For 2023, sold 10% CN 480 calls at 16 ¼. For 2024, sold 10% CZ 500 calls at 27 ¾. Soybeans – For 2023, sold 10% SN 1260 calls at 36 ¾.

ADVICE: Markets exhibiting some short covering and bargain hunting We implemented some hedges via selling all premium but will reserve selling more subject to market action---Soy complex at lows with some recovery likely while corn needs to send a message to not plant. Insurance trigger starts in a couple days but doomed to a non-event as it would take a big move in February to help averages.

COMMENTS:

- The Federal reserve begins their two day meeting discussing monetary policy this morning, analysts expect rates to remain unchanged.

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- In Major Reversal, Saudi Arabia Orders Aramco Maintain Its Oil Production Capacity rather than increase it ----
- Soybean oil prices on China's Dalian Commodities Exchange fell for a third consecutive session on Tuesday, with soymeal prices also declining as demand slowed; posting the lowest closes in six months while US meal was higher again two days in a row. Demand from China is weakening as stockpiling ahead of the Spring Festival (Lunar New Year) ends and animal feed demand declines.
- A look at Brazil's plans for expansion and its current competitiveness a wake-up call in above news.
- Cordonnier's view that Brazil's crop could go lower is concerning based on 3-5 yr track record of final results. Beans now coming into US—see above
- State-level winter wheat crop condition ratings released on Monday signaled more general improvement in the HRW crop over the past month, led by top producer Kansas.
- **MEATS—cattle choppy with FC higher again---Hogs better as well –no advice**

Gulke GroupSpec Table Buy/Sell Stops				(*New Positions in BOLD)			
	1/30/2024			Today's Stops		Current Position*	
	High	Low	Close	Buy	Sell	Long	Short
CH24	447 1/2	437 1/2	440 1/4	450 3/4	429 3/4		445 1/2
CN24	464 1/2	456 1/2	459 1/4	467 3/4	450 3/4		490 1/2
SH24	1212 1/2	1191 1/2	1194 1/4	1215 3/4	1172 3/4		1297 1/2
SX24	1187	1173 1/4	1180 1/4	1194 1/2	1166		1227 3/4
SMH24	359.0	346.2	354.3	367.3	341.4		390.4
BOH24	47.14	45.18	45.55	48.01	43.09		47.98
WH24	601 3/4	587 1/2	593 1/2	608 1/4	578 3/4		601
WN24	617 1/2	603	609 1/2	624 1/2	594 1/2		616
KWH24	626 3/4	607 1/4	618 1/4	638 1/4	598 1/4		622 3/4
MWH24	703	691 1/4	693 1/4	705 1/2	681		713 3/4
LCG24	179.525	177.250	177.375	179.850	174.900	165.550	
LCM24	180.500	178.025	178.475	181.450	175.500	166.850	
LHG24	75.300	74.325	75.275	76.450	74.100	71.950	
LHM24	96.350	95.575	96.275	97.250	95.300	92.850	
FCH24	241.925	238.400	238.625	242.350	234.900	236.125	
CTH24	85.21	83.86	84.260	85.81	82.71		84.81
CTK24	86.41	85.15	85.570	86.88	84.26		86.11
SBH24	24.30	23.42	23.530	24.46	22.60	21.00	
GCG24	2037.2	2018.8	2031.40	2050.30	2012.50	2066.4	
NRH24	18.17	17.91	18.09	18.39	17.80	17.540	
DJH24	38498.00	38157.00	38488	38849	38127	38084	
CLH24	79.29	76.41	76.78	79.86	73.70	75.09	
NGH24	2.166	2.047	2.054	2.188	1.920		2.477
DXH24	103.64	103.215	103.275	103.90	102.65	101.620	
USH24	121 1/32	119 23/32	120 17/32	122 3/32	118 31/32	120 26/32	

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