



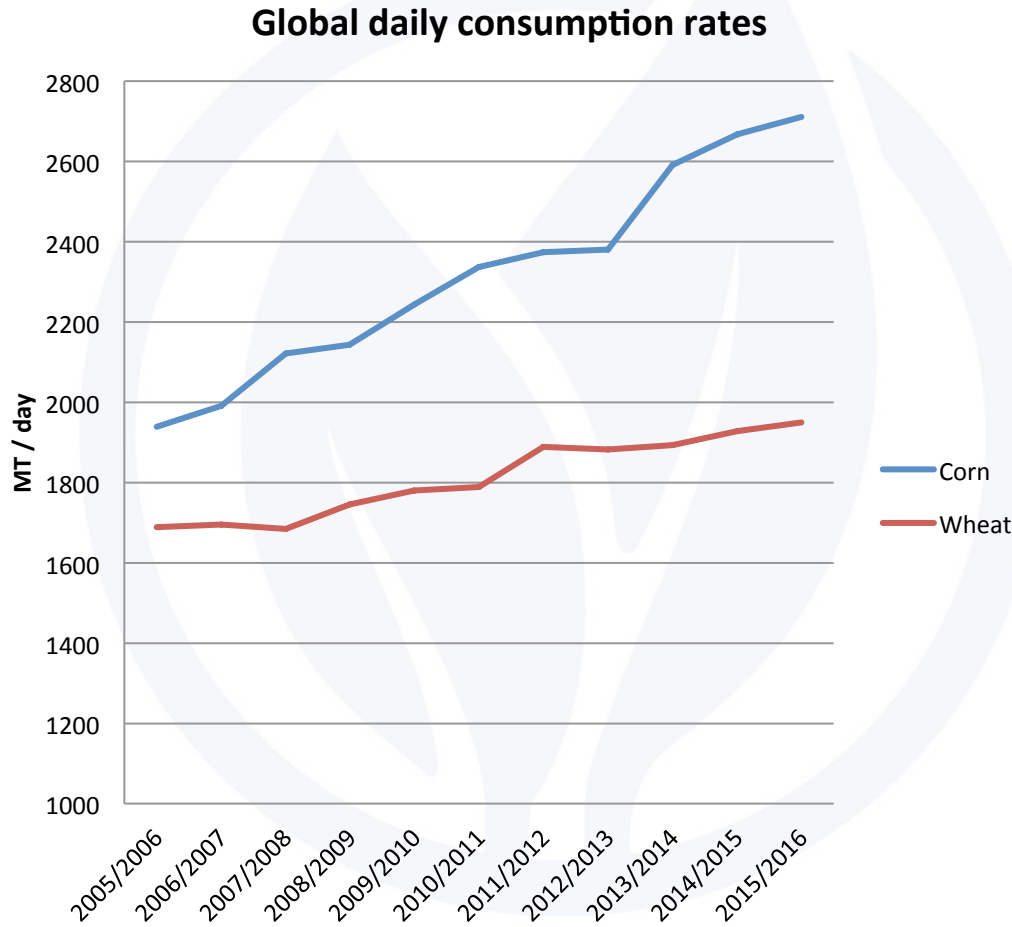
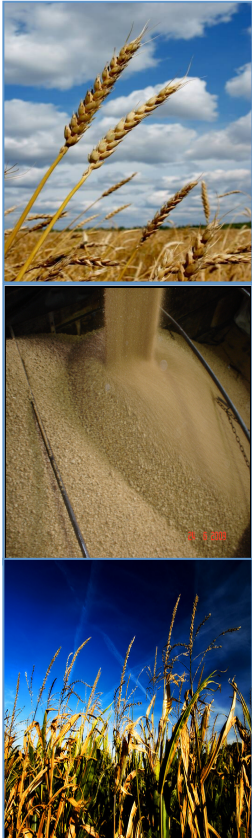
World grain & protein outlook for the current crop year and observations for 2015/16

Presented by: Emily French

Australian Grains Industry Conference
Melbourne, Australia
27 July 2015



Global daily grain consumption rates

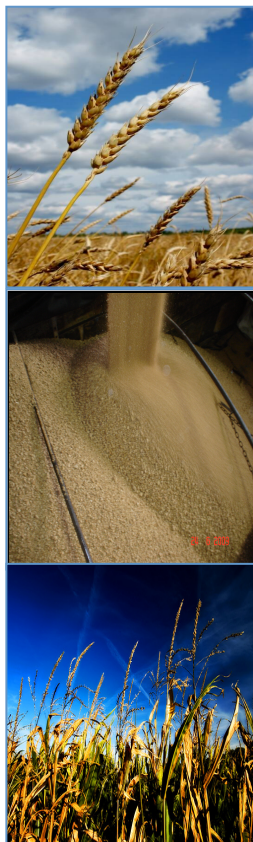


Corn daily consumption rate has increased from 1.94MMT / day in 2005 to a forecasted 2.71MMT / day this year (+40%). Growth accelerated 2005 forward on the back of U.S. ethanol program.

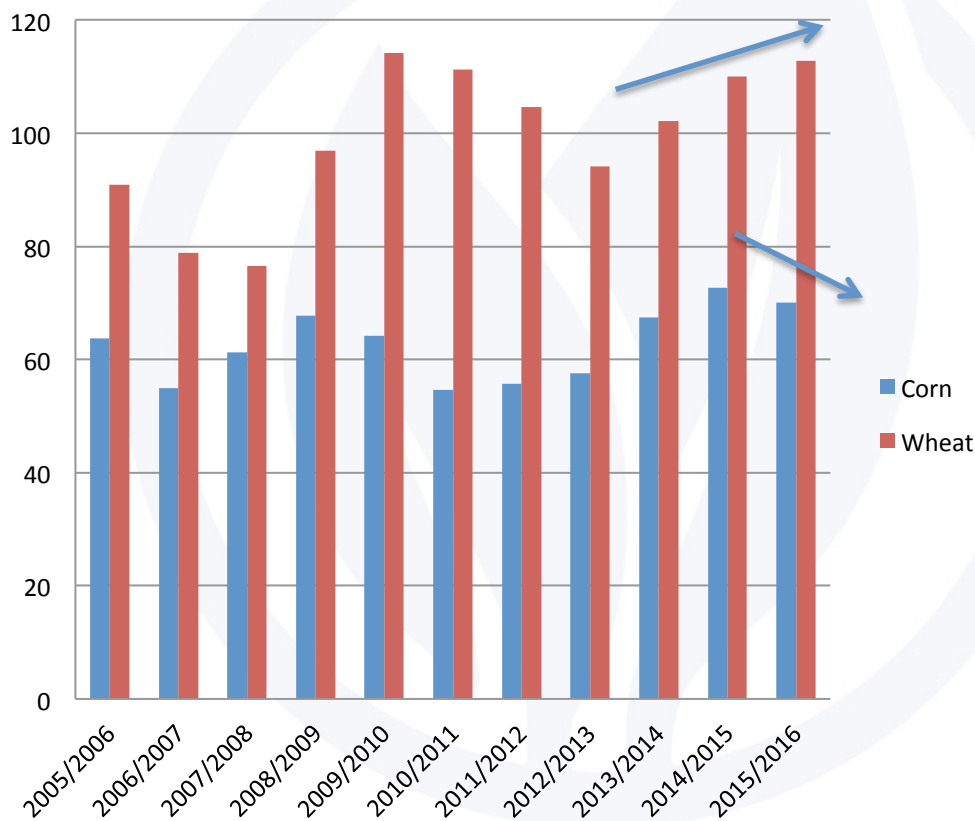
Wheat daily consumption rate has been stagnant – from 1.69MMT / day in 2005 to a forecasted 1.95MMT (+15.5%). Past few years growth has been from feed demand



Global grain supply cushions



Global supply cushion (days)

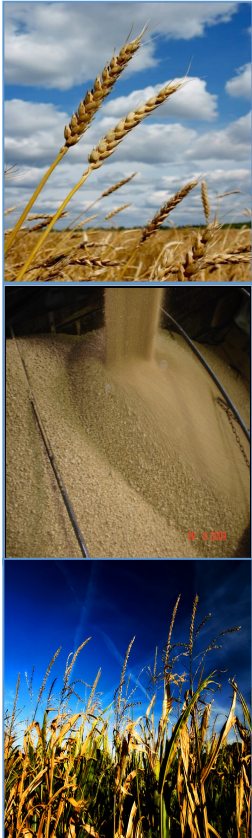


Wheat – its supply cushion has been on a constant build since 2012 and returns to levels of 2009/10 with China and India carrying the majority of the world stocks.

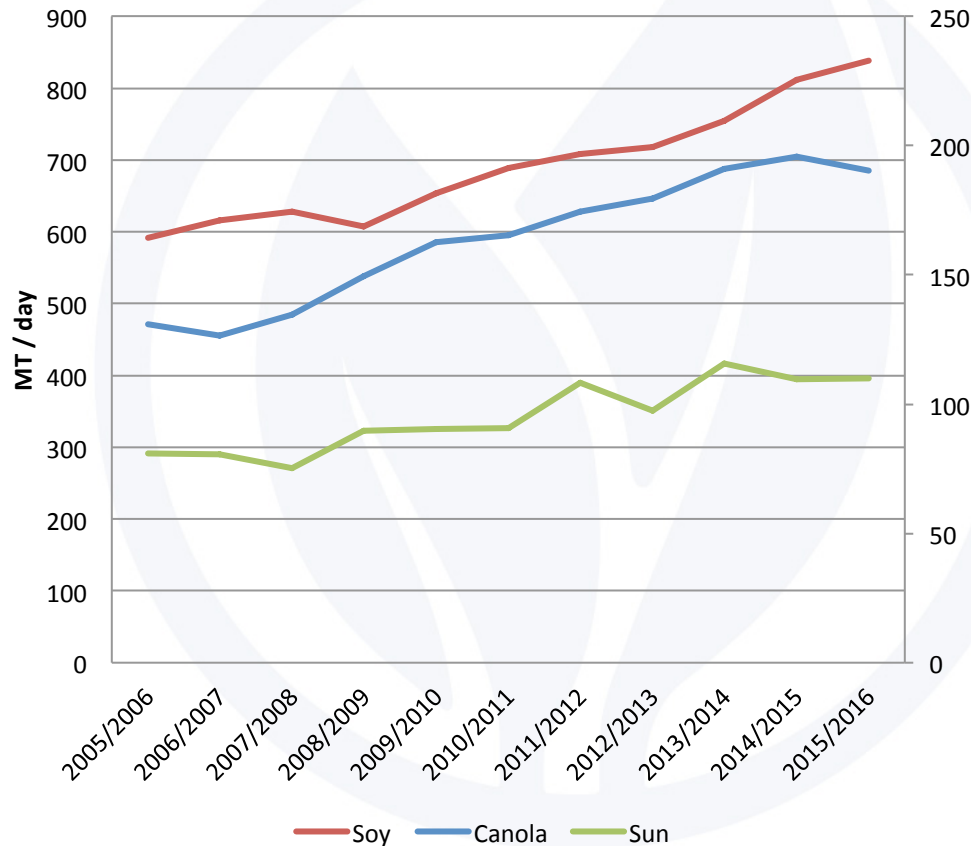
Corn – its supply cushion had only a mild build this past year – despite record world production this past year!



Global daily oilseed consumption rates



Global oilseed consumption rates



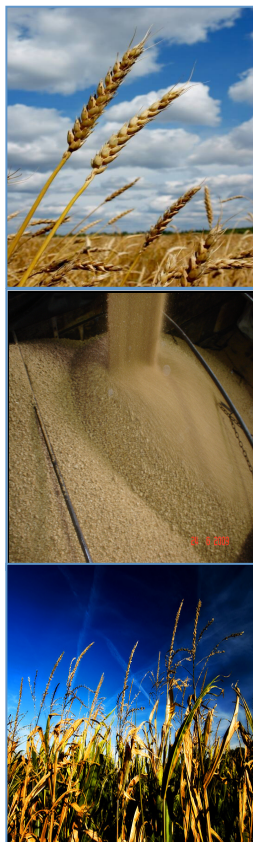
Soy daily consumption rate has increased from 591KMT / day to 839KMT / day in 2015 (+42%)

Canola daily consumption rate (2nd axis) has increased from 131KMT / day to 190.2KMT / day in 2015 (+45%).

Sunflower daily consumption rate (2nd axis) has increased from 81KMT / day to 110KMT / day in 2014 (36%)



Global oilseed supply cushions



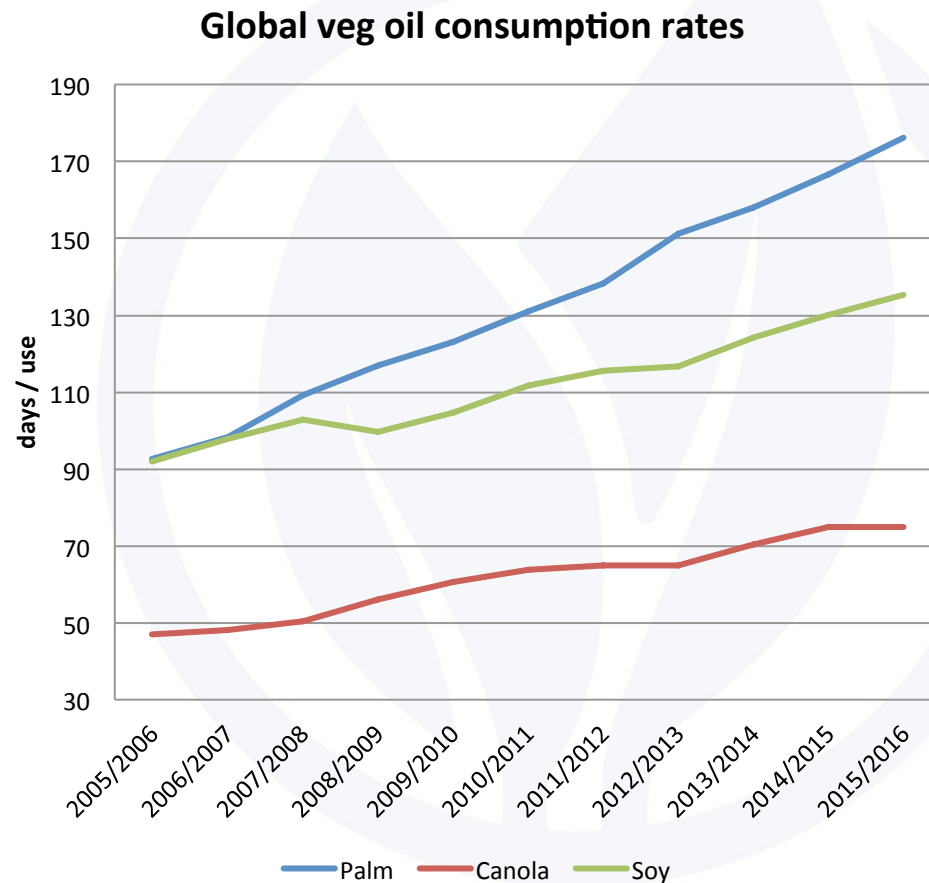
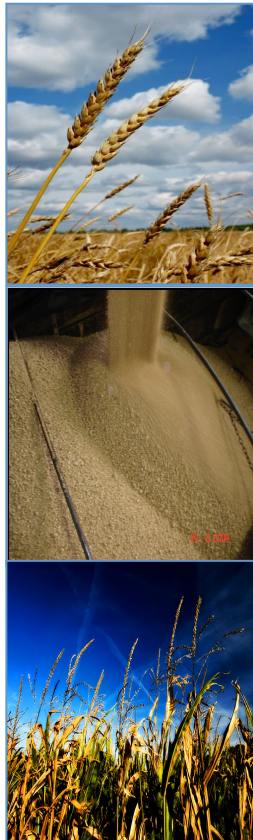
Global oilseed supply cushion



Soy supply cushion looks to hit a record = 109 days of use with a yearly build since 2011 on expanded (1) South American plantings, (2) a record Argentine crop this past campaign and (3) higher U.S. plantings



Global daily veg oil consumption rates



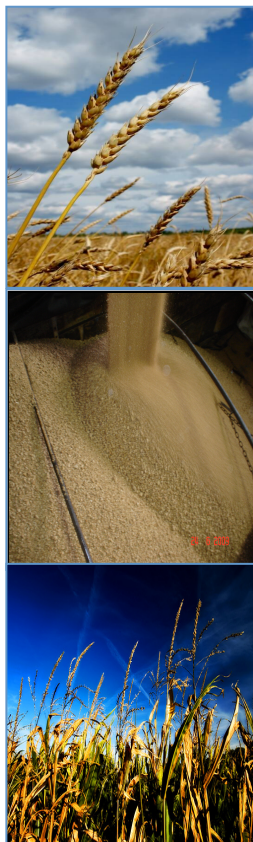
Palm oil daily consumption rate has increased from 92.6KMT / day to 176.3KMT / day in 2015 (+90%)

Canola oil daily consumption rate has increased from 47KMT / day to 75KMT / day in 2015 (+60%).

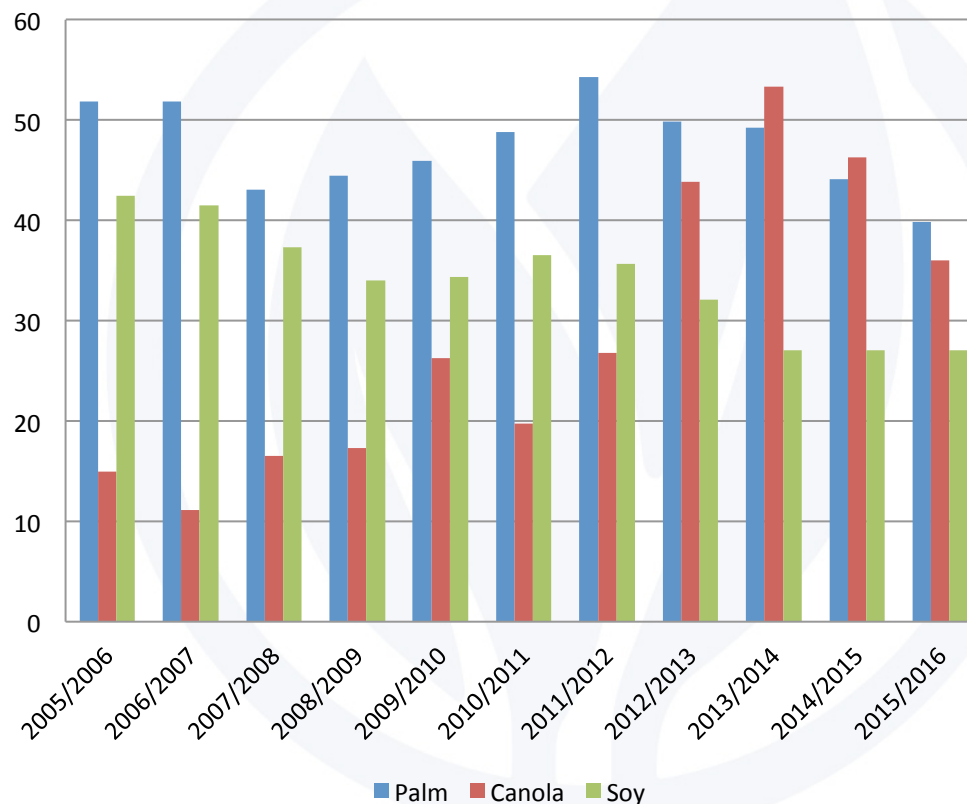
Soy oil daily consumption rate has increased from 92KMT / day to 135KMT / day in 2015 (+47%)



Global veg oil supply cushions



World veg oil supply cushion



Palm – the world’s largest produced veg oil, largest export trade and cheapest veg oil (typically) has shown a slow decline days since the peak of 54.3 days in 2011 to a forecasted 40 days for 2015/16.

Canola – supply cushion is on the decline with smaller crops expected in both Canada and Europe.

Soy oil – stable at 27 days for the past 3 years

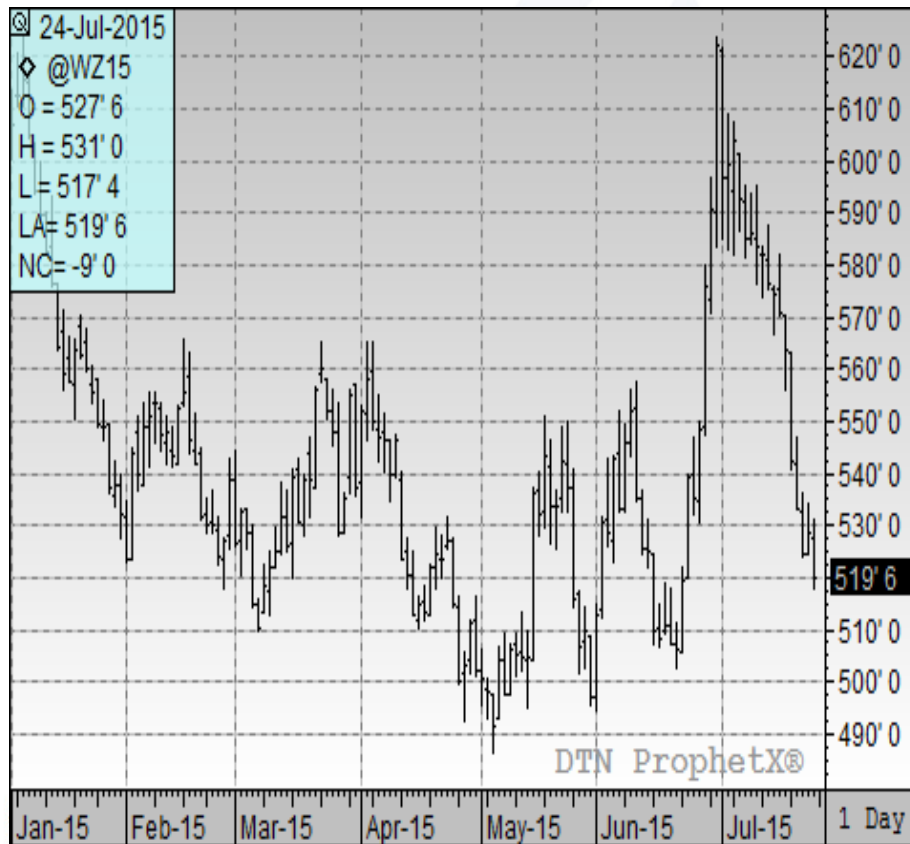




Wheat

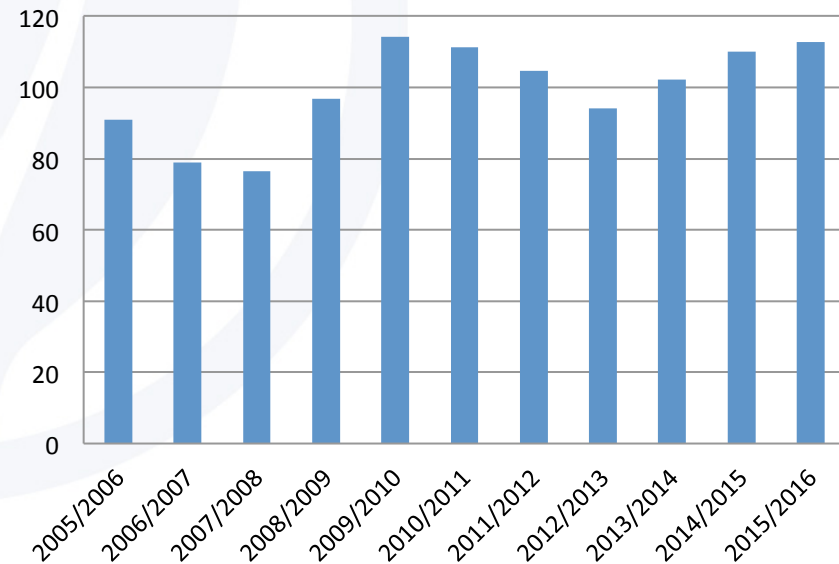


Wheat prices have maintained their downtrend aside from a few upward price swings due to quality concerns in the U.S., lack of rains in Canada & the El Nino risk in Australia



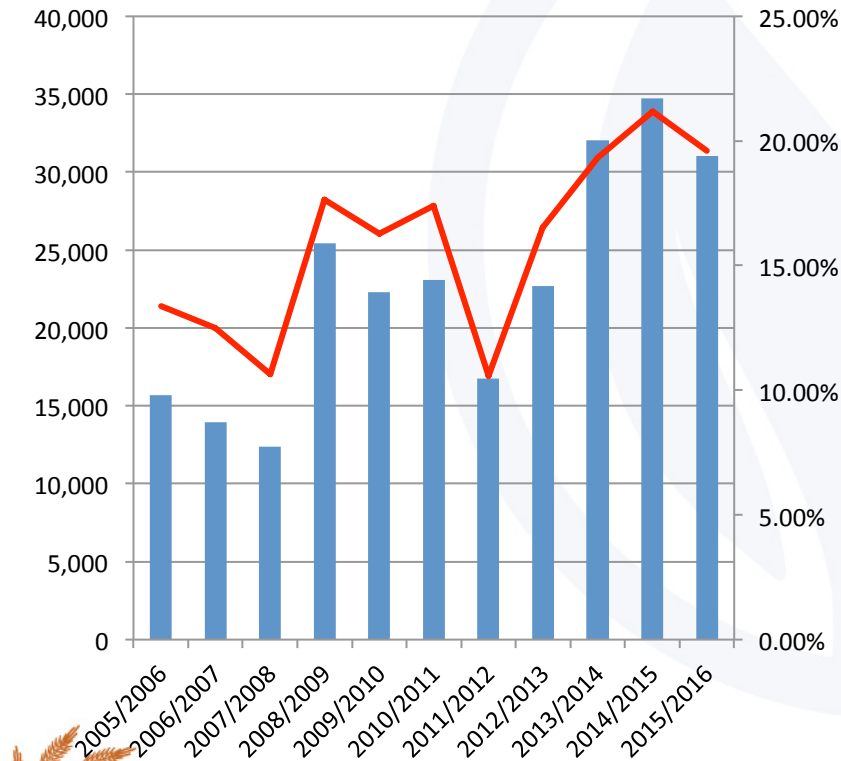
World supply cushion – days of use available to world buyers = 113 days vs 110 days

World wheat supply cushion

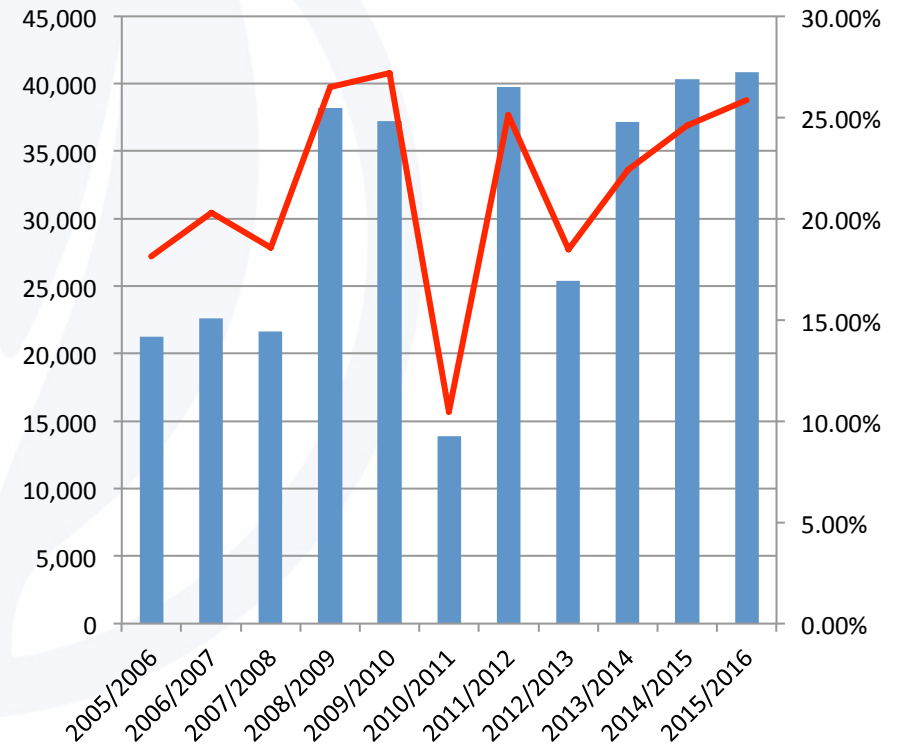


Black Sea FSU & Europe sets the tone for world wheat values

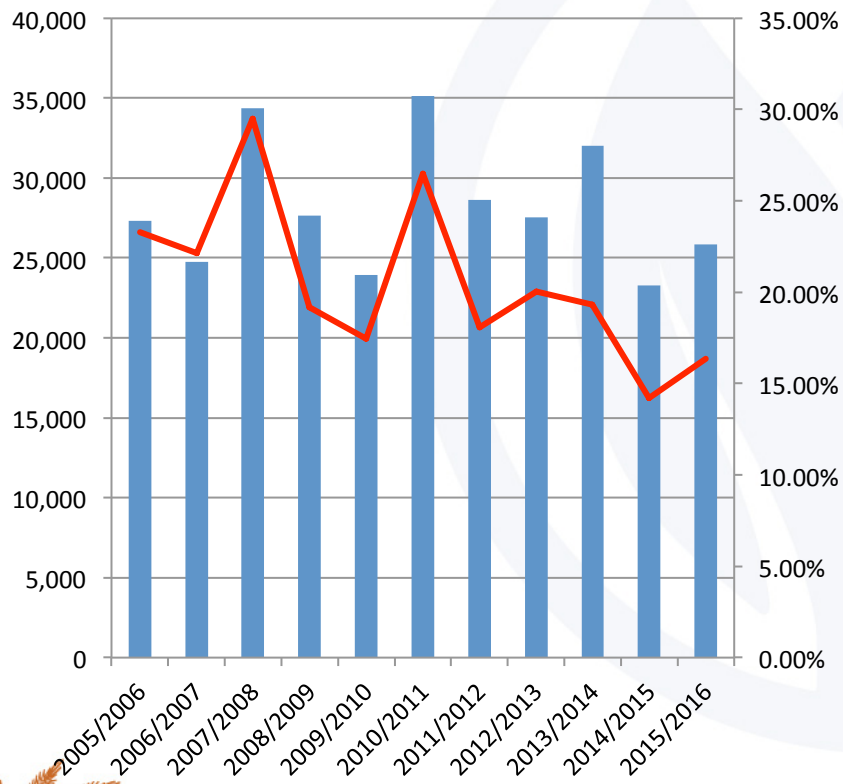
Europe wheat exports – a record this past year!



Black Sea FSU – as goes production, goes exports

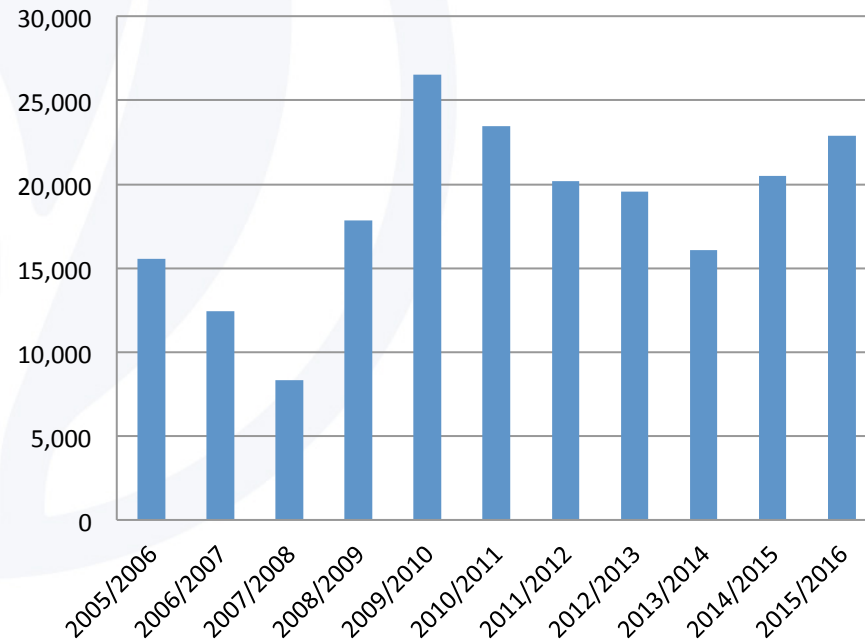


The U.S. – the world’s wheat storage tank and back stop for world wheat buyers



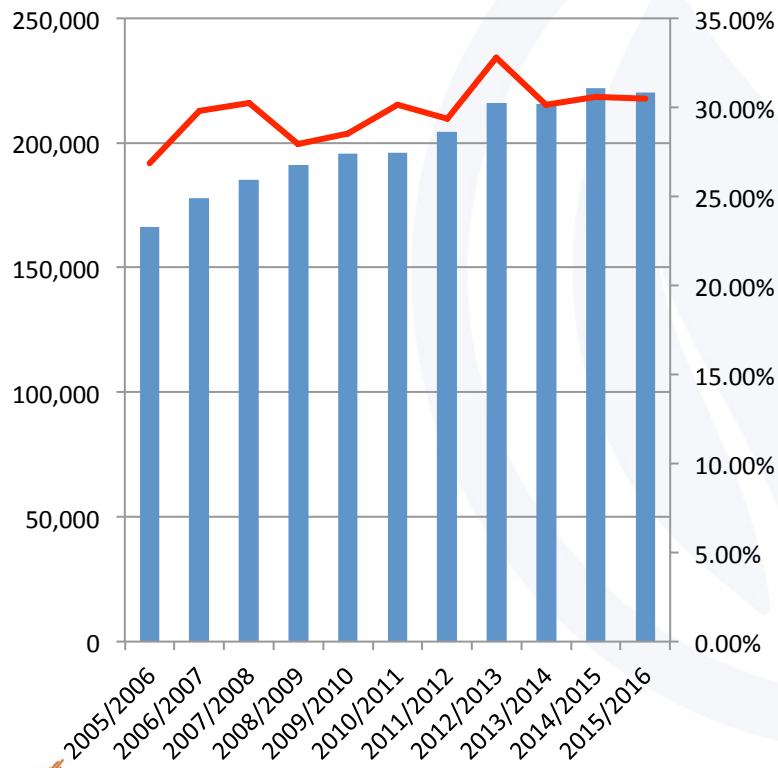
ConsiliAgra view is U.S. ending stocks trend toward over 27MMT (USDA = 23MMT) or back to 2009/10 levels

U.S. ending stocks

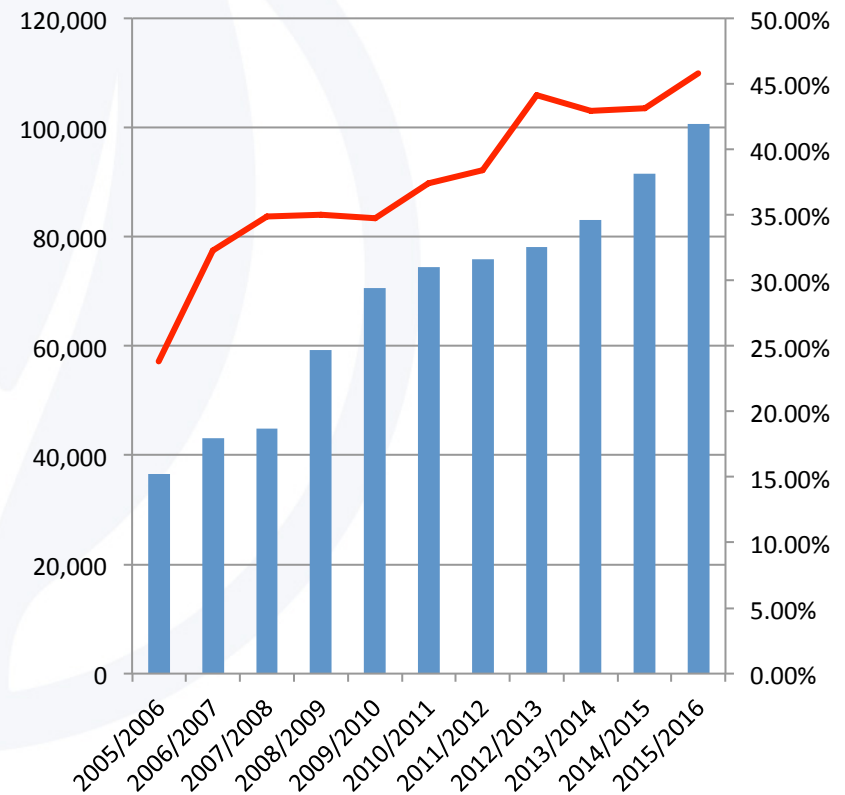


China and India – non-factors for time present

China + India wheat production - % world share has plateaued



China + India wheat ending stocks – build, build, build – from 25% to 45% in the past decade

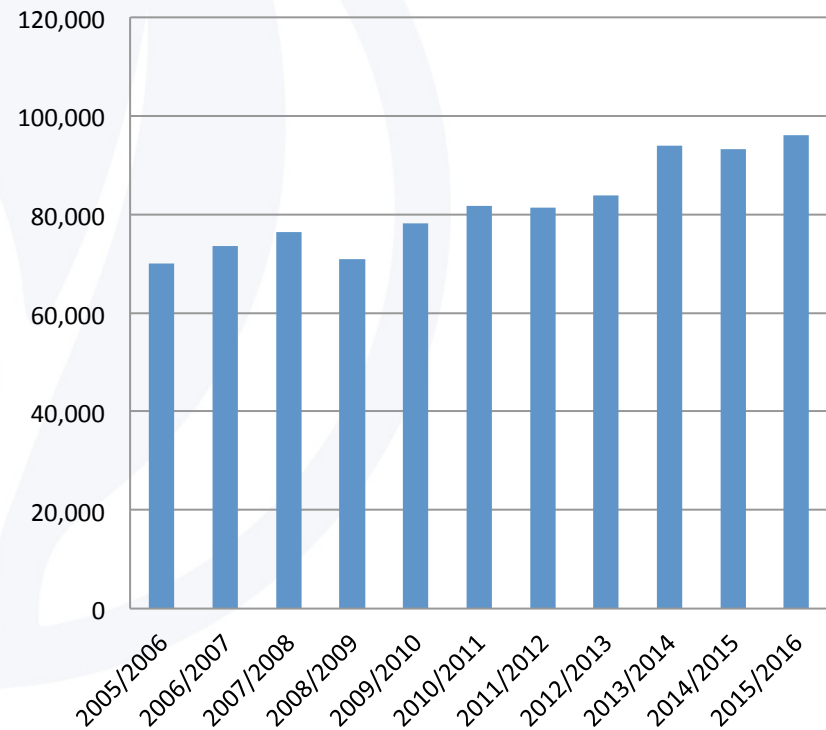
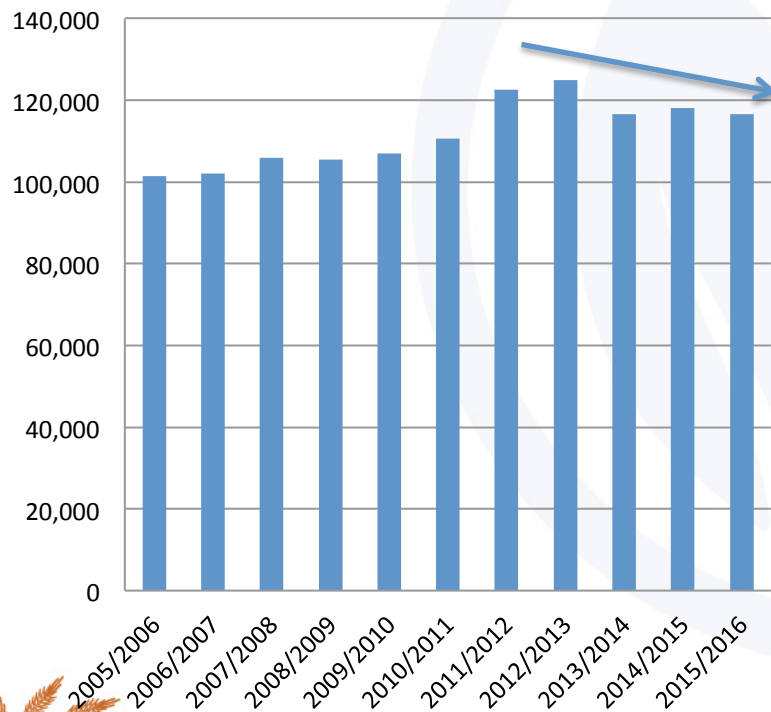


China and India – non-factors for time present

China wheat consumption – impacted by dietary shift from wheat to fats & proteins – trending towards the 10-year average = 112MMT

Conversely – with its 1 billion person population, India’s domestic consumption is on the rise – from 70MMT to 96MMT in the past decade. Emerging milling / quality wheat importer?

China wheat consumption



Wheat highlights & conclusions

- Black Sea geopolitical risk - Russia
- Canadian production
- World milling wheat quality – supply constraint
- India – “made in India” – increased demand for milling quality
- World feed demand – more competition
- El Nino – back in the headlines – Australia production threat
- Beginning stocks for 2015/16 – 19MMT larger than 2014/15 with 8MMT ex Europe & Black Sea FSU



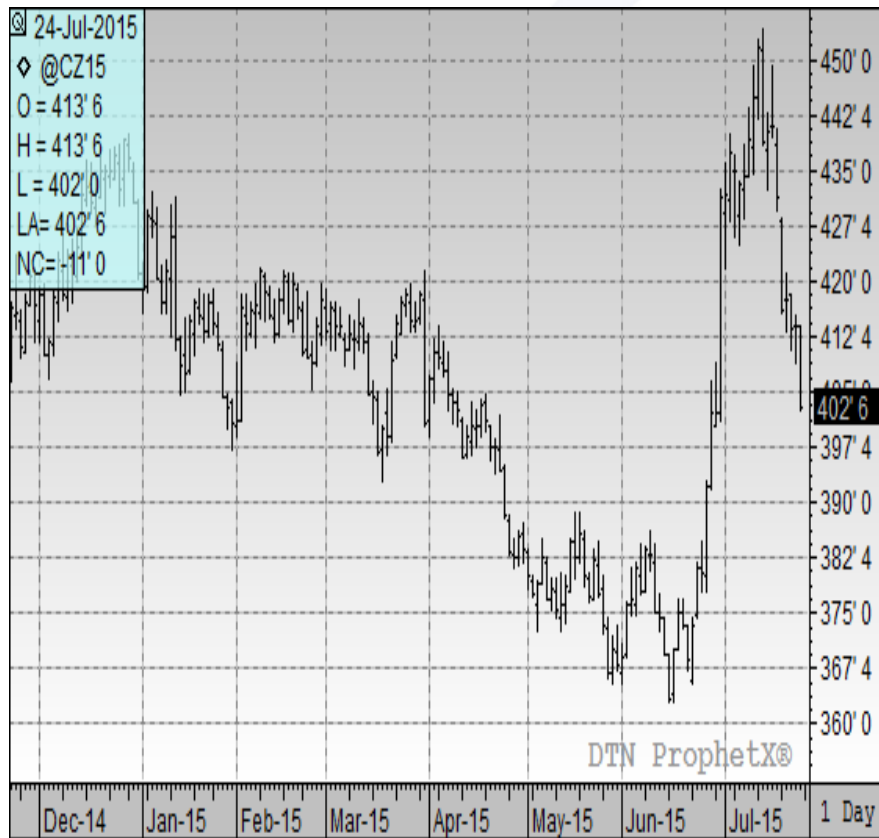


Corn



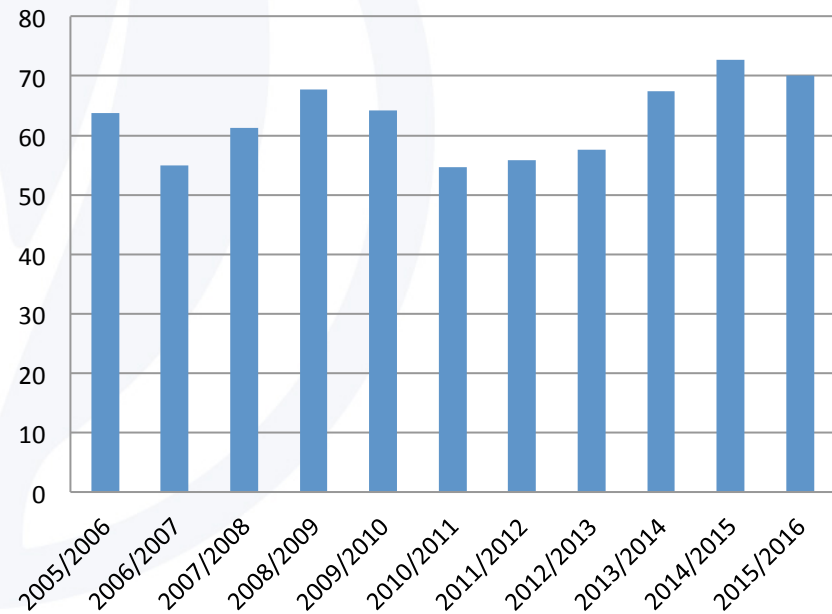
Corn faces the question of the U.S. corn crop versus world demand driven by feed as energy plateaus

50% price retracement from LH June / FH July rally



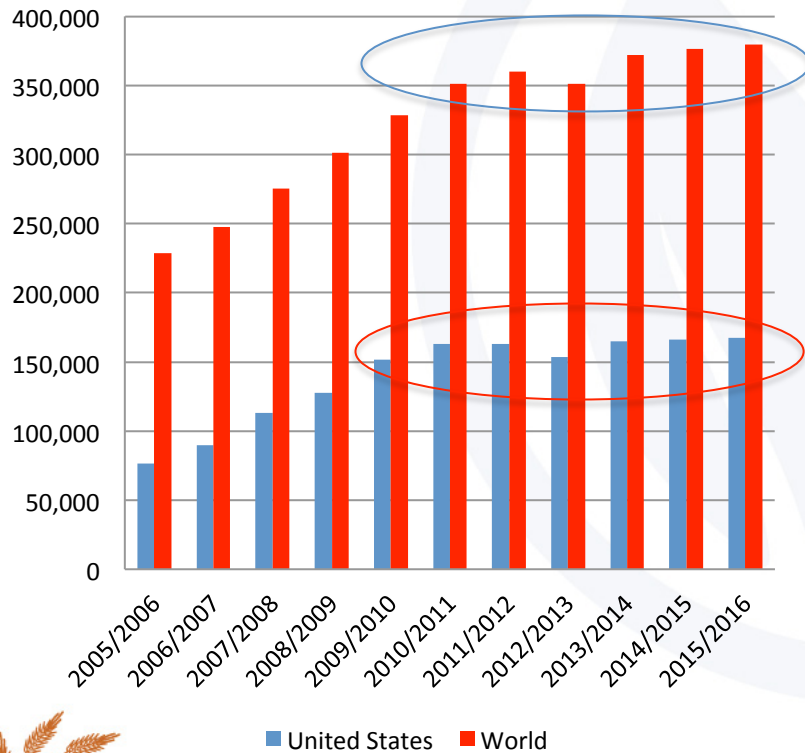
World supply cushion (70 days) – very little build even with world record corn production in 2014/15!

World corn supply cushion

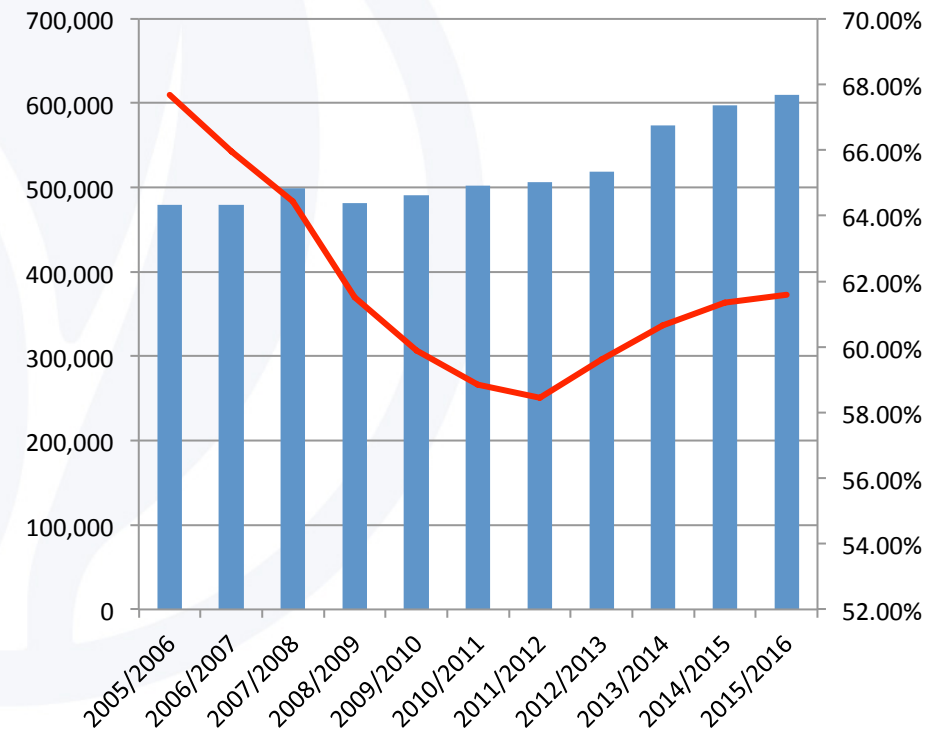


World FSI demand has peaked – will either stagnant or contract depending on profitability. World feed demand will be the focus for growth

World FSI consumption slowing / idle



World feed demand – will bear greater burden to create growth

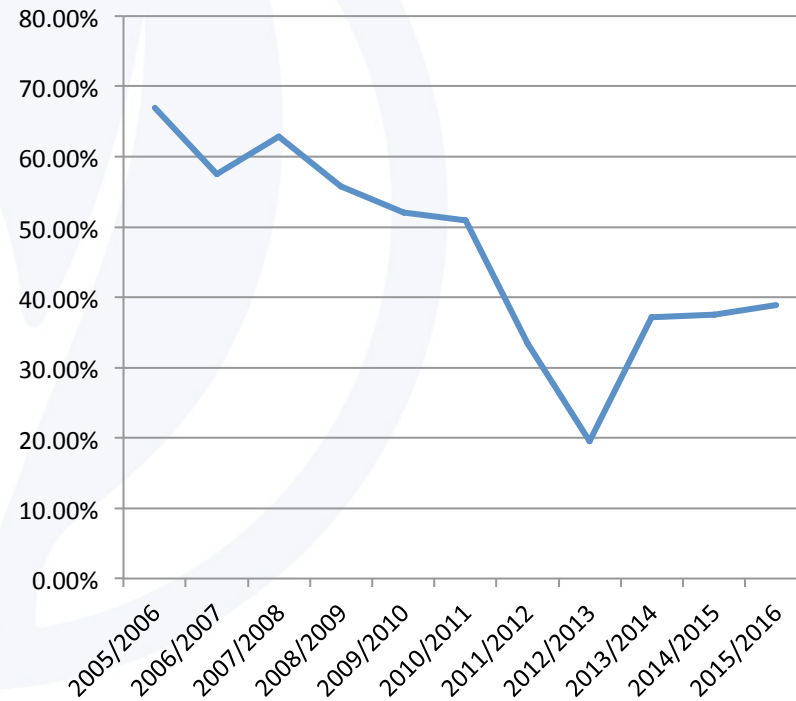


Foreign production is expanding led by Black Sea region (FSU - Ukraine) and Brazil

In 10 years – production has increased nearly 65MMT



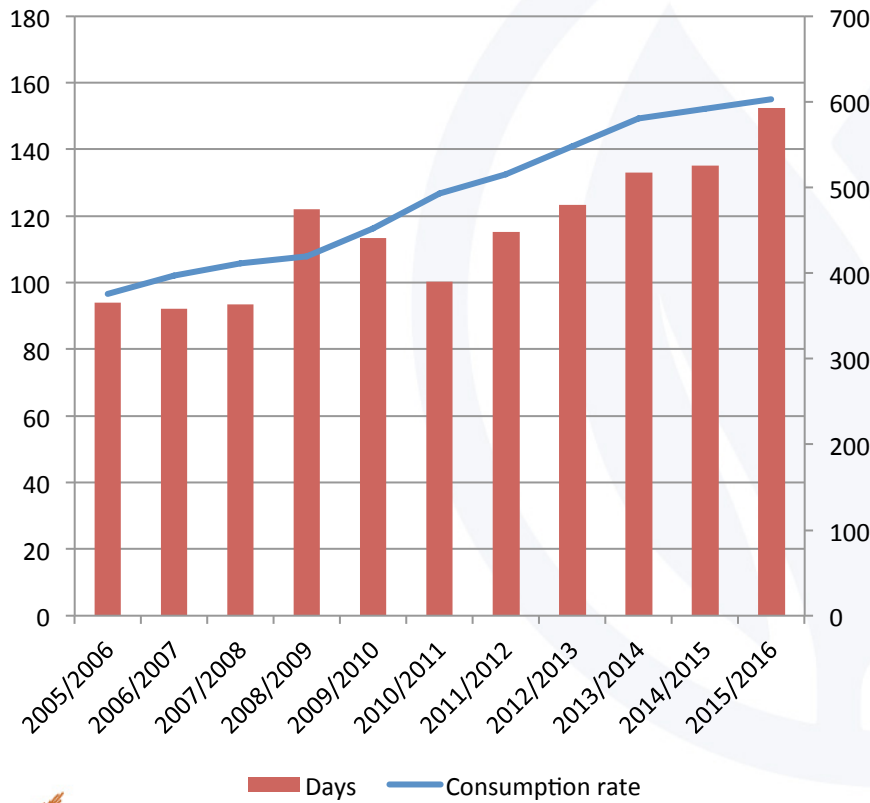
As a result – U.S. share of world export trade has plummeted but is influenced by what other exporters produce



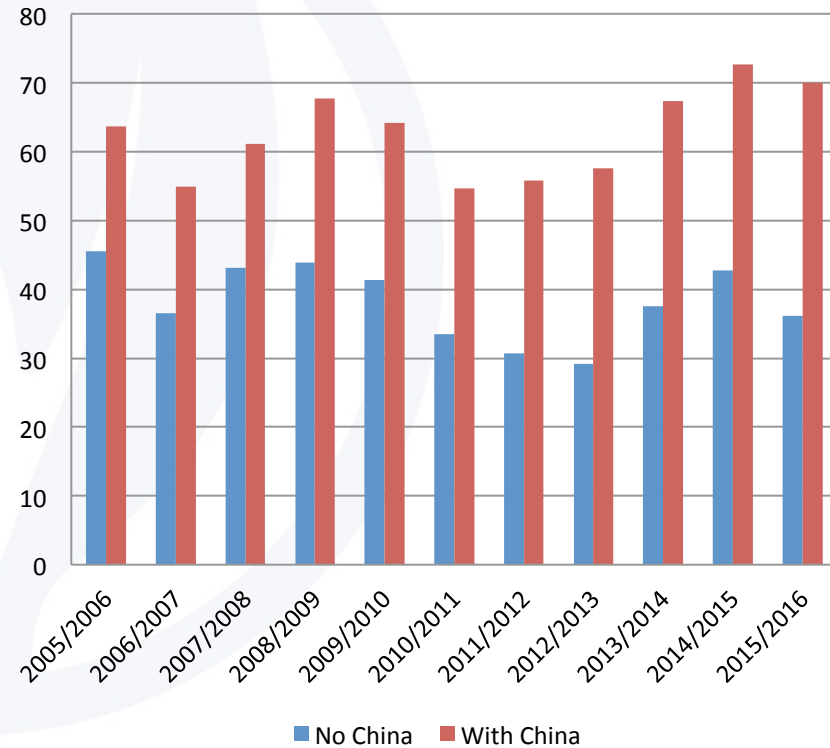
The China factor

Based on its own daily consumption rate of 603KMT / day (2.7MMT / day – world) – it has a supply cushion = 152.5 days

Remove China from world ending stocks – and the supply cushion drops quickly



World supply cushion - another look



**If corn is going to have a supply dislocation or shock story
it will have to come from the U.S. or yield issues in Ukraine
& north Europe**



Corn highlights & conclusions

- Brasil *safrinha* corn production – another record
- Ukraine yield potential – limited producer financing, costly inputs
- U.S. plantings – market lower than the June plantings
- U.S. record yield won't be repeated 2015/16 and plantings will be smaller than the June estimate
 - A 5 bu / acre yield swing = 400 mil bu / 10.3MMT
- China corn production & strategic crop policy
- Beginning stocks for 2015/16 – 19MMT larger than 2014/15.
 - China holds 80MMT or 41% of these stocks
 - US holds 45.2MMT or 23% of these stocks
 - Brazil holds 18.8MMT or 10% of these stocks



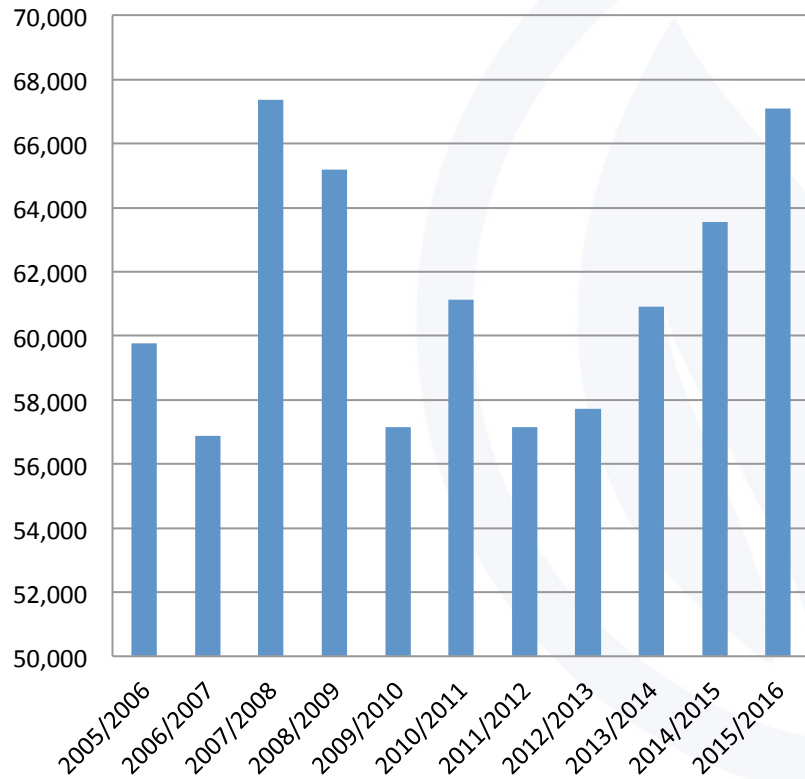


Sorghum – potential growth market & the China factor

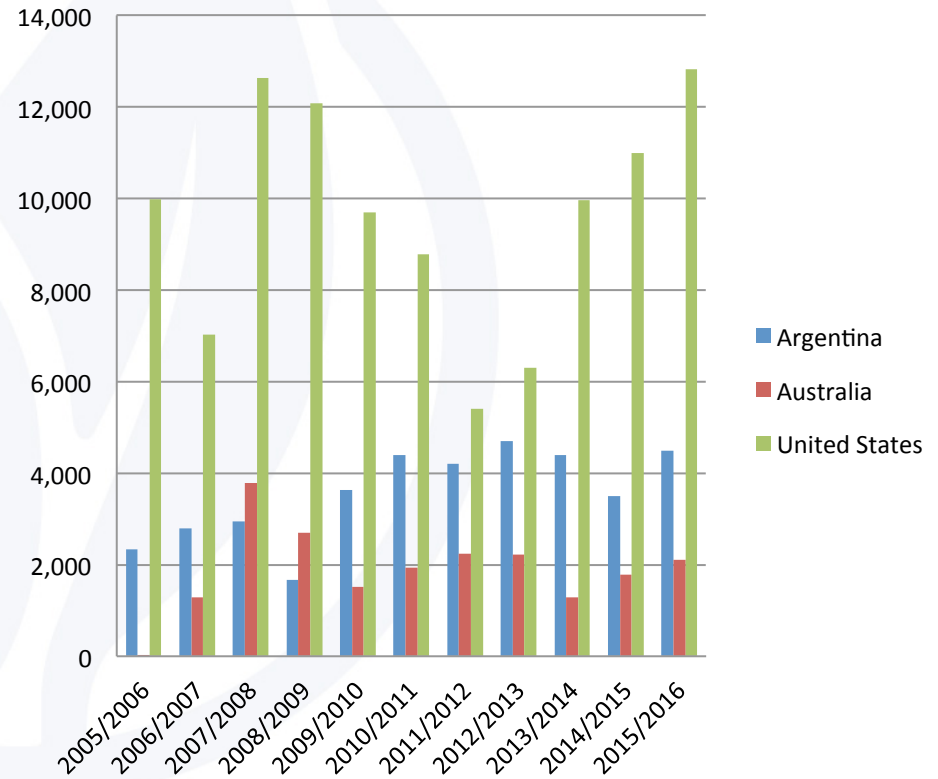


China is the game-changer for world sorghum

World sorghum production

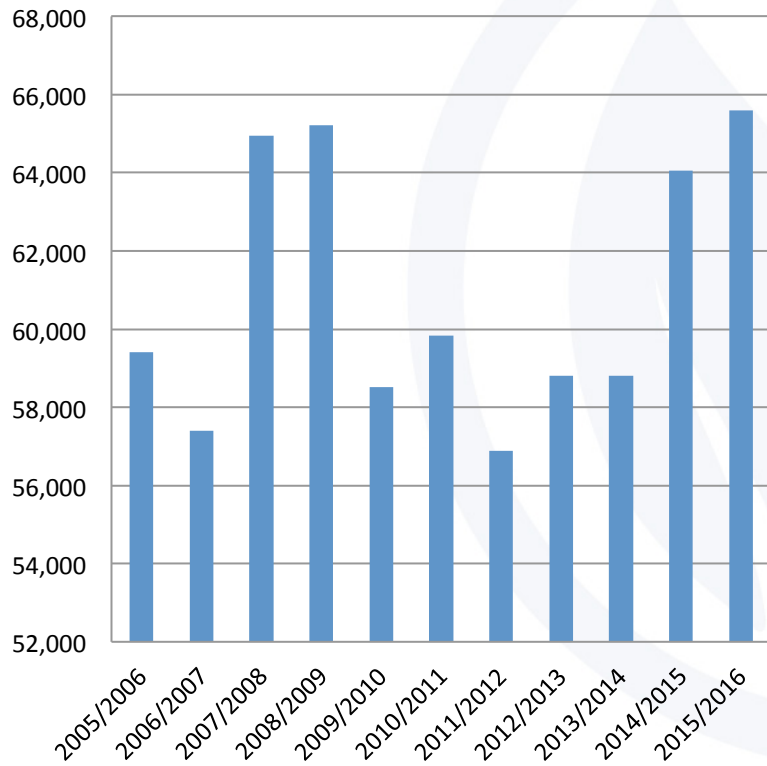


World sorghum producers

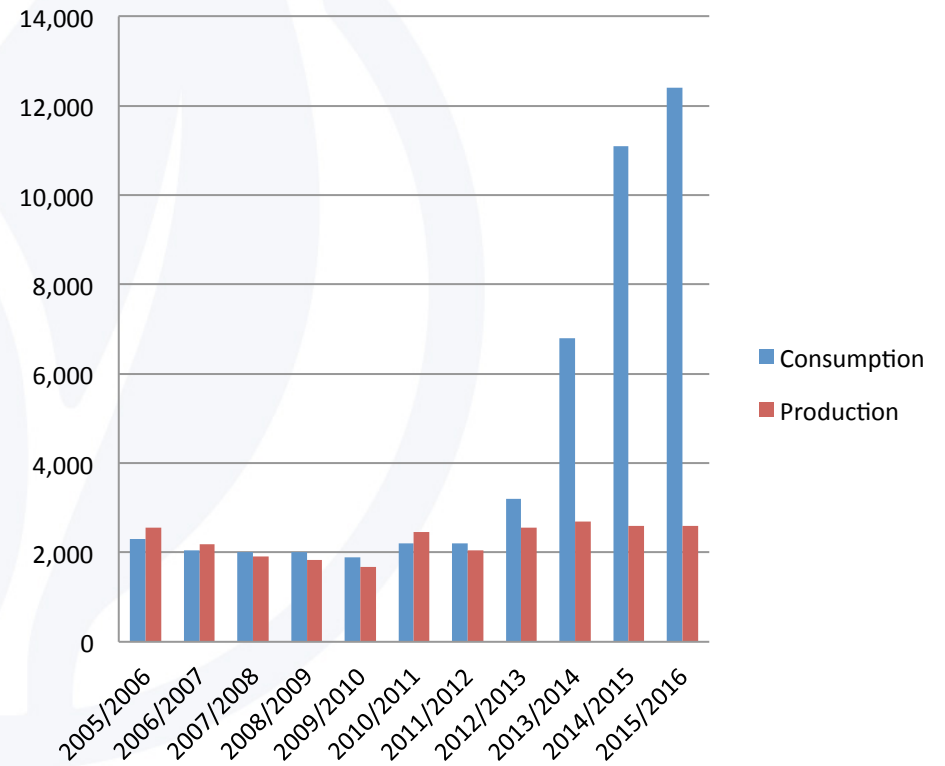


China is the game-changer for world sorghum

World sorghum consumption



China sorghum consumption vs production

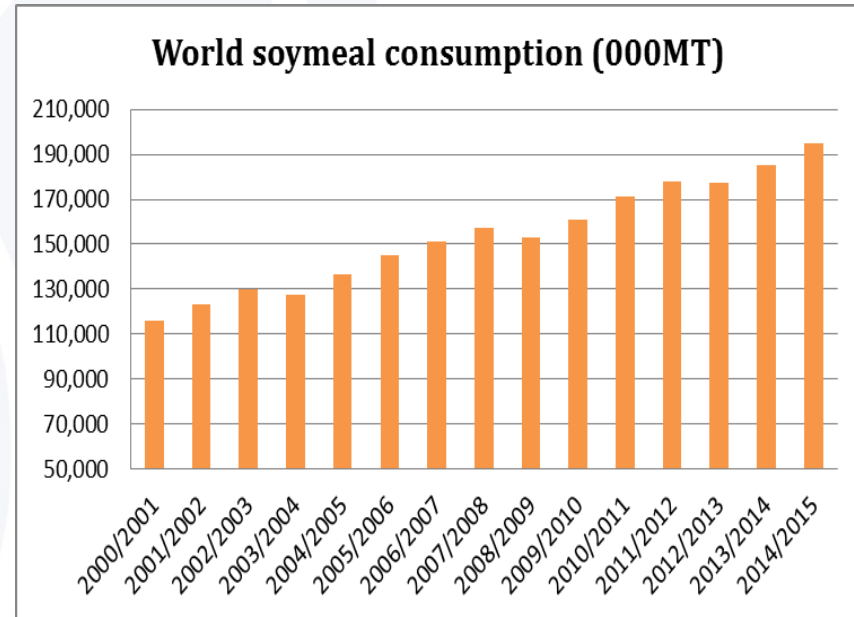
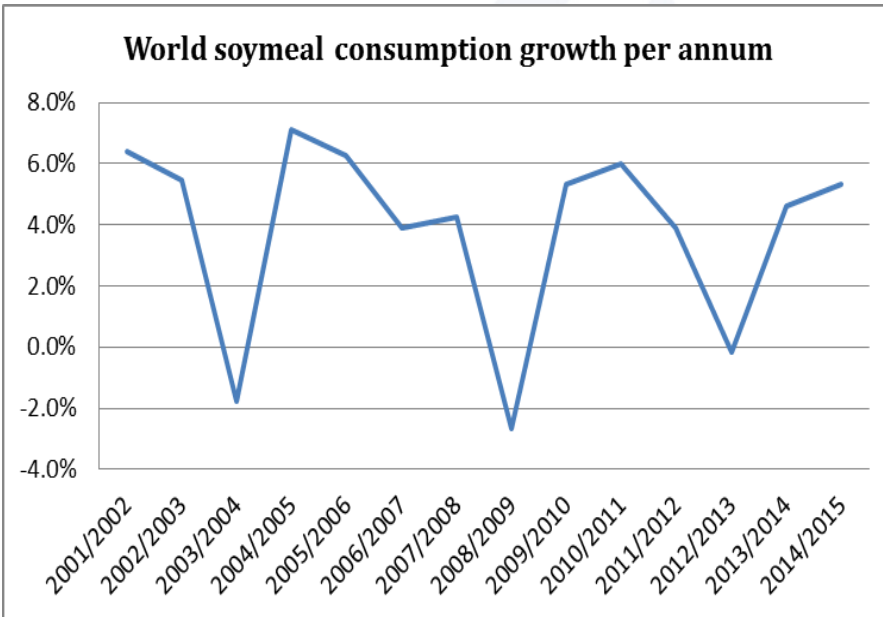




Soybean complex



The world does not have a soybean supply issue. Rather, it has a crush capacity and soymeal supply issue.

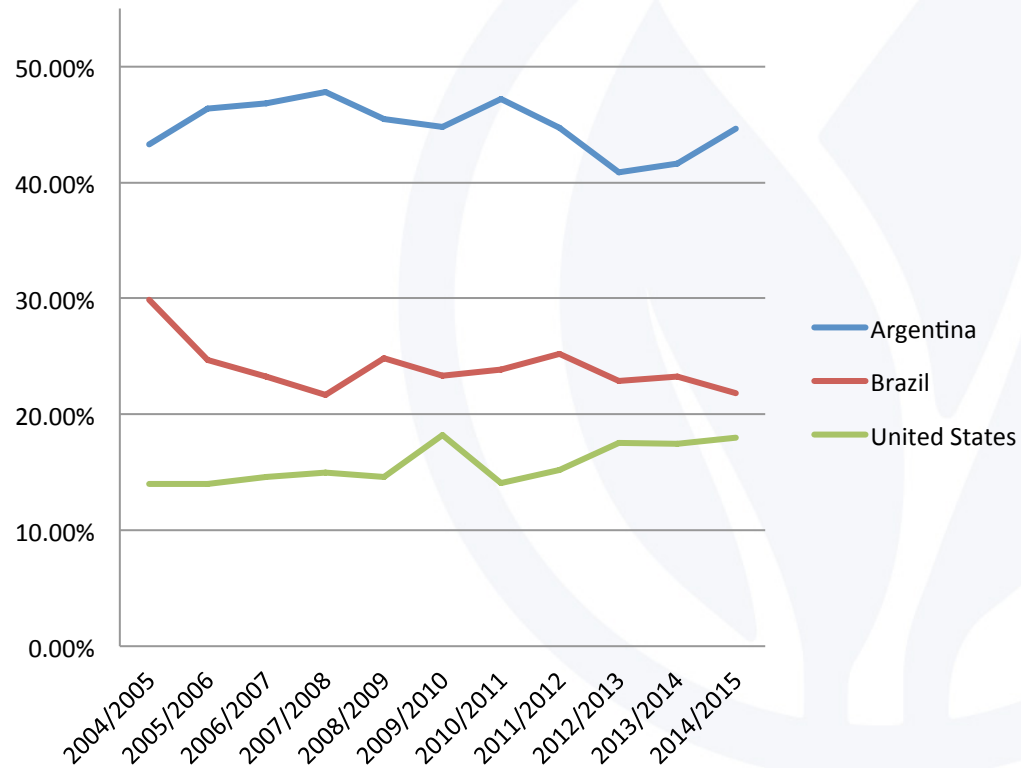


If global soymeal consumption increases at 3% per annum on average – suggests the world will need another 42MMT by 2020



World's largest and key soymeal exporters

World's largest soymeal exporters



SUMMARY: Argentina remains the world's largest soymeal exporter. Its crush capacity is estimated = 55MMT

THUS: it is likely that little additional investment will be occur in either the US or Brasil crush capacity given overbuilt capacity in both Argentina and China

ERGO: will world soymeal importers have to rely on Argentina and China for soymeal production / export growth?



This all feeds into the following conclusions:

- Soymeal / protein demand is the key: as goes soymeal – goes flat price, goes crush margins, goes profitability of the feed sector goes crush rates
- The world veg oil market remains a buyer's market – multiple origins & oils competing for food and fuel demand. This is a bearish characteristic
- The rebuild and potential record world soybean ending stocks, a supply cushion near 109 days and record South American soy bean production insures adequate / ample stocks.
- Black Sea sunflower oil will impact the world veg oil market – positive & negative – similar to the impact on the world wheat and corn markets.
- However - until the world “solves” the soymeal trade grid – downside price risk will not be as aggressive as what world record ending soy stocks would suggest



About ConsiliAgra

ConsiliAgra is a global consulting and brokerage firm providing actionable advice and strategies to those operating and trading within the global grain and oilseeds markets.

The firm's services touch upon every part of the increasingly-complex agricultural markets, presenting a platform through which clients are able to gain a keen understanding of the integrated global agriculture industry; and to act upon this knowledge.

We provide:

- Coordinated risk management (hedge structures and brokerage / clearing services)
- Active advising services
- Dynamic trading strategies (proprietary speculative structures)
- "Right people" introductions
- Commodity execution services

Since its inception in 2009, ConsiliAgra clients now range from international & domestic commercials to hedge funds and investment banks as well as a private money portfolio managers.

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