

NJBBT Market Report April 2023

The war in Ukraine continues, but some bumper crops have reduced the impact on prices. Exxon Mobil and other oil producers leaped after Saudi Arabia and other producers said they'll cut production by 1.15 million barrels per day from May until the year's end leading to upward pressure on transportation costs.

The United Nations FAO Food Price Index dropped again in March, down 5.6% from February and down 18.6% from a year ago.

Wheat: International wheat prices fell by 7.1 percent, driven by ample global supplies and strong competition among exporters. The extension of the Black Sea Grain Initiative, allowing Ukraine to continue to export from its Black Sea ports, also contributed to the decline. Higher estimates for Australia's production, along with improved crop conditions in the European Union this month, boosted the global supply outlook further. Strong competition from the Russian Federation, where high supplies continue to support competitive prices, also sustained the downward pressure on prices. On the down side, the USDA released their crop ratings on Tuesday which showed 28% of the winter wheat crop in good-excellent condition, the lowest for this time of year in records dating back to 1989, as the drought conditions in the Plains continues. This was below analysts' expectations, which were an average of 31% good-excellent with a range of 25-36% good-excellent. Currently, 58% of this year's crop is in an area experiencing a drought. However, the National Oceanic Atmospheric Administration predicts increased precipitation in the next two weeks, which could improve the quality of the crop.

Oils: The **FAO Vegetable Oil Price Index** was down 3.0 percent from February and standing as much as 47.7 percent below its level a year ago. The decrease in the index was the net result of lower soy, rapeseed and sunflower oil quotations more than offsetting **higher world palm oil prices. After falling for three consecutive months, international palm oil prices rebounded in March.**

Sugar: The FAO Sugar Price index was up 1.5 percent from February, marking the second consecutive monthly increase and reaching its highest level since October 2016. The increase in prices mostly resulted from concerns over lower global availabilities of sugar in the 2022/23 season, following declining production prospects in India, Thailand and China. However, the positive outlook for the sugarcane crops in Brazil, about to be harvested, limited the upward pressure on world sugar prices. The decline in international crude oil prices, encouraging a greater use of sugarcane to produce sugar in Brazil, coupled with the weakening of the Brazilian real against the United States dollar, contributed to limiting the month-on-month increase in world sugar prices. **However, Saudi Arabia's recent decision to limit oil production may affect market demand.**

Dairy: The **FAO Dairy Price Index** was down 0.8 percent from February and standing 10.7 percent below its level in the corresponding month a year ago. The decline in March was driven by lower price quotations for cheese and milk powders, while butter prices increased. Milk powder prices fell for the ninth consecutive month, primarily reflecting sluggish import demand, especially for near-term deliveries, and seasonally rising milk production in Western Europe. By contrast, butter prices increased due to solid import demand, especially from North and Southeast Asian countries.

(This report is based on reporting of the Food and Agriculture Organization of the United Nations, US Wheat Council, General Mills Foodservice as well as other relevant sources. Next report will be May 12)