

Quanton Weekly Communications, Week 48

Quanton Trading Teams

Grains:

Turkey has imported 3.815 MMT of Wheat so far this season, mostly from Russia (63%). However, the share of Russian origin is lower than usual as Turkish buyers are **seeking cheaper options**, for example from Argentina.

Russia is discussing setting its **wheat-export quota**, which kicks in during the latter part of the season through June, **at 9 million tons**. The agriculture ministry's preliminary proposal is for a total grains quota of 14 million tons, including 9 million tons of wheat, said the people, who asked not to be identified discussing private information.

Sugar:

Raw sugar futures on ICE hit their lowest in four months on Thursday, before recovering to close little changed, as fears persisted that the Omicron coronavirus variant could hammer a nascent global economic recovery.

Cocoa:

Cocoa production in top producer Ivory Coast is **down 10%** from the same period last season, port arrival figures show, and farmers and buyers worry the trend could continue through the end of the main-crop harvest.

Less than a week after the new Covid variant sent commodity markets tumbling, cocoa markets swept a good half of the losses off the table. London opened firm and, after some initial hesitation, headed north. The opening in NY broke further tailwinds. The Mar22 term traded up to near the 10-day moving average to highs of GBP 1695; GBP 60 above its lows. After evening resistance, it closed at GBP 1683 (+44) basis Mar22. NY, meanwhile, gained even more, causing the arbitrage to diverge by almost GBP 30. As a trigger, the combination of oversold markets, weaker currency and of course the speculative participation is obvious.

Coffee:

The Chinese arm of **Canadian coffee chain** Tim Hortons said on Monday it has signed a deal with **Metro China** to open coffee shops in the retailer's stores, as it banks on **rising coffee consumption** in the world's most populous country.

Potential risk to **Colombia coffee**. According to Aura Commodities, total Coffee **production** is estimated to be 0.81MMT, **down 22%**. Outlook see's threat of La Niña bringing **unfavourably cloudy and wet conditions** into 2022. Risk to production and quality for both main and fly crops.

Potential risk to **Brazil coffee**. According to Aura Commodities, Paraná and São Paulo Arabica regions (8.5% total production) **seeing drier and warmer conditions** to end 2021, risk to production. Into Q1 2022 risk that dryness may expand more into

Southern Minas Gerais (low risk at present), which could turn into more of an issue for the coffee crop.

Freight:

China will **close** three main border **railway crossings** for Russian's non-container cargoes. Russian exports to China are mainly handled by sea ports, but this measure could still complicate some supplies of timber, coal, fertilisers, base metals and iron ore by railway. The restrictions will be imposed on Nov. 30 and Dec. 1 depending on the border crossing, Russian Railways said.

World:

World food prices rose for a fourth straight month in November to remain at 10-year highs, led by strong demand for wheat and dairy products, the U.N. food agency said on Thursday.

Fed chairman Powell says **inflation is no transitory**, but structural, tapering of bond buying will increase by a few months. 2-3 rate hikes are probable in 2022.

Russia:

Diplomatic spokeswoman Maria Zakharova announced that "by January 31, 2022, employees of the **US embassy in Moscow** who have been on assignment for more than three years **must leave Russia.**"

China:

China brought in 3.3 million tonnes of **Brazilian beans** in October, **down 22%** from 4.233 million tonnes in the previous year. (Brazil customs data)

China brought in 775,331 tonnes of **U.S. soybeans** in October, **down 77%** from 3.4 million tonnes a year earlier, according to data released from the General Administration of Customs. China's soybean imports from the United States in 2021/22 are expected to fall sharply after loading delays following Hurricane Ida. In contrast, **Brazil soybeans** offer higher protein level and hence **higher crush margin** (37% higher than US). Assuming the weather remains normal, many expect the US soybean export to fall even more in the first quarter 2022.

China's combined imports of **corn, sorghum, and barley** reached **50.2 million tonnes** in 2020/21, **doubling** the previous record of 2014/15. (USDA reported citing from China Customs' data)

EDF's nuclear power station in China (Taishan Nuclear Power Station), a design flaw in the reactor pressure vessel could cause the **damage to the nuclear fuel rods**. A rise in nuclear radiation was detected in October. An EDF spokesperson said on Monday the investigation into the fuel damage and the vessel was still under way, it is not clear the cause of the problem.

China published draft rules on Friday outlining registration requirements for herbicides used on **genetically modified crops**, in another sign that Beijing is gearing up to allow greater use of GM technology in agriculture.

Fertiliser:

A shipment of Russian fertilisers destined for export was **suspended from Dec. 1** due to the absence of export licenses, the Interfax news agency reported on Thursday, citing unnamed sources.

China's state planner said on Thursday it would **guarantee supplies** of key energy feedstocks for fertiliser companies, urging coal and natural gas enterprises to fulfil contracts signed with producers of the crop nutrient. Urea futures prices in China hit records this year, fuelled by high energy prices and as a crackdown on energy intensive projects tightened local supplies.

India plans to **increase** 2021/22 fertiliser **subsidies** to a record of more than 1.55 trillion rupees (\$20.64 billion) to avoid shortages amid a sharp increase in global prices of the chemicals, sources familiar with the matter said.

Norwegian fertiliser-maker Yara has **restarted** some of its Dutch production capacity following maintenance, while other plants remain shut amid a surge in the cost of natural gas, a key ingredient, the company's chief executive said on Tuesday.

Opinion:

Vietnam:

Due to the influence of the recent swine flu, the demand for pig feed is down, it will take some more months to recover. This is usually the busiest season of the year. However, this year's demand has dropped so much. Locals think it is a combination of the swine flu, as well as the high cost of purchase. Therefore, the chance for the **demand to recover** will be 2nd quarter of next year. Major traders still buy bulk wheat from **Brazil** with controlled moisture.

Tender:

Egypt, the world's biggest wheat importer, made its largest single wheat purchase in years on Monday after under-buying this season given a surge in prices. State grains buyer the General Authority of Supply Commodities (GASC) bought 600,000 tonnes of wheat, which two traders and an analyst said represented the largest single purchase since at least 2008, when it bought 540,000 tonnes. The purchase comprised:

240,000 tonnes of Romanian wheat, offers:

- 60kmt Al Dahra: \$350.85 FOB + \$25.10 Freight = \$375.95 CFR
- 60kmt Grain Export: \$356.50 FOB + \$25.10 Freight = \$381.60 CFR
- 60kmt CHS: \$358.40 FOB + \$25.10 Freight = \$383.50 CFR
- 60kmt ADM: \$359.00 FOB + \$25.10 Freight = \$384.10 CFR

240,000 tonnes of Russian wheat, offers

- 60kmt Solaris: \$351.37 FOB + \$26.35 Freight = \$377.72
- 60kmt ADM: \$354.50 FOB + \$26.35 Freight = \$380.85
- 60kmt GTCS: \$362.00 FOB + \$27.30 Freight = \$389.30
- 60kmt Aston: \$355.50 FOB + \$26.35 Freight = \$381.85

120,000 tonnes of Ukrainian wheat, offers

- 60kmt LDC: \$355.00 FOB + \$27.15 Freight = \$382.15

Jordan bought:

Wheat

60kmt Ameropa \$351.5, shipment June 2022

Barley

60kmt Ameropa \$307, shipment June 2022

Tunisia bought:

Milling wheat

- 25kmt Bunge \$382.00, shipment Jan 2022
- 25kmt Casillo \$385.68, shipment Jan 2022
- 25kmt Casillo \$387.68, shipment Jan-Feb 2022
- 25kmt COFCO \$383.40, shipment Feb 2022

Barley

- 25kmt Viterra \$353.97, shipment Jan 2022
- 25kmt Viterra \$354.73, shipment Jan 2022
- 25kmt Viterra \$355.46, shipment Jan-Feb 2022
- 25kmt Viterra \$355.97, shipment Feb 2022

Durum wheat

- 25kmt Viterra \$682.56, shipment Jan 2022
- 25kmt Casillo \$682.89, shipment Jan 2022
- 17kmt Viterra \$684.09, shipment Jan-Feb 2022
- 25kmt Finagrit \$674.00, shipment Feb 2022

Saudi Arabia SAGO tenders for 535kmt wheat, results on Monday:

- 180kmt Dammam, 1-10 May, 1-10 July, 20-30 July
- 55kmt Jizan, 1-10 May
- 120kmt Jeddah, 1-10 July, 20-30 July
- 180kmt Yanbu, 1-10 July, 20-30 July