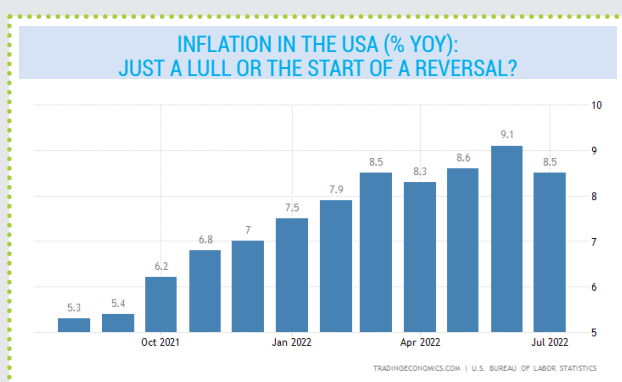


GRAINS AND OILSEEDS

NEWS

EUROPE IS RUSHING TO REPLENISH ITS STOCKS OF GAS

Europe's imports of liquefied gas (mainly from the USA) are currently good and allowing EU countries to replenish their stocks before winter, despite the cut in supplies from Russia. Europe's underground storage capacity is currently thought to be three-quarters full which is slightly higher than average for this time of year, although the situation is still a cause for concern. Firstly, there are major discrepancies between the various countries. Even though the situation is good in Poland and Portugal (100% full), and satisfactory in Germany, France and Italy (70-85%), it is problematic in central Europe (Hungary and Austria) with a fill rate of just over 50%. Secondly, full underground storage tanks will only guarantee around a third of winter consumption requirements, and perhaps less if the winter is harsh. The absence of Russian gas – even a partial absence – is therefore likely to be felt and may force countries to ration consumption. Incidentally, European gas is trading at levels close to the records seen in early March, i.e. almost five times higher than a year ago.



MARKET WATCH

- WEATHER: DRY CONDITIONS RETURN TO ARGENTINA
- CEREALS: EXPORT PRICES DECLINE IN RUSSIA
- OILSEED COMPLEX: A BEARISH USDA REPORT FOR SOYA
- AN ATTEMPT IS BEING MADE TO BREACH THE BEARISH CHANNEL ON EURONEXT
- EUROPEAN RAPESEED IS CHEAP WHEN COMPARED TO CANADIAN CANOLA



ECONOMIC CLIMATE

INFLATION IS TAKING A BREAK IN THE USA

Last week, the retail price index for July was eagerly awaited in the USA. After several months of sharp increase, some respite was expected largely because crude oil prices have declined. Last month, the index was stable when compared to the previous month, allowing the year-on-year increase to fall to 8.5% against 9.1% in June. Declining petrol prices played a major role in this lull, but foodstuffs have risen sharply again (+1.1% in one month) bringing the annual increase to 10.9% – its highest since 1979. Inflationary pressure is spreading to all sectors, and if energy and food are excluded, the year-on-year price increase in the USA is close to 6%. It is therefore likely that the Fed will continue to toughen its monetary policy at a steady pace over the coming months. The markets, however, were relieved to see a slowdown in the price increases and the dollar has lost ground against other currencies. Some analysts seem optimistic and are banking on a sharp slowdown in inflation given that the fall in demand has caused prices to decline sharply on some markets.

ANALYSIS & COMMENTARY

GRAINS ANALYSIS

Even though the USDA's report is frequently the source of market volatility, the potential for a price decline remains limited without a major increase in exports from the Black Sea. Nonetheless, we must keep a close eye on the delicate economic situation and the new round of tension between China and the USA with regard to Taiwan, which could boost prices over the coming weeks.

OILSEEDS ANALYSIS

The oilseed sector is split. On the one hand, prices are being kept reasonably stable thanks to supporting factors such as production risks for US soya, the demand for rapeseed-based biodiesel and yield loss for European sunflower. On the other, the resumption of (limited) exports from Ukraine would suggest an increase in supply in the medium term. The good production forecasts for Canadian canola also suggest that the balance sheets will become tighter. Oilseeds are therefore split between bullish and bearish factors and unable to find any clear direction. In the short term, stability is likely to remain the order of the day. Caution is required in the medium term, however, as the increase in supply may bring pressure to bear on prices.

FERTILISERS

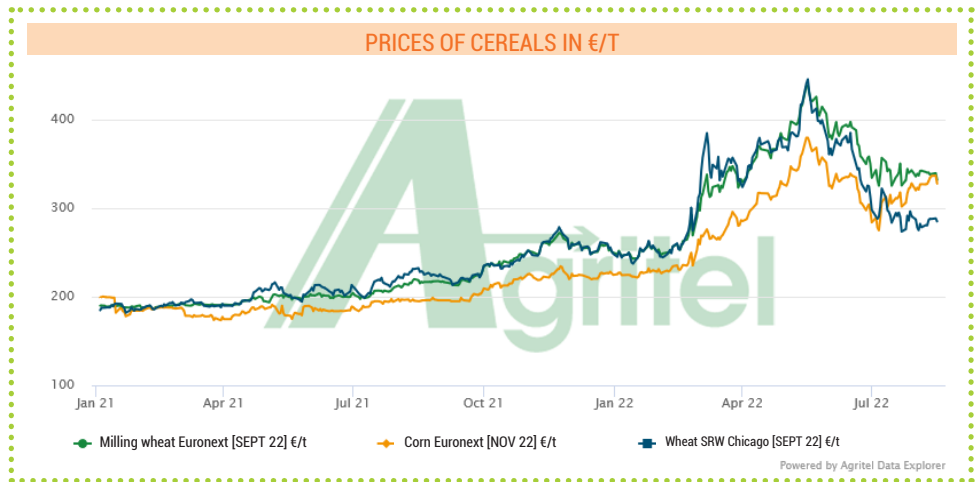
TIGHTNESS IN EUROPE

International demand for urea (demand from Brazil, the USA, China, south-east Asia and Europe) is low, but India is likely to start buying again soon. The trend in Europe is not bearish, however, and there is still considerable tightness for nitrogen fertilisers given the supply risks for natural gas. Many production plants are idling if not shut down because production costs are too high. Without any easing on the gas market, nitrogen fertilisers will remain tight and the tightness may even increase at the end of the summer holidays when demand rallies.

WEEKLY TRENDS

WHEAT	MAIZE	RAPESEED	SUNFLOWER	BARLEY	MEALS
↔ ↗	↔ ↗	↔	↔	↔ ↗	↔

The USDA's report for August was eagerly awaited by market traders. It featured a number of adjustments starting with a dramatic 8Mt fall in Europe's maize production. Hot, dry conditions in recent weeks have had a major impact on maize's development, with production now estimated at its lowest level since 2015. France has not escaped the effects of Europe's drought and high temperatures and has had a series of heatwaves. Crop condition has deteriorated considerably in recent weeks with just 53% of the acreage now rated good-excellent – the lowest level at this time of year since FranceAgriMer first started producing reports in 2012. France is already harvesting for fodder, and production estimates are still slipping towards the 11Mt mark, the lowest for over 22 years. Supply will therefore be limited in the northern hemisphere, especially as the situation is similar in the USA where crops are deteriorating week after week and the USDA's production estimate has fallen from 368Mt to 364Mt, a far cry from last year's 384Mt. Given this reduced supply in Europe and the USA, demand will continue to be monitored over the next few weeks. The use of maize in feed will fall as maize now costs more than wheat, although it is difficult to imagine any increase in demand for wheat. Wheat exports in France and Europe are at record levels at the beginning of the campaign. A rationing of demand seems essential and the focus is once again turning to the Black Sea. Even though agreement has been reached to open Ukraine's ports and the first ships have set sail, an increase in exports from the Black Sea is not guaranteed at the moment with the wheat harvests ongoing. With production looking set to reach record levels in Russia (a 6.5Mt increase to 88Mt according to the USDA), exports over the coming weeks will be the determining factor for price developments. Russia's traders still face major fluctuations in export duties and the rouble, but also a deterioration in quality, with a greater proportion of feed wheat this year. Given the tightness of the cereal balance sheet in Europe, barley may have a role to play in animal feed, and demand will continue to be monitored over the coming weeks.

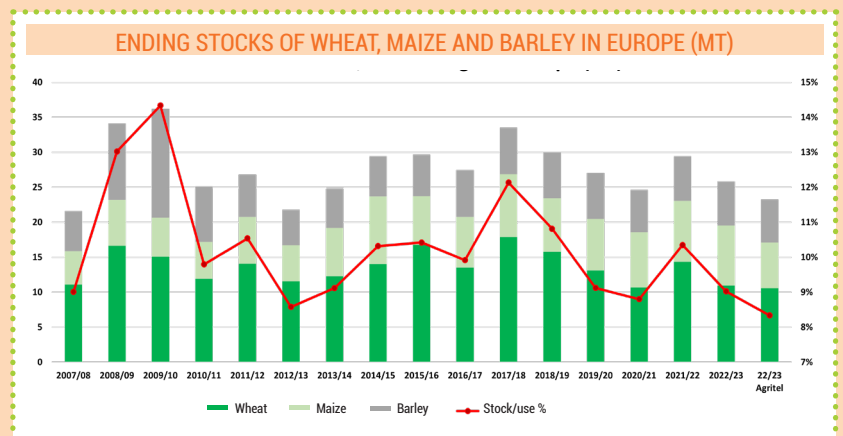


	EXPIRY	CLOSES 16/08/2022	2-WEEK VARIATION
EURONEXT WHEAT €/T	September-22	332,00	-7,00
	December-22	322,50	-3,75
EURONEXT MAIZE €/T	November-22	327,75	+4,50
	March-23	325,00	+3,25
CHICAGO WHEAT C\$/BU	September-22	786,00	+11,25
	December-22	802,75	+8,75

FOCUS ON...

SIGNIFICANT TIGHTNESS FOR THE CEREAL BALANCE SHEET IN EUROPE

All Europe's cereal markets are tight. After dry conditions in spring and extremely high temperatures in July, total wheat, maize, barley, rye and sorghum production is currently estimated at around 246Mt, the lowest since 2019. If the situation persists, this figure may even be revised down given the concerns about maize. Export demand is particularly buoyant for European wheat, however, thanks to good competitiveness. The combined ending stock figure for wheat, maize and barley in 2022/23 may therefore be at a 10-year low. Demand for use in animal feed has therefore already started to be rationed. It is still difficult to decide which crop to use in feed but feed barley currently seems competitive enough to allow its use to increase.



SPLIT MARKETS

There is very little movement on the oilseed complex and it is struggling to find any clear direction.

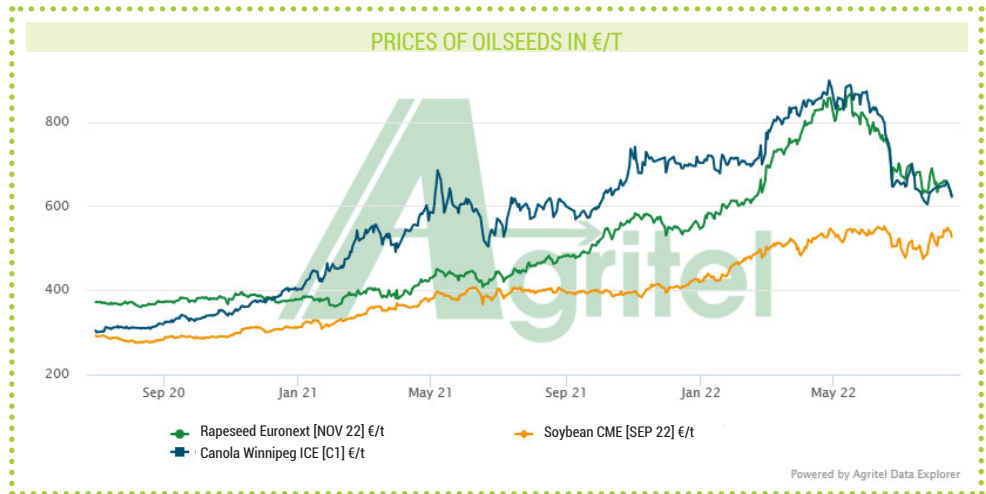
Despite the fact that conditions remain dry in the south-west of the US soya-producing region, production potential was revised up in the USDA's latest WASDE report, against all expectations. The USDA is currently looking at a harvest of 123.3Mt for 2022/2023, but it may amend this figure again in its forthcoming reports. Meanwhile, the weather conditions must continue to be monitored, as must relations between China and Taiwan, which remain strained.

With regard to rapeseed, there is still demand from the rapeseed-based biodiesel sector given that the blending policy is providing an incentive for its use in Europe. This means that rapeseed prices have a certain stability despite the increase in European supply. All eyes are now focusing on Canada where the canola harvest will begin shortly. The crops are in good condition and production looks set to be much higher than the 12.6Mt harvested during the 2021/2022 campaign, with the potential currently estimated at around 19.5Mt for 2022/2023.

With regard to vegetable oils, some support is emerging and prices in Kuala Lumpur are managing to exceed the 4,000 ringgits/tonne mark. Exports are rallying quite strongly for this oil (which is now cheap) whilst Malaysia is experiencing a labour shortage again. The potential for an increase, however, looks limited because of an increase in supply from Indonesia.

With regard to sunflower, the high temperatures registered in Europe are cutting production potential which may fall below the 10Mt mark. The drought conditions mean that the crops are advanced and the first harvests are under way in southern Europe with yields currently reported to be down. Against this backdrop, the rally on exports from Ukraine would suggest that Ukrainian sunflower seed and oil may start to be traded again in the medium term. Tightness is therefore very much present in the short term, and will then depend on Ukraine's export capacity.

Feelings are therefore mixed throughout the oilseed complex, with supporting factors in the short term and an easing in the balance sheets possible in the medium



	EXPIRY	CLOSES 16/08/2022	2-WEEK VARIATION
EURONEXT RAPESEED €/T	November-22	624,50	-32,25
	February-23	627,00	-28,50
WINNIPEG RAPESEED C\$/T	November-22	813,40	-35,00
	January-23	822,30	-36,00
CHICAGO SOYA C\$/BU	September-22	1454,25	+38,50
	November-22	1381,00	-5,50

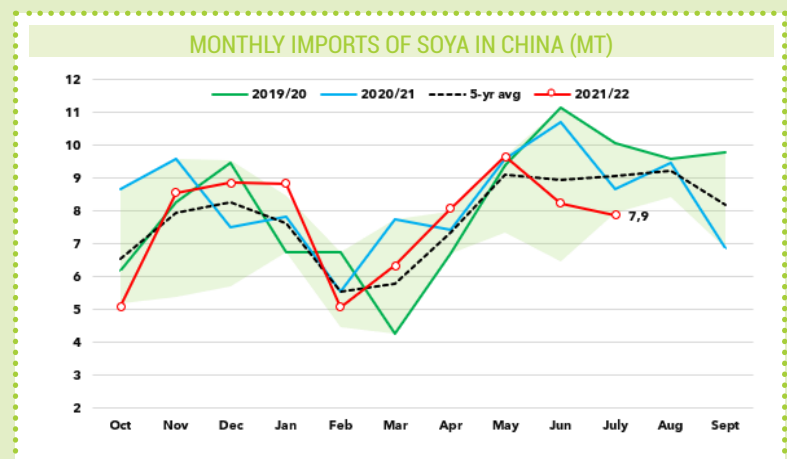
term. Traders will be keeping a close eye on the price of crude oil which could also have an effect on future trends in the oilseed complex. The risk of recession is

currently preventing crude oil prices from increasing to any significant extent, but demand is still there which has driven prices back above the major \$90/barrel mark.

FOCUS ON...

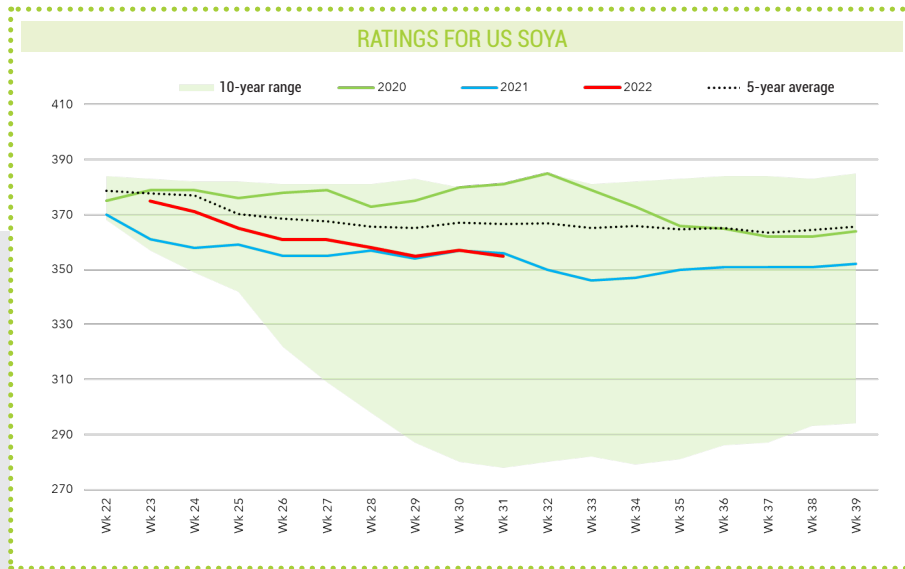
CHINA'S IMPORTS OF SOYA FALL IN JULY

China imported 7.88Mt of soya in July, its lowest July figure since 2016. This 9.1% drop on last year can be explained by the low interest currently expressed by the domestic crush industry at a time when margins are too low. Furthermore, various lockdowns in port cities have also played their part in this lower interest in soya, and pig numbers have declined in recent months after several months of heavy losses for the country's gigantic farms. Nonetheless, the USDA's 90Mt import target still seems feasible, and this should not alter the 2021/22 balance sheet in the USDA's report published on Friday 12 August. It is more the 2022/23 campaign that is in doubt with its target of 98Mt, just as tensions are rising between the USA and China about Taiwan.



TECHNICAL POINT

A TIGHT SITUATION FOR AMERICAN SOYA



GOOD PROGRESS FOR BRAZILIAN SOYA EXPORTS

The world's main soya exporters are concentrated in the Americas: the USA (North America) with a 2021 crop of 120Mt; and Brazil and Argentina (South America) with a 2021 crop of 126Mt and 44Mt respectively. Brazil's export capacity on 2021 crop stands at 81Mt and export shipments are off to an excellent start: 9Mt in February. This rapid pace means that 86% of the export target has already been achieved. The supply of Brazilian soya is therefore lower, and traders are keeping a close eye on the situation for US soya which is currently flowering.

A HOT SPELL IN THE USA WHICH COULD ADVERSELY AFFECT SOYA

According to the USDA's WASDE report for July, the USA's soya acreage stands at 87.5 million acres. This same report gives a yield of 51.5 bushels per acre which is at the upper end of historic yields. Soya production may therefore reach the 122.6Mt mark, of which 58.1Mt will go for export. Conditions remain dry throughout the western part of the Corn Belt, however, and temperatures as high as 40°C are expected. According to the weather models, 5-10mm of rain is forecast over the next seven days. Yields may be affected if the dry conditions are confirmed over the coming days, with 61% of the soya at the pod-forming

stage. At the moment, 59% of US soya is rated good-excellent, against 60% this time last year, but this figure could fall if the dry conditions continue, so caution is required.

Given the progress with exports and the forecasts for US production, the situation for soya could tighten quickly. Only a fall in demand over the coming months could limit this adverse effect. Chinese imports must therefore be monitored closely. At the moment, the weather in the USA over the coming days will be decisive for the soya balance sheet.