

Global soybean complex outlook 2019-20

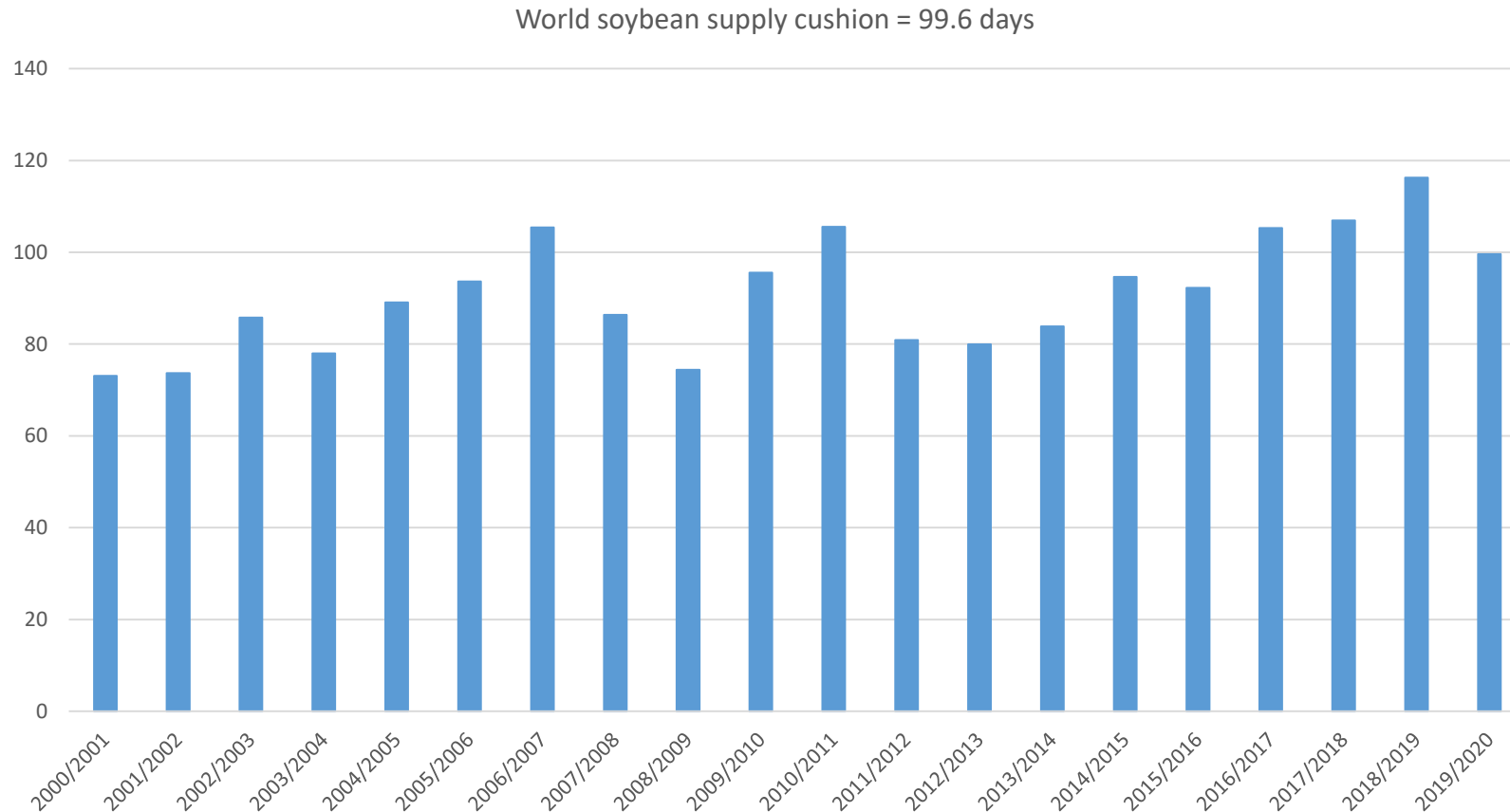
“trade policy trumps fundamentals”

USSEC U.S. soybean buyers outlook conference

Tokyo, JAPAN

18 – 19 November 2019

World soy supply cushion & the difference between now and previous years



World supply cushion = 99.6 days vs 116.1 days in 2018-19

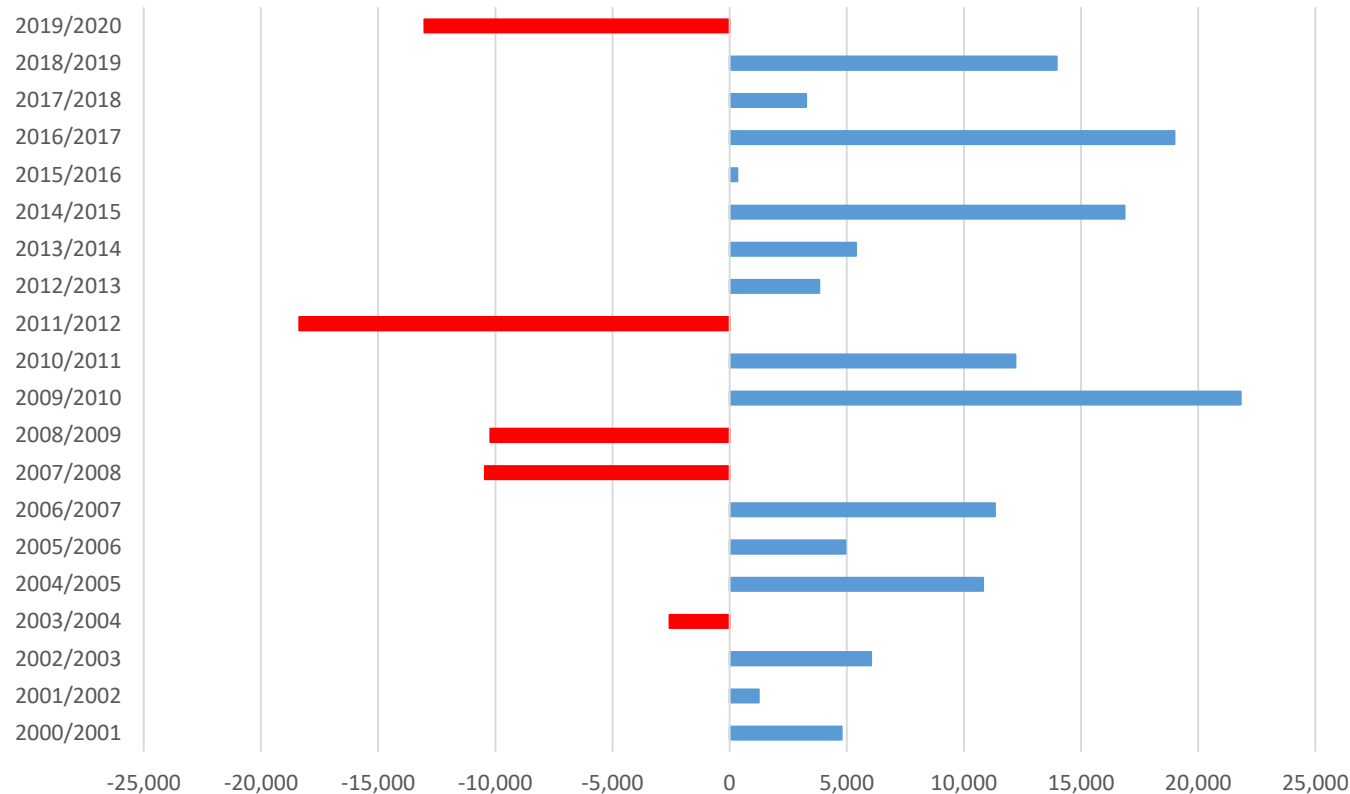
Key points:

- Minor demand growth forecast for China
- Argentina returns to soybean monoculture
- Brazil weather – improving
- Rains on tap for Argentina

Exportable supply cushion – viewed more in a 60-55 day type scenario given where soybean stocks are located

World soy production to fall 13MMT short in 2019-2020

World soybean production vs consumption

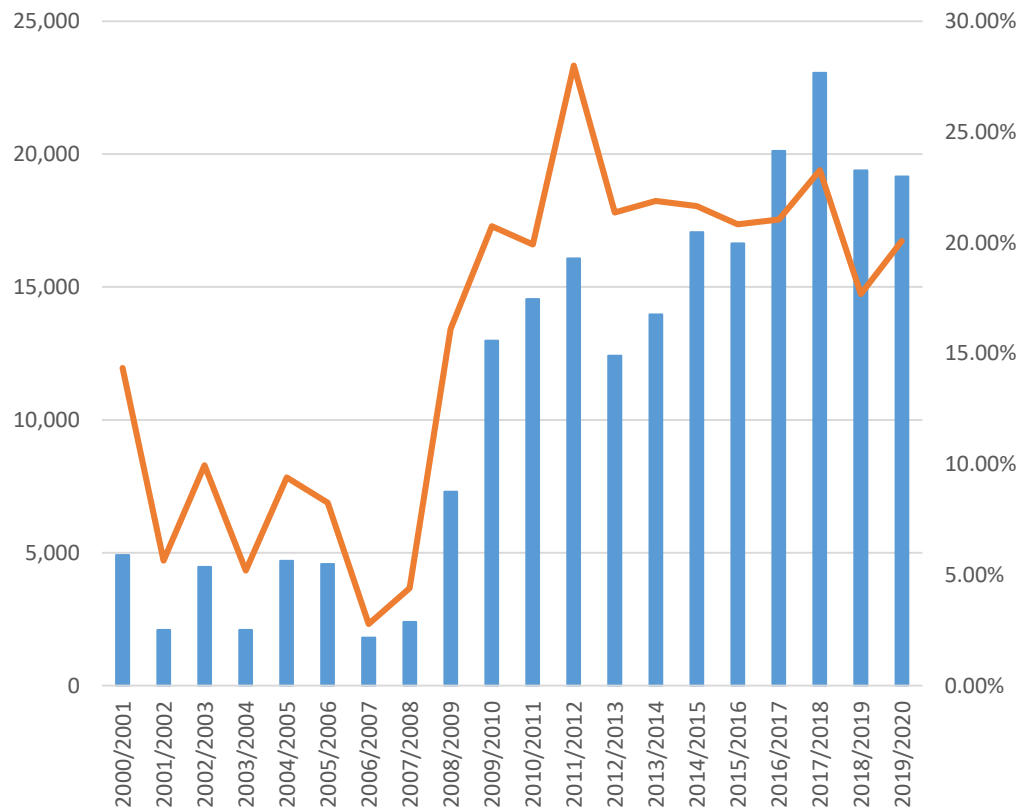


World soy production is forecast to be 13MMT short of consumption forecasts – the first time since 2011-2012. This is also with 200KMT growth in soy consumption by China

- **World demand** – forecast at +2.2%
- **China import demand** = 85MMT – too high?
- **China reserve buying** – with a building carry in the futures market and soybean prices at plus-decade low prices – does China move to build its domestic soy reserves?
- **South American production** – Brazil weather has improved. Rains in the forecast for Argentina. What happens to Argentina plantings for 2020-2021 with the return to a Peronist President (Kirchner 3.0) and export taxes on the grains

ENDING STOCKS: the “never (rarely) export” + “tough to buy because of politics” storage tanks

China soy stocks - reserve building on tap for 2020?



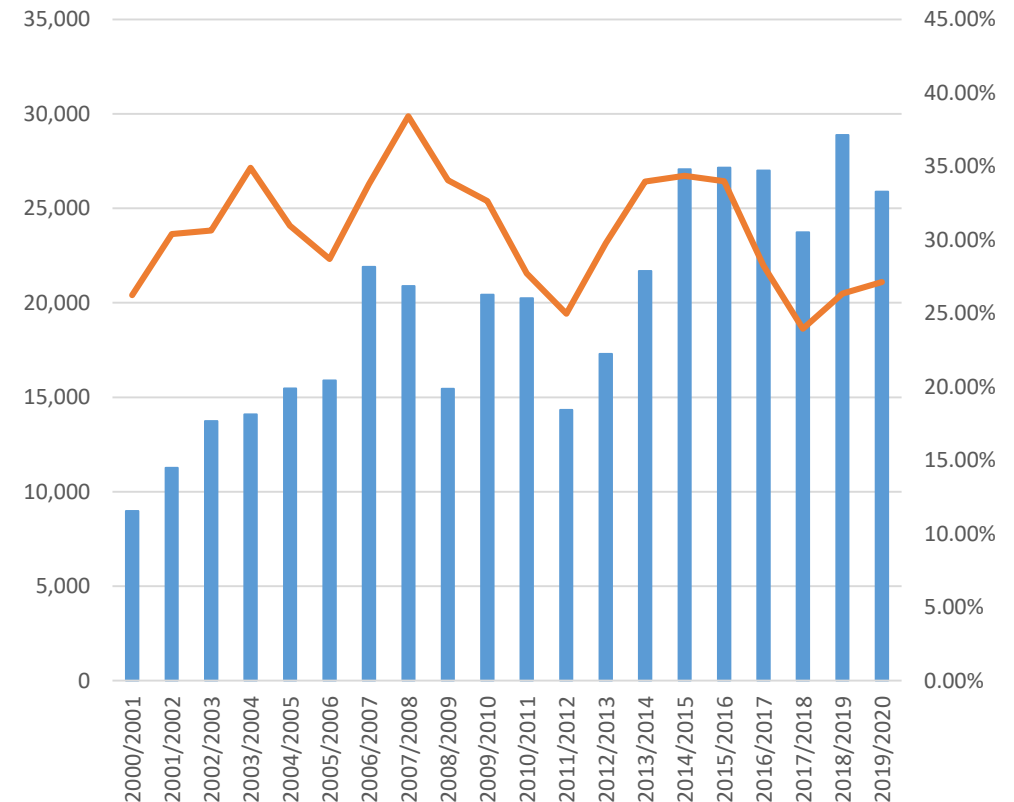
**MY2019-2020
supply cushion =
99.6 days**

**China holds 20%
= 20 days**

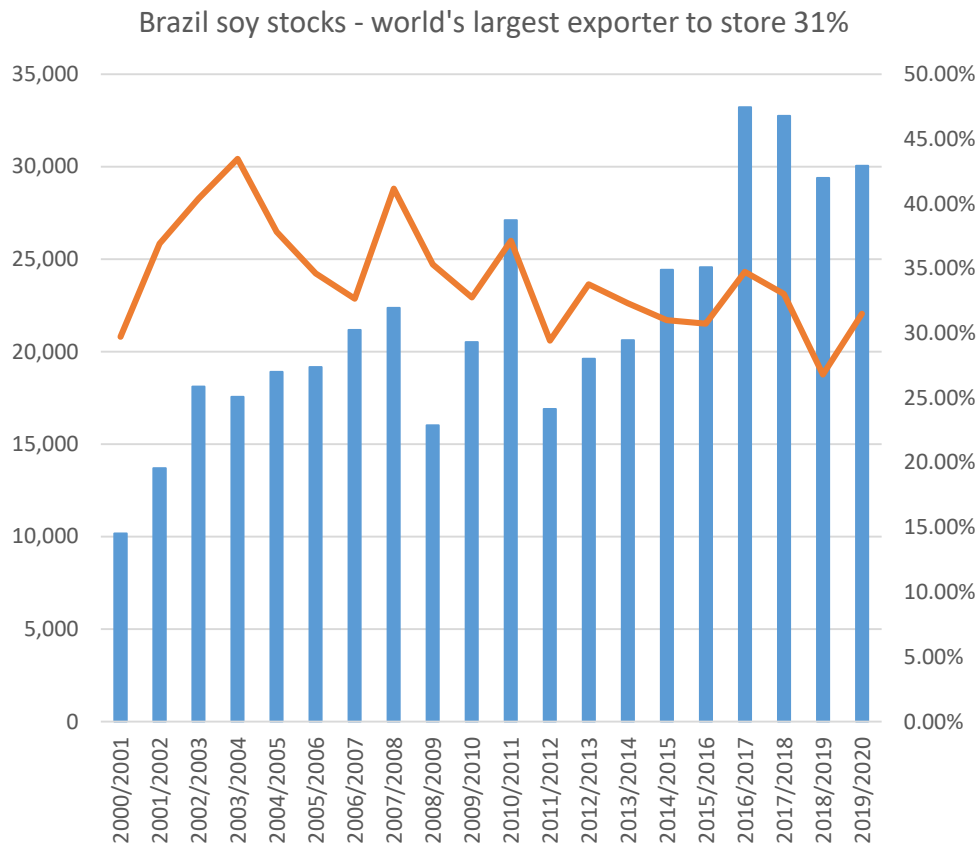
**Argentina holds
27% = ~27 days**

**Bottom-line –
the world
soybean supply
cushion is more
in that 53 day
range**

Argentina soy stocks - return to Peron-Kirchner export tax



ENDING STOCKS: the world's largest soybean exporter + U.S. "transition" to global storage tank



**MY2019-2020
supply cushion =
99.6 days**

Brazil - the world's
largest exporter +
favored origin to
China holds 31% =
31.6 days

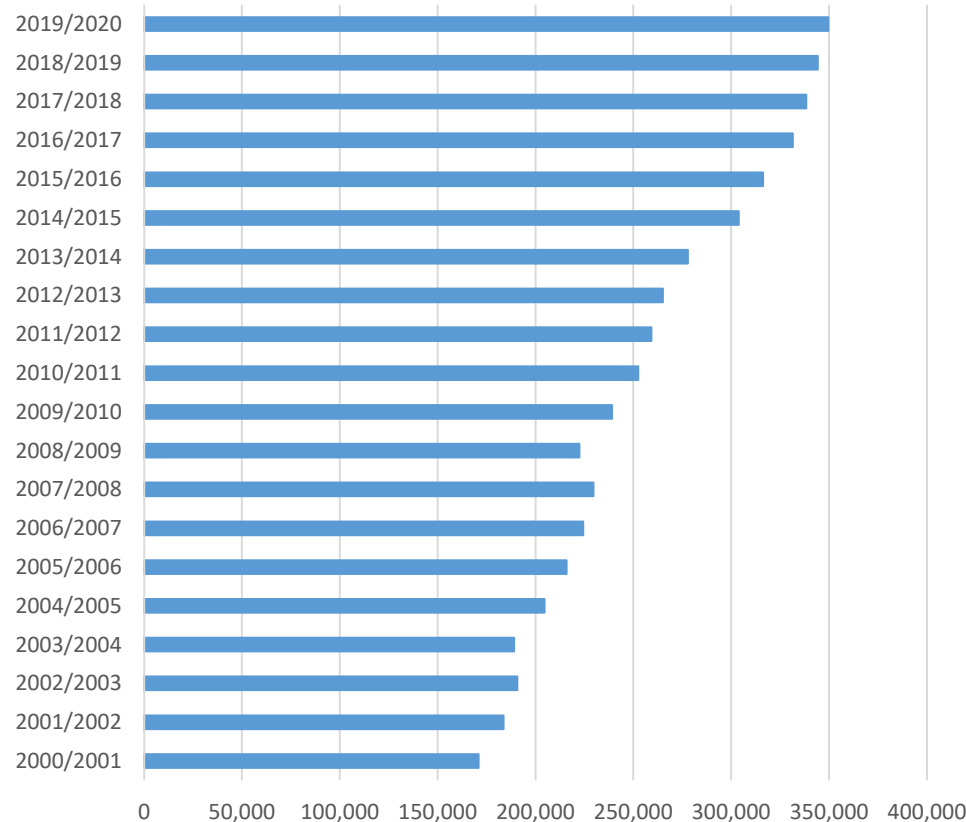
U.S. – 2nd largest
exporter to store
13.5% or 13.5 days
– transparent
backstop for world
buyers

**2 exporters
account = 45 days**



World soybean consumption closes in at 1MMT / day with minimal growth forecast for China

World soybean demand = 349.6MMT -or +1.6%

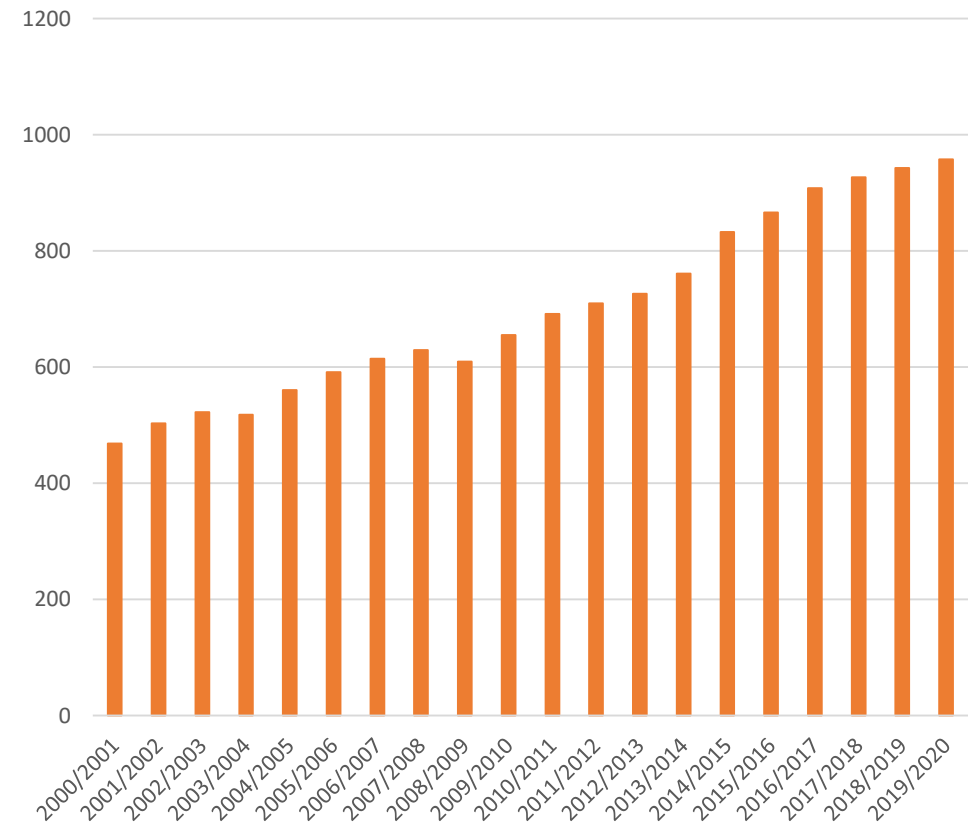


World soybean consumption at nearly 1MMT / day (957.8KMT / day)

World soy demand – led by the global dietary shift + increase in animal protein demand + \$\$

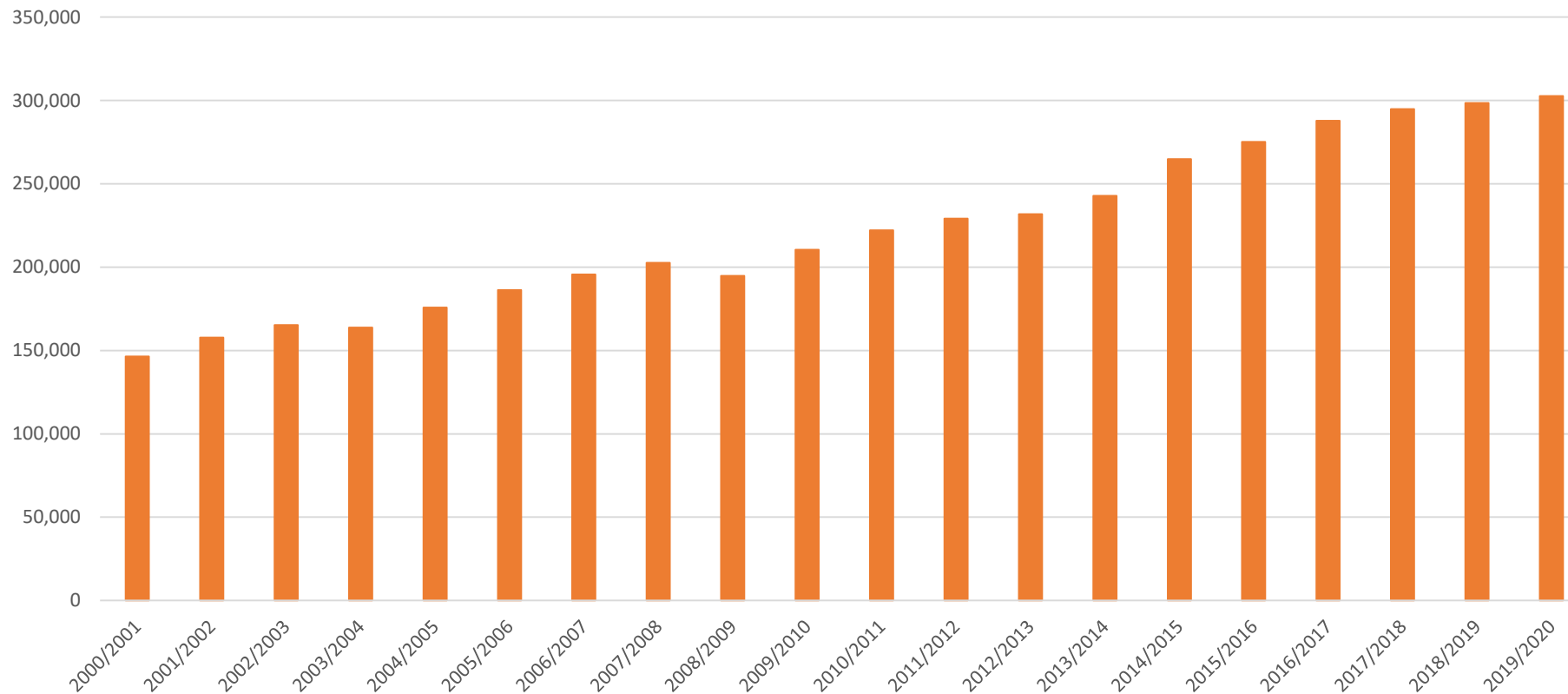
China forecast for “only” 200KMT demand growth in 2019-2020 vs 2018-19 (vs -4.3MMT decline LY). Compared to 2.8MMT & 7.6MMT the previous 2 years

World daily soybean consumption = 957.8KMT / day



Global crush margins – challenging \$\$ environment versus last year

World soybean crush - flattening = 302.7MMT (+1.4%)



Europe – do they imports more soymeal or soybeans in 2019-2020?

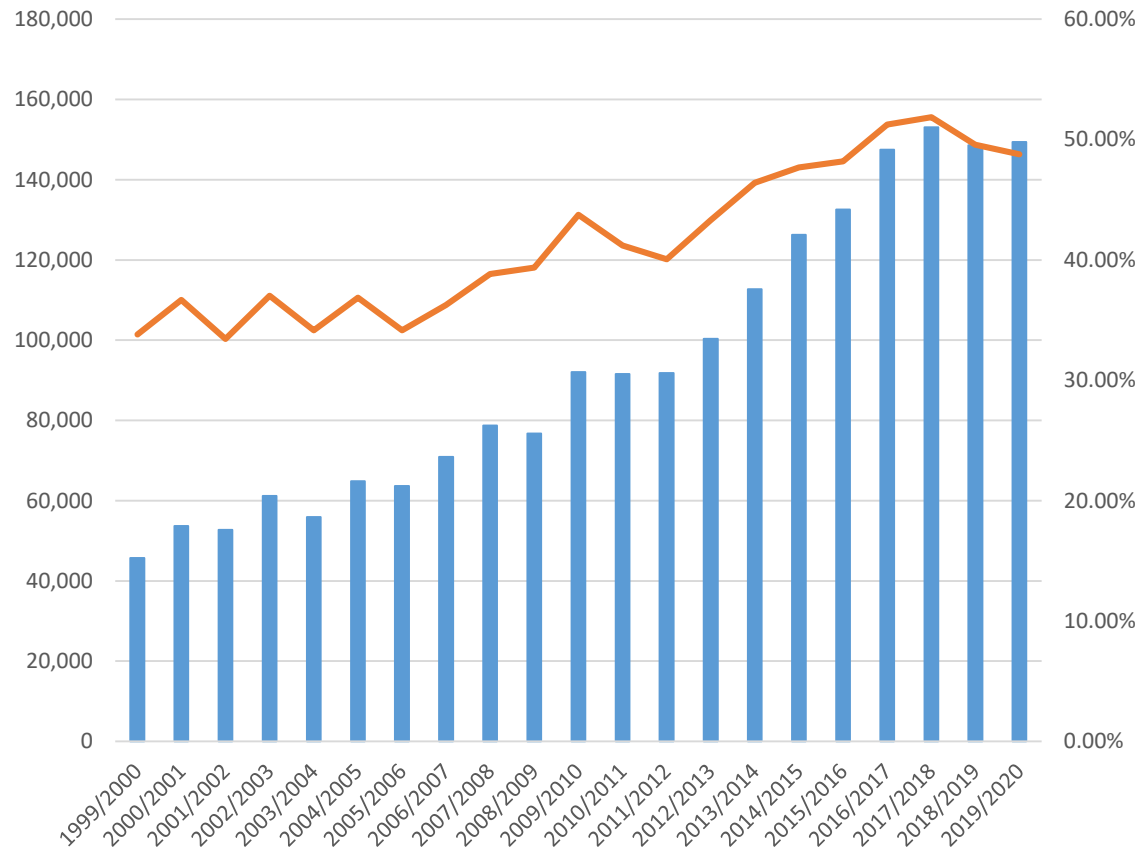
U.S. soymeal demand has benefited from weak crush margins in Brazil

Argentina – domestic origination for crush vs China soybean import demand

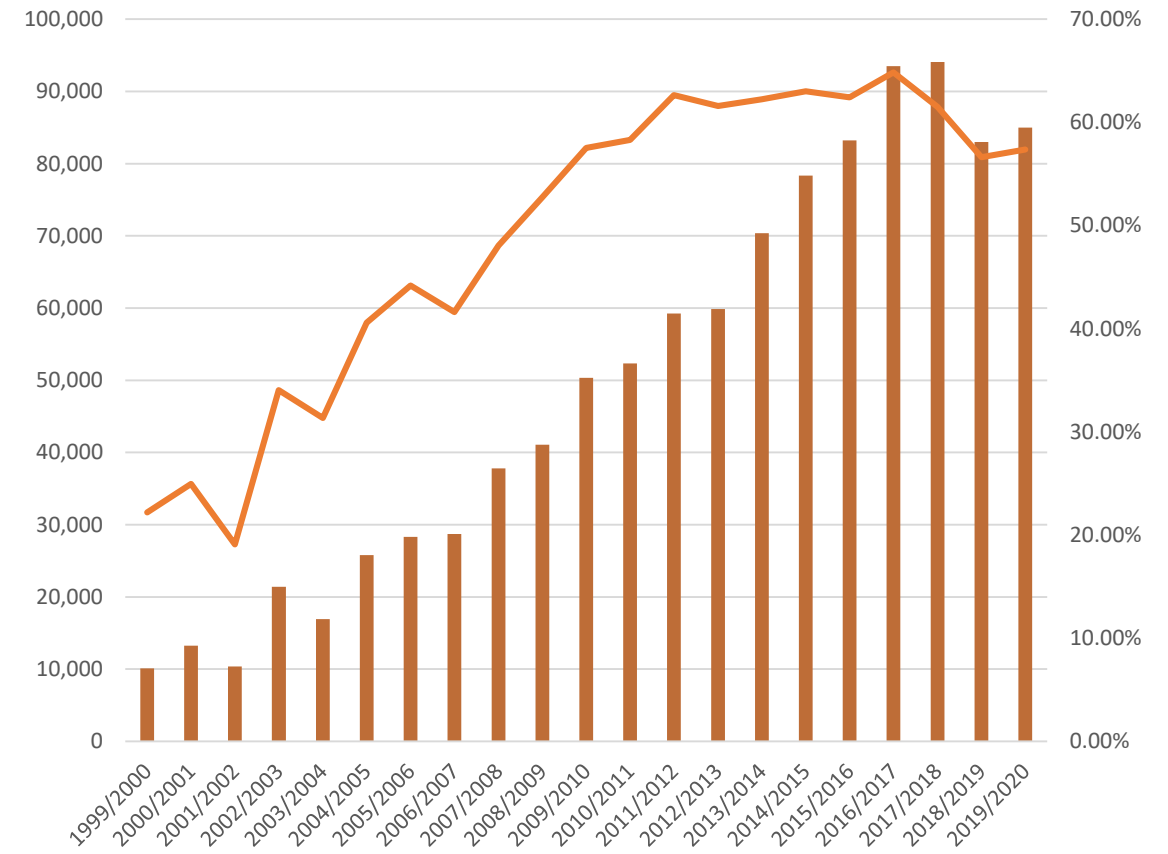
China crush margins – a challenge to “walk a fine line” between too much soymeal & not enough soymeal as ASF drives demand

World soy exports – influenced by policy + Brazilian soy production + China soy import demand

World soybean export trade - % of world crush

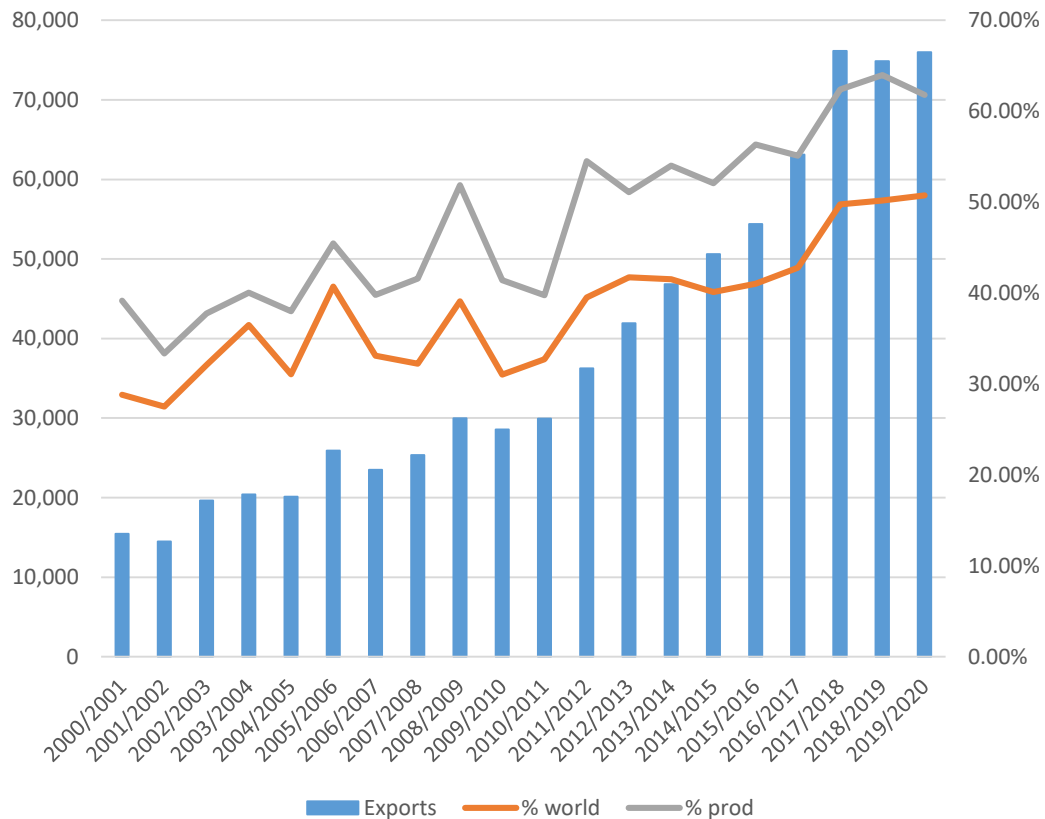


China soybean import demand - % world demand (57.4%)



World soy exports – as goes Brazil production goes world trade flows

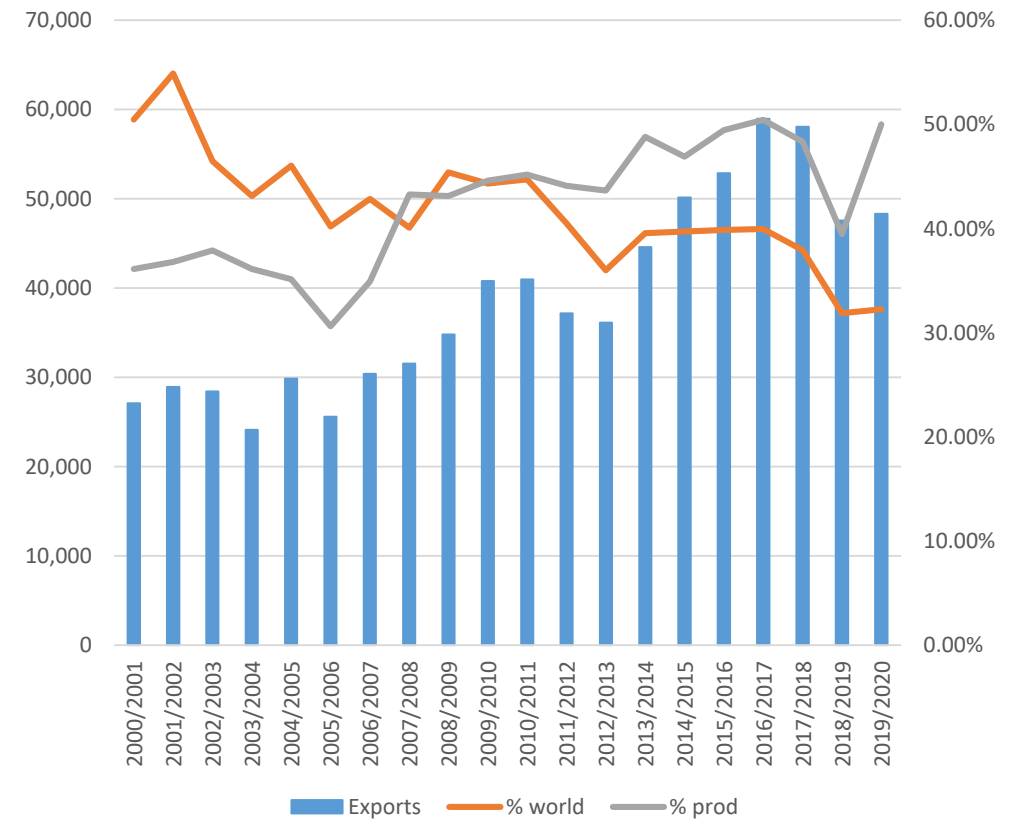
Brazil soy exports - % world trade - % of its production



Brazil soy exports forecast = 76MMT (record = 76.1MMT). It exports over 60% of its production and accounts for 50% of world trade.

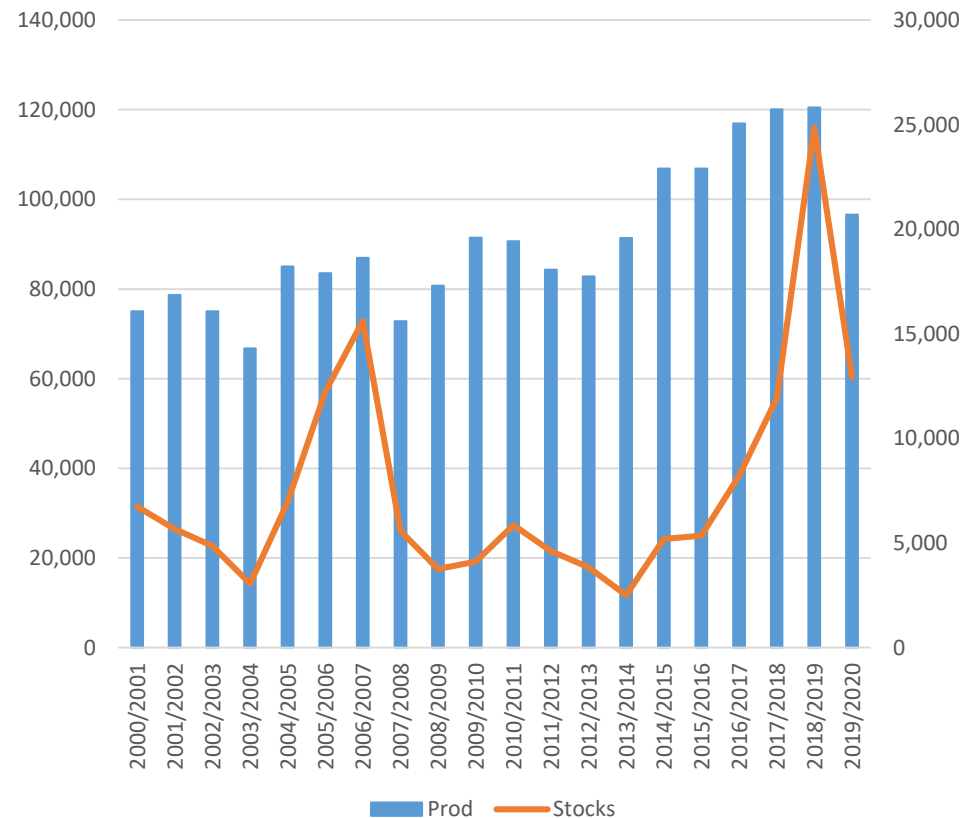
U.S. soy exports forecast = 48.3MMT. It exports on average 46.5% of its production. It accounts for 32.2% (peak = 54.9% in 2001)

U.S. soy exports - % world trade - % of its production

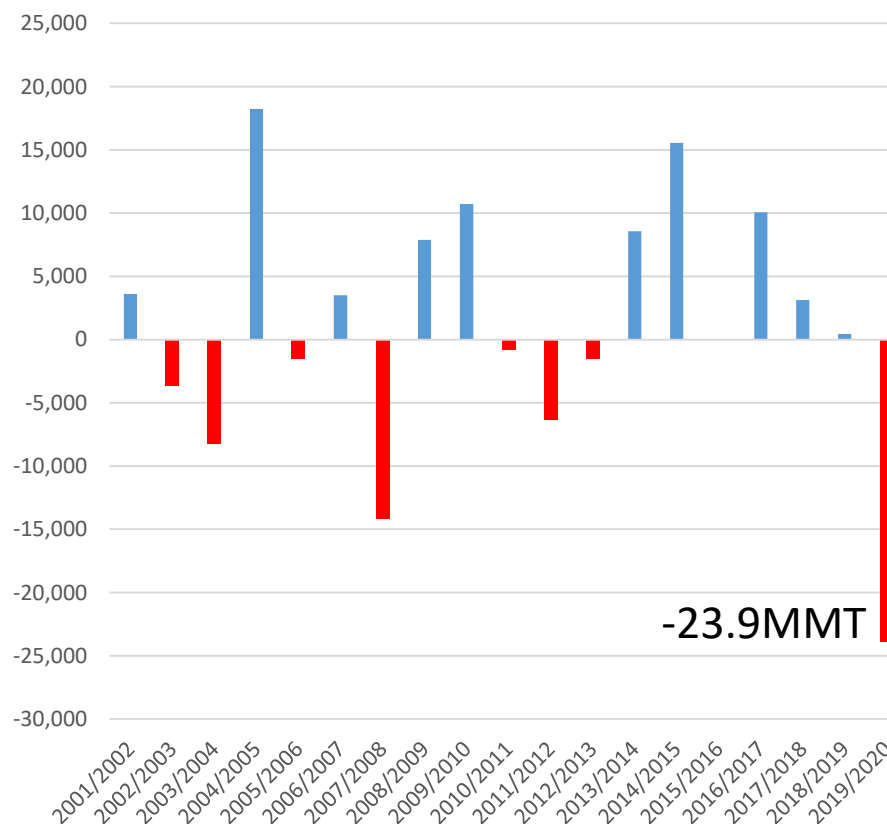


SOYBEANS: U.S. ending stocks – will decline vs 2018-19 record but.....

U.S. ending stocks - decline due to production -> not demand



U.S. soy production - change year vs year



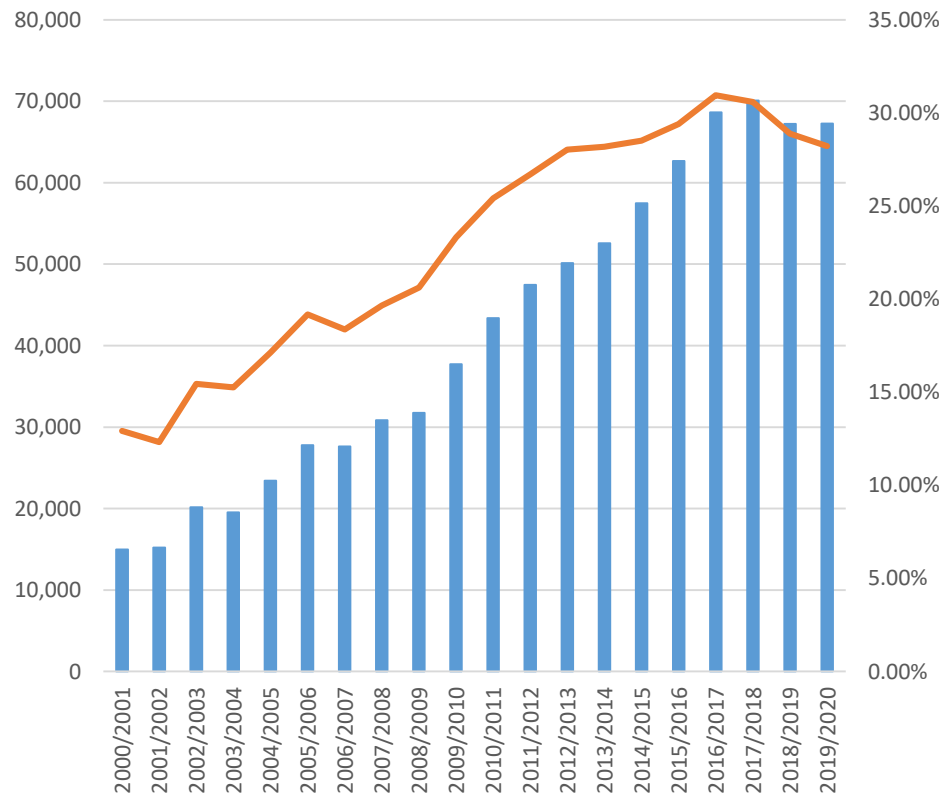
The U.S. storing more of world soybean stocks should be viewed by world importers and users as a positive feature for a supply source. **Similar to what we've seen in corn + wheat market / transitions.**

KEY QUESTION – what is the market willing to pay for the U.S. to store more of the world's soybeans rather than Argentina?

COST OF DEBT? Will the U.S. farmer be the first to capitulate and sell its on-farm stocks versus debt cost-financing constraints in 2019? This would be a bearish trigger

AFRICAN SWINE FEVER: China recovers? Feed demand or finished animal or different protein?

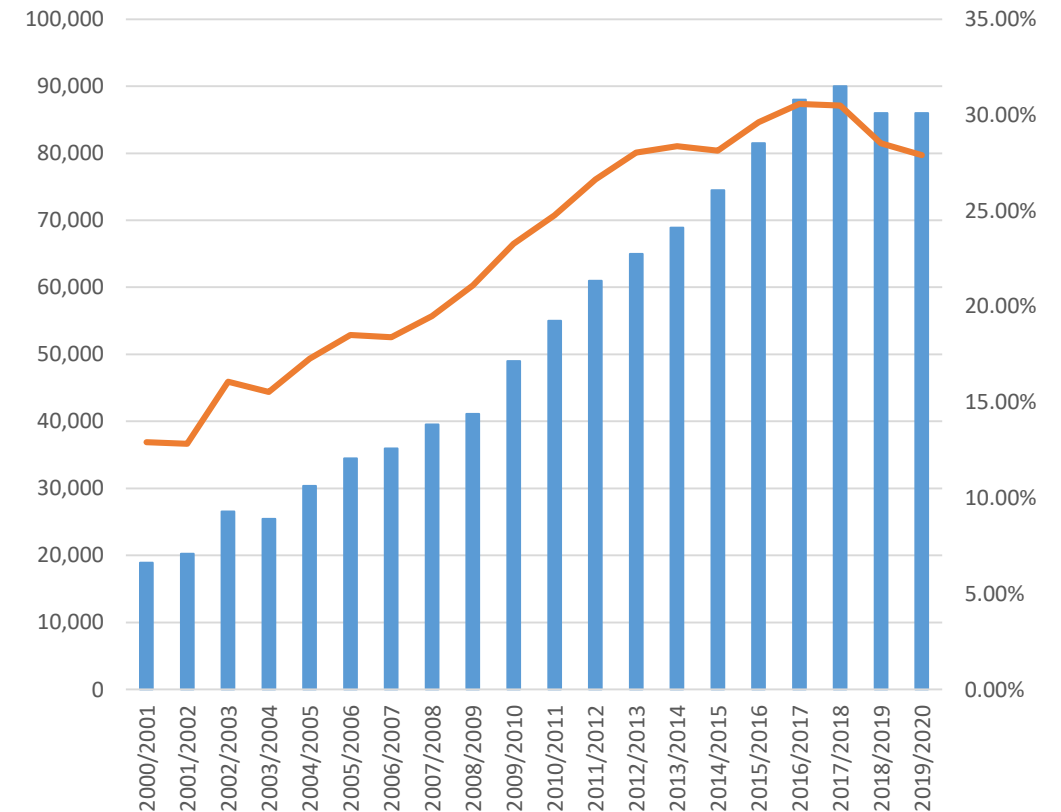
China domestic soymeal demand - % world SM demand



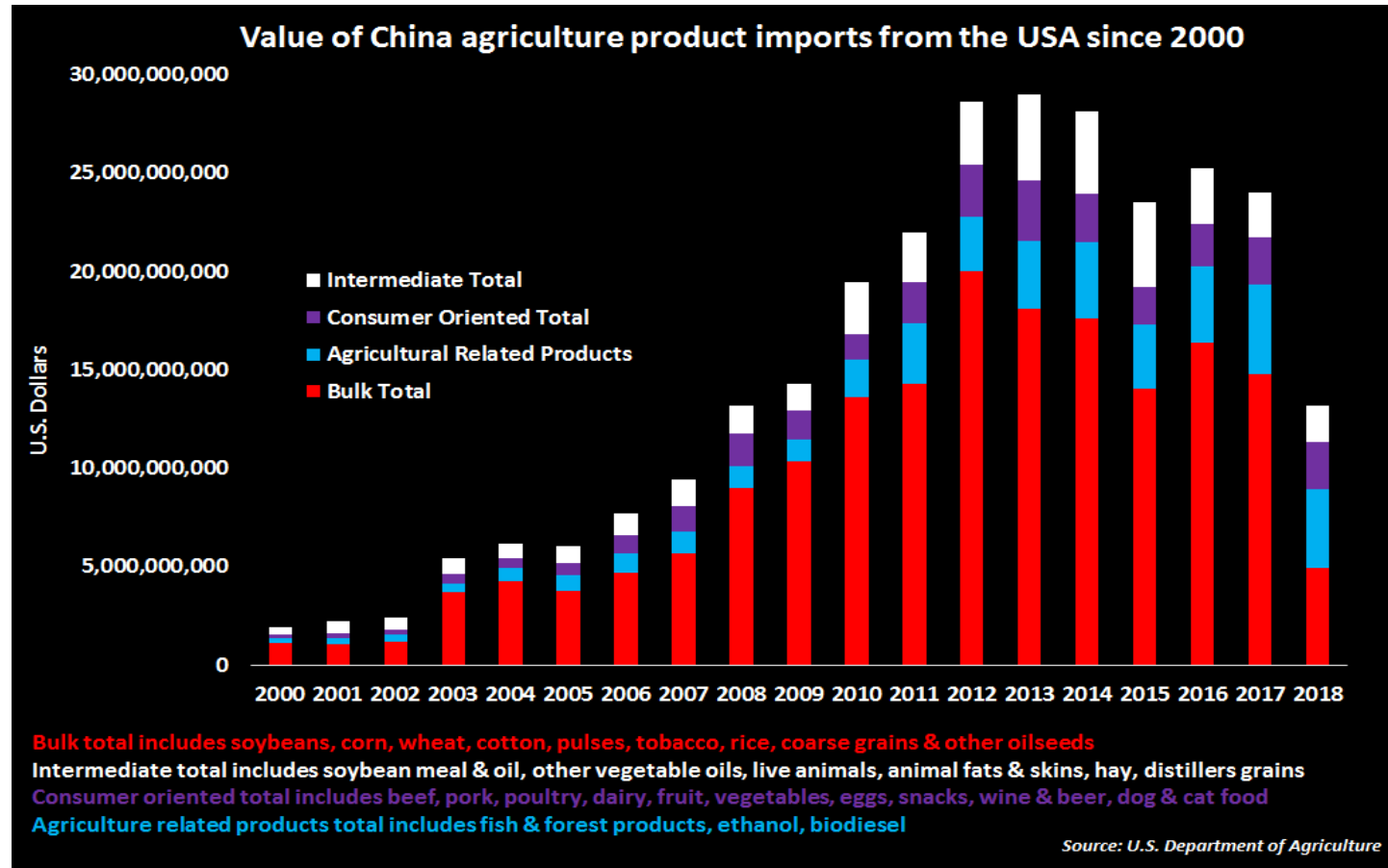
2019-2020
soymeal demand is
forecast to
contract in China
(66.07MMT from
66.4MMT – peak =
70.1MMT in 2017-
18)

Bottom-line:
contracted
demand
projections risk is
to upside of
underestimating
China demand
than over-
estimating

China soy crush demand = 84.5MMT (85MMT) - 27.8% world crush



CHINA-U.S. AGRICULTURE TRADE ... trade policy battle of the world's 2 largest economies

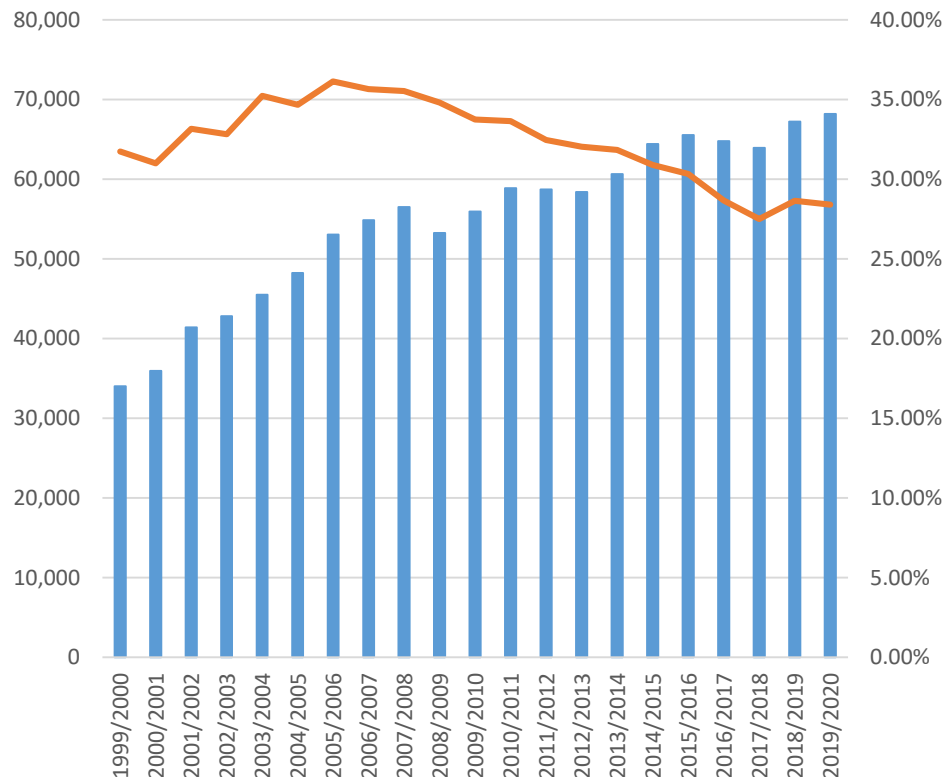


World import origination – continues to shift from the north to the south and back to the north

In this trade policy environment – everyone wants to minimize risk (e.g. back-to-back business. Minimal build of position in being long or short cash premiums

WORLD SOYMEAL DEMAND: global protein dietary shift continues

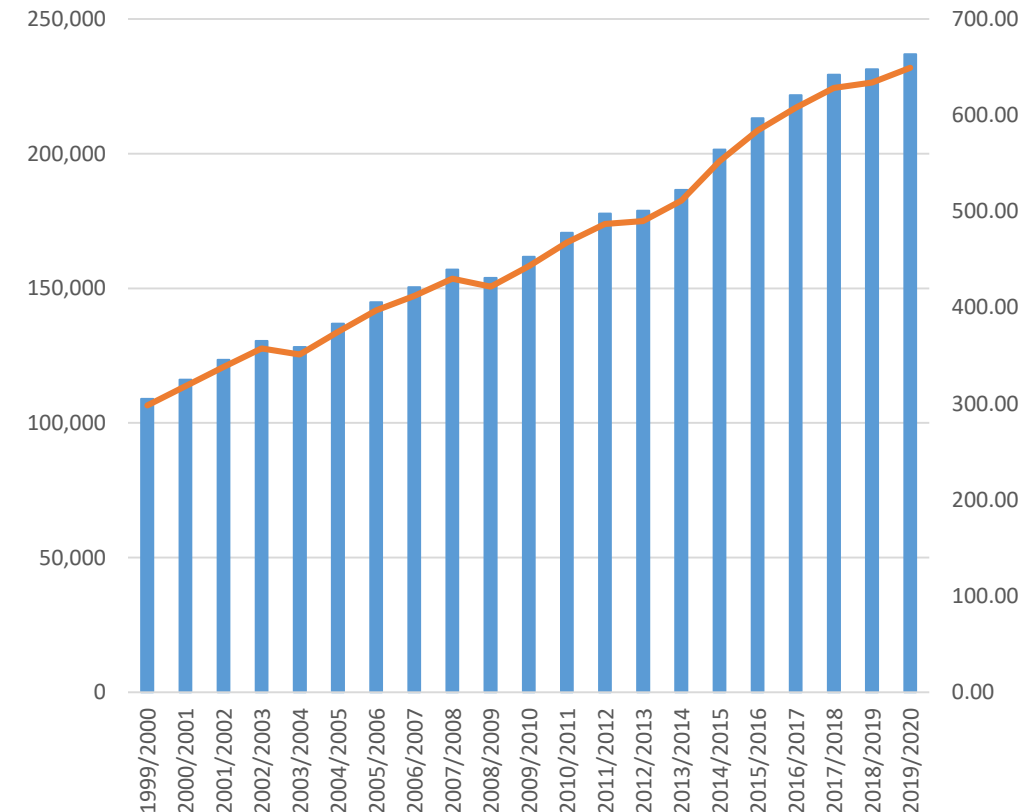
World soymeal export trade declines as % production as crush capacity expands



Protein-related
growth since
2000:

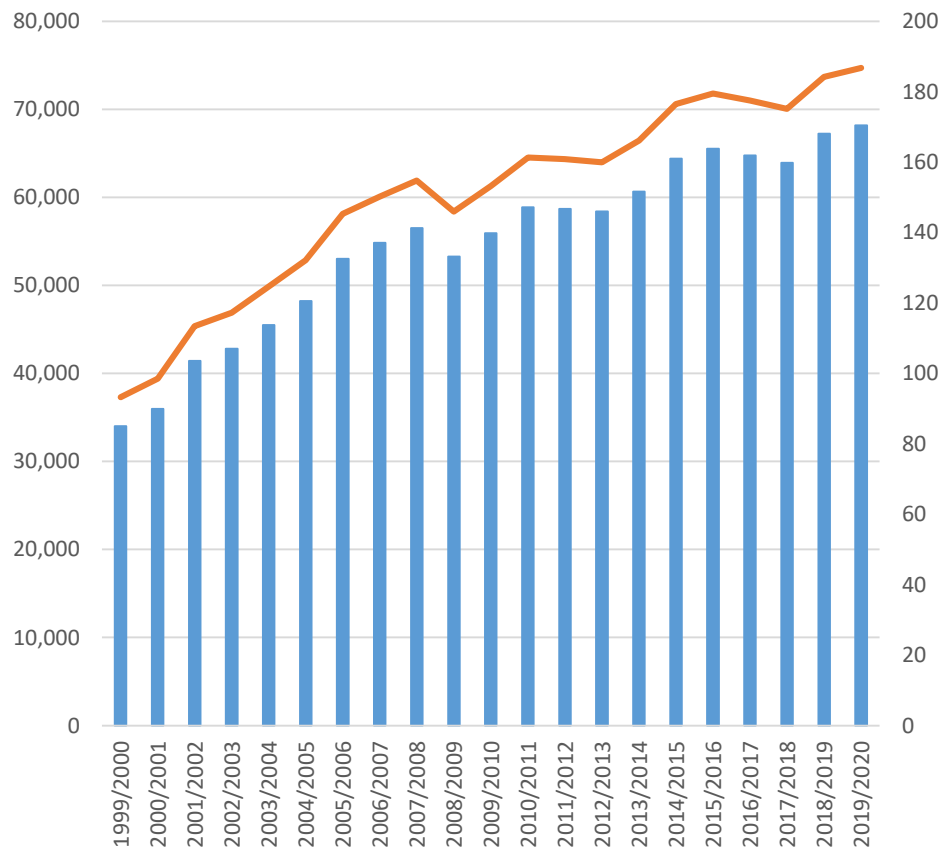
Corn +84.7%
Wheat +28.6%
Soymeal +103.5%
Soy +106%
Palm oil +231%
Soy oil +118.7%
Rapeseed +80.8%
RSO +99.6%

World soymeal demand +2.4% y-o-y = 649.3KMT / day



WORLD SOYMEAL SUPPLY: Argentina remains critical on the supply side

World soymeal exports - daily (KMT) shipped 184KMT

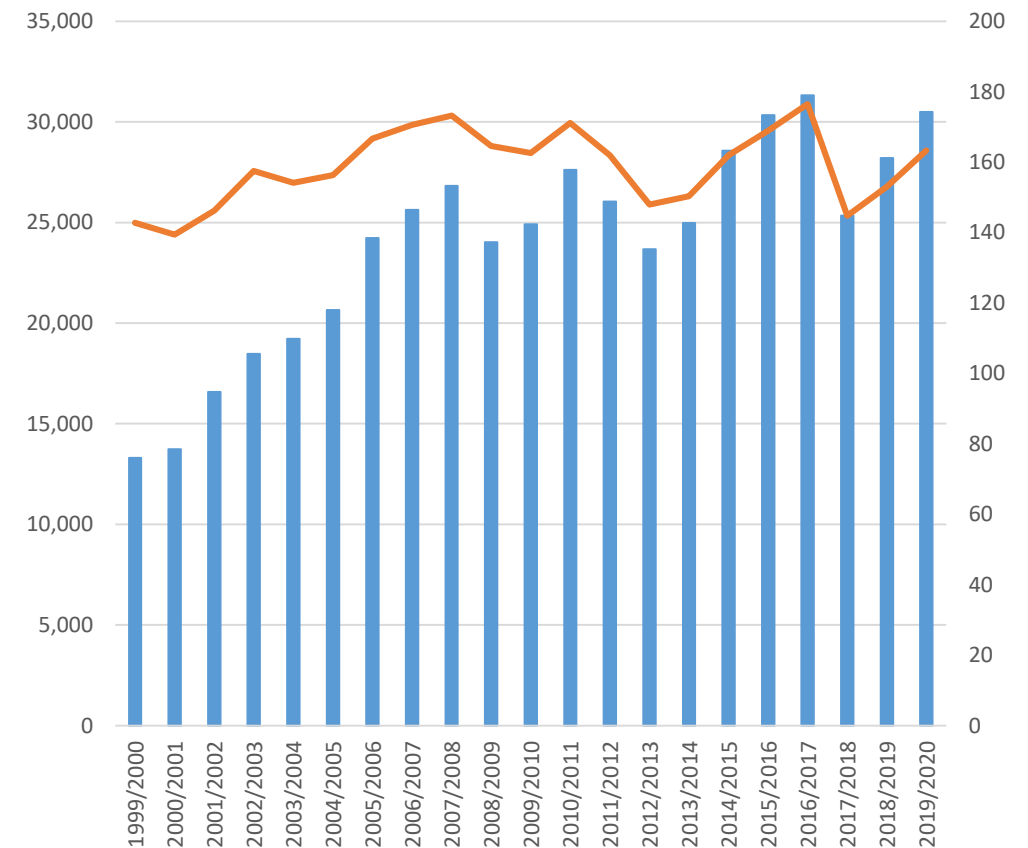


2019-2020 world soymeal export trade forecast = 67.2MMT or 184KMT / day

This as the world consumes 644KMT of soymeal every day

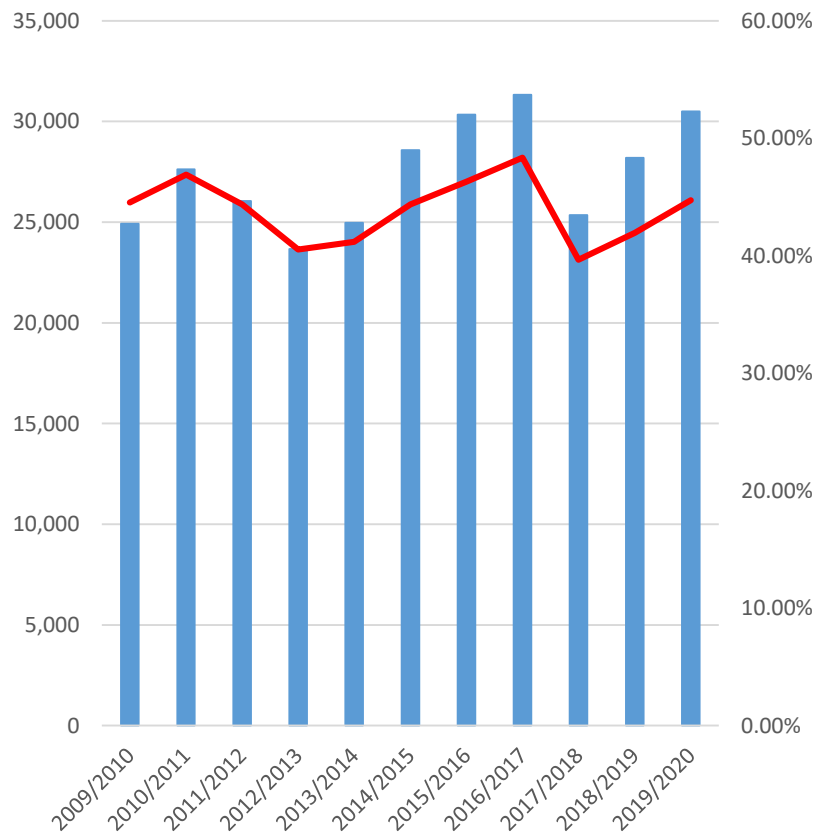
Argentina, Brazil and the U.S. account for the bulk of world soymeal trade

Argentina trades 83KMT / day (184KMT / day world total)

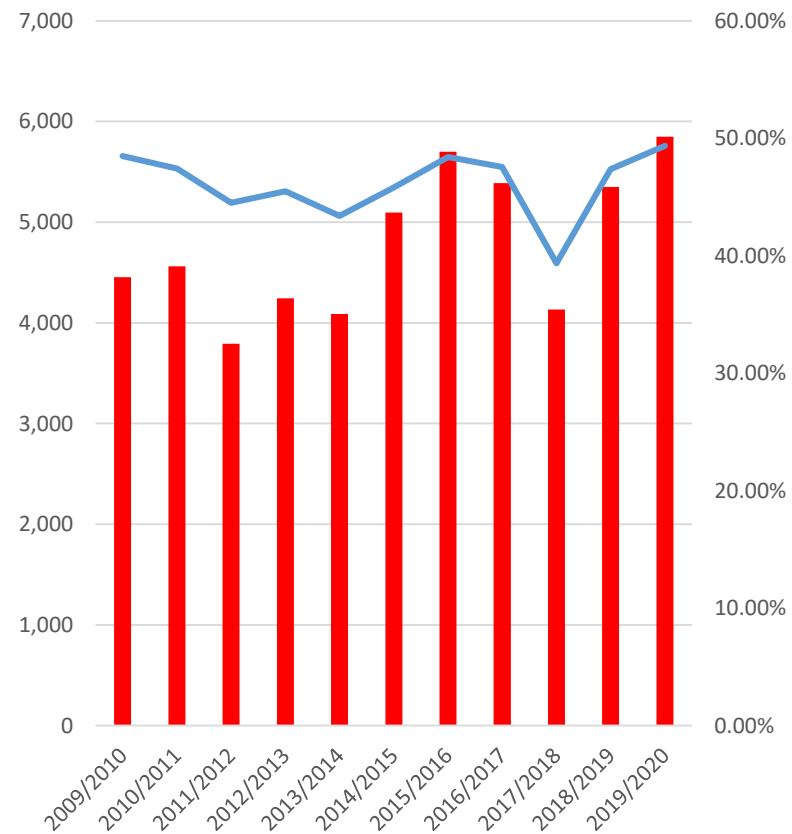


Argentina faces unknown with the return of Peronism 10 December 2019

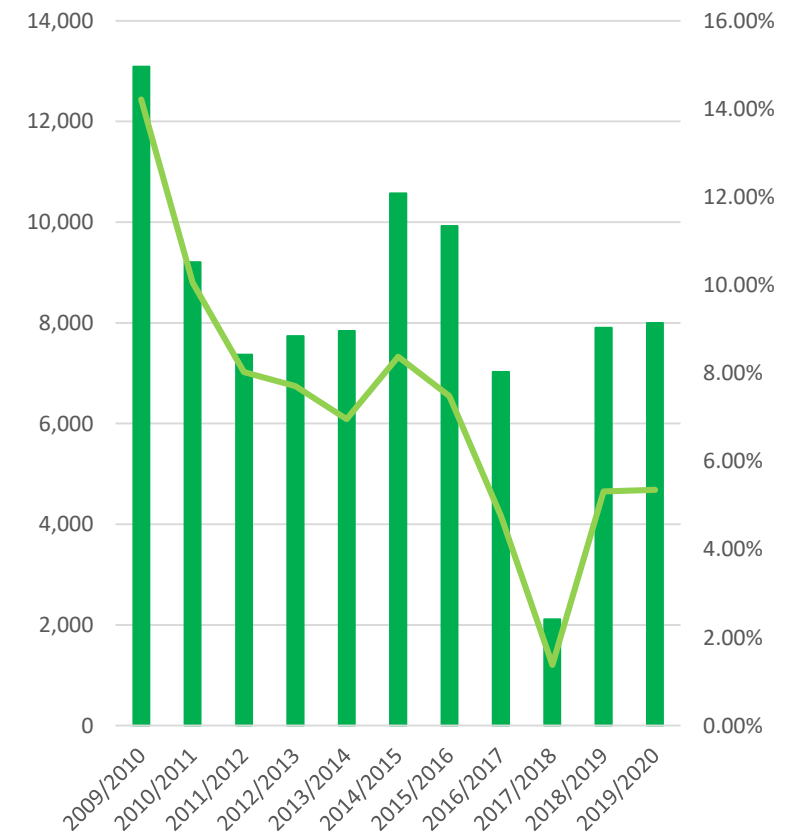
Argentina soymeal exports - 45%



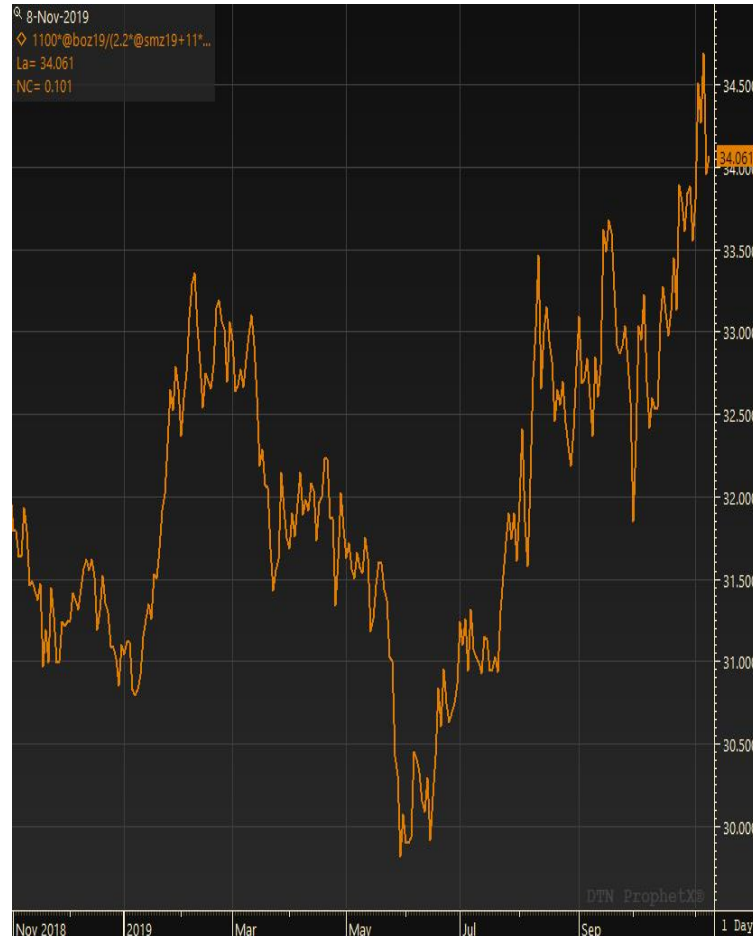
Argentina soy oil exports – 50.9%



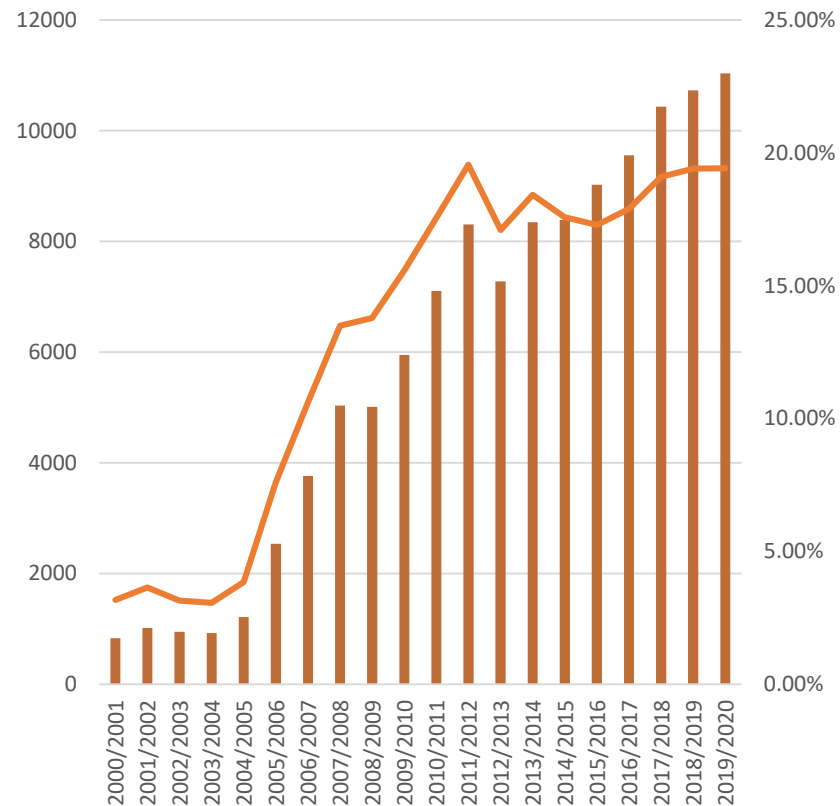
Argentina soybean exports - 5.9%



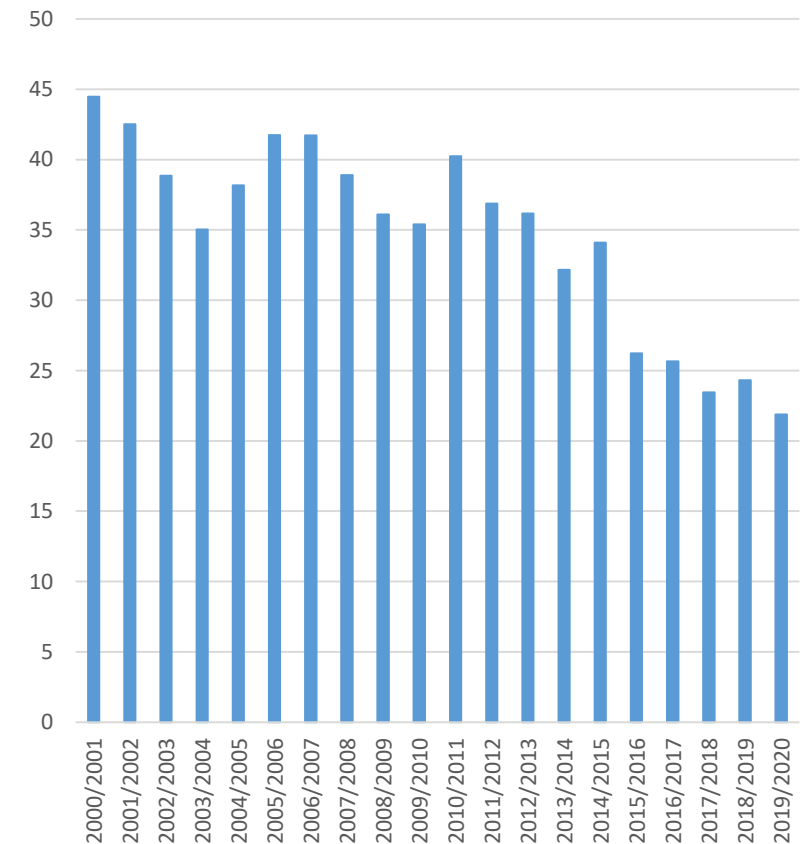
WORLD SOY OIL: biodiesel + China edible oil imports key demand drivers for 2019-2020



World industrial demand of soy oil - % total demand



World soy oil supply cushion = 22 days



Monthly soybean prices ... China-U.S. trade war dominates

Soybeans

NOV 08 2019 02:20 PM

O:931.00 H:942.25 L:926.50 C:930.25

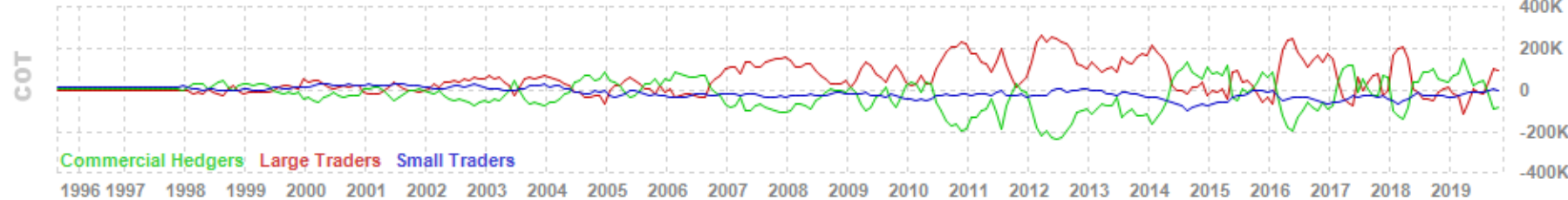
-6.25 (0.67%)

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SOYBEANS

CONTRACTS OF 5000 BUSHELS



Soybeans back to decade-low prices

Funds – record short in May 2019 and now have built a minor long position with no trade deal and Brazil weather improving in November

USDA has no growth for China soybean crush

World soybean market under goes same transition / shape as world wheat and corn markets when it comes to Chicago futures and U.S. storage tank role

Monthly soymeal prices – bouncing off multi-year lows – feed demand expands

Soybean Meal

NOV 08 2019 02:20 PM

O:304.40 H:306.60 L:298.50 C:305.10

-0.50 (0.16%) @ finviz.com



SOYBEAN MEAL

CONTRACTS OF 100 TONS



Funds are short soymeal vs ownership of soy oil + soybeans

Brazil crush rates – remain a challenge (more SM to be consumed domestically)

World soymeal demand faces challenges of African Swine Fever

Argentina protein levels - challenge

ASF – does the consumer shift away from pork and towards other protein (eggs, poultry, aquaculture)?

U.S. soymeal export sales are off to a slow start to MY2019-2020 – forecast to decline 1.5%

Monthly soy oil prices – driven higher by 2-year highs in palm oil

Soybean oil

NOV 08 2019 02:20 PM

O:30.78 H:31.96 L:30.65 C:31.49

+0.06 (0.19%)

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SOYBEAN OIL CONTRACTS OF 60000 POUNDS



Soy oil prices have been locked in a downtrend since 2011 – now consolidating

Bottoming price action in soy oil charts as the focus is on China + palm oil prices

World veg oil supplies show a decline in stocks for 2019-2020 with U.S. soy oil ending stocks to fall once again on biodiesel (questionable)

Brazil biodiesel program becomes “more interesting” given crush capacity constraints (poor margin environment) – greater shift to soybean exports versus domestic crush

Argentina politics is a major question mark for world soy oil values

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