AGIC 2018
RIPS, MURDERS AND WOLVES.

Dr. Rory Deverell

INTL FCStone Europe

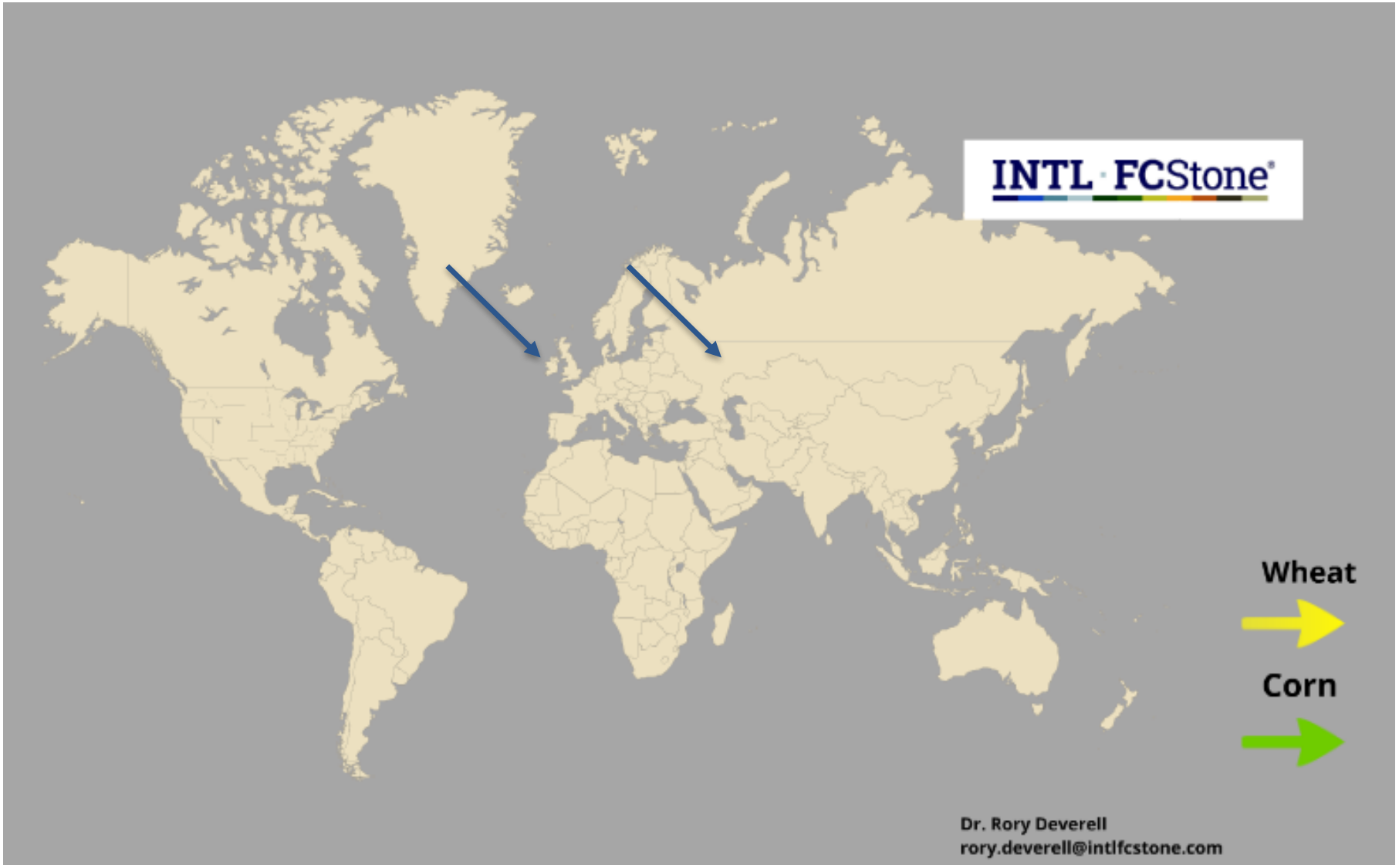
Rory.deverell@intlfcstone.com

INTL FCStone Ltd ("IFL"). Branch registered in Ireland No. 907174. Registered in England and Wales Company No. 5616586. Authorised and regulated by the UK Financial Conduct Authority [FRN: 446717]. In Ireland, the activities of INTL FCStone Ltd are subject to the supervision of conduct of business rules by the Central Bank of Ireland. IFL is a wholly owned subsidiary of INTL FCStone Inc.

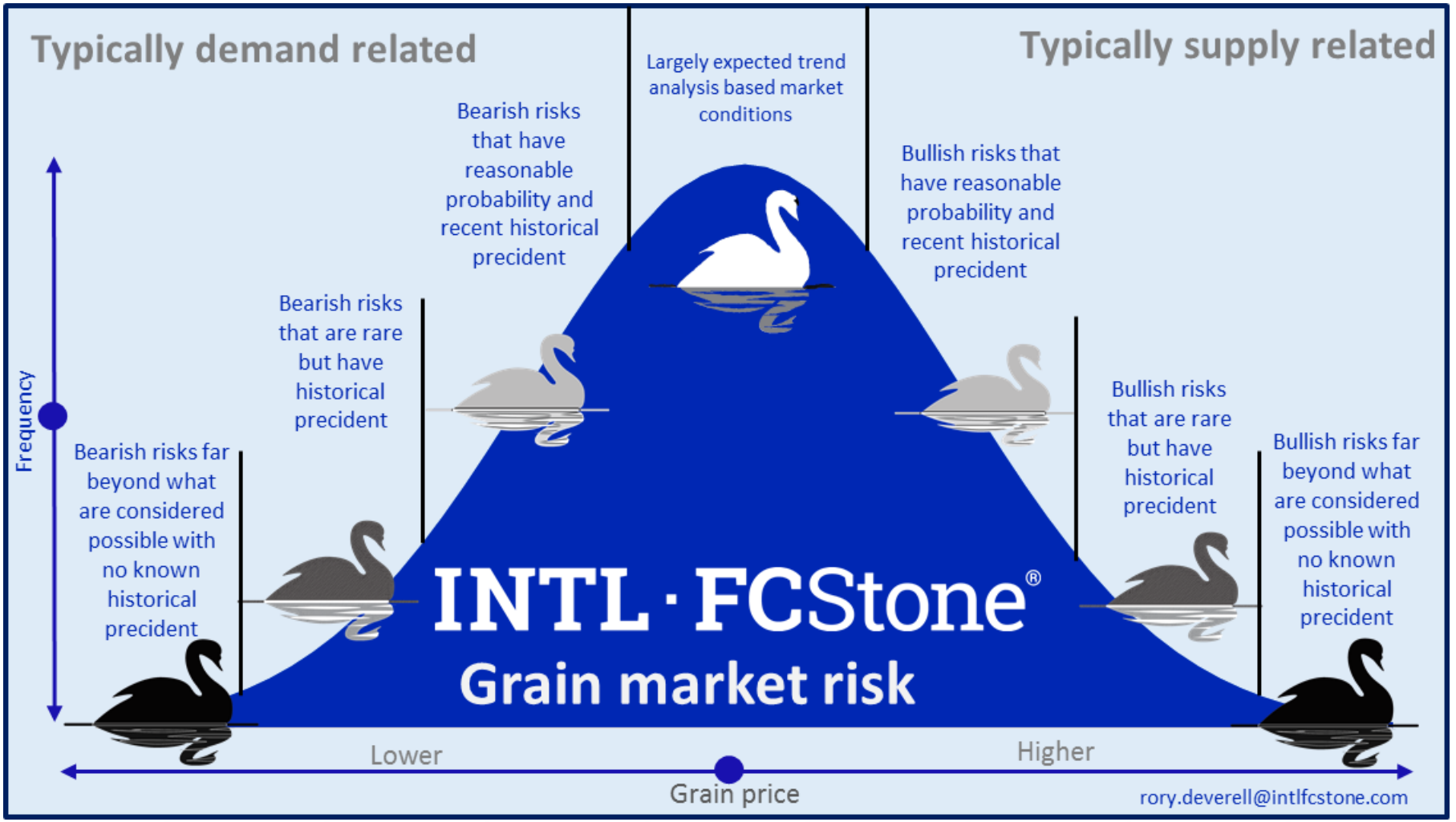
Disclaimer

INTL FCStone Ltd (“IFL”). Branch registered in Ireland No. 907174. Registered in England and Wales Company No. 5616586. Authorised and regulated by the UK Financial Conduct Authority [FRN: 446717]. In Ireland, the activities of INTL FCStone Ltd are subject to the supervision of conduct of business rules by the Central Bank of Ireland. IFL is a wholly owned subsidiary of INTL FCStone Inc. [NASDAQ: INTL]. Commodity trading involves risks, and you should fully understand those risks prior to trading. This material should be construed as market commentary, merely observing economic, political and/or market conditions, and not intended to refer to any particular trading strategy, promotional element or quality of service provided by INTL FCStone Limited. Information contained herein was obtained from sources believed to be reliable, but is not guaranteed as to accuracy. The content of this document is for information purposes only and may not be taken as representation, advice, or inducement to enter into any contract, investment or arrangement. INTL FCStone Ltd fully disclaims and shall be held harmless against any liability howsoever arising, that may be incurred or suffered by any party from the reliance, use, misuse, reproduction (in part or whole) and dissemination of such information. © 2017 INTL FCStone Ltd. All Rights Reserved.

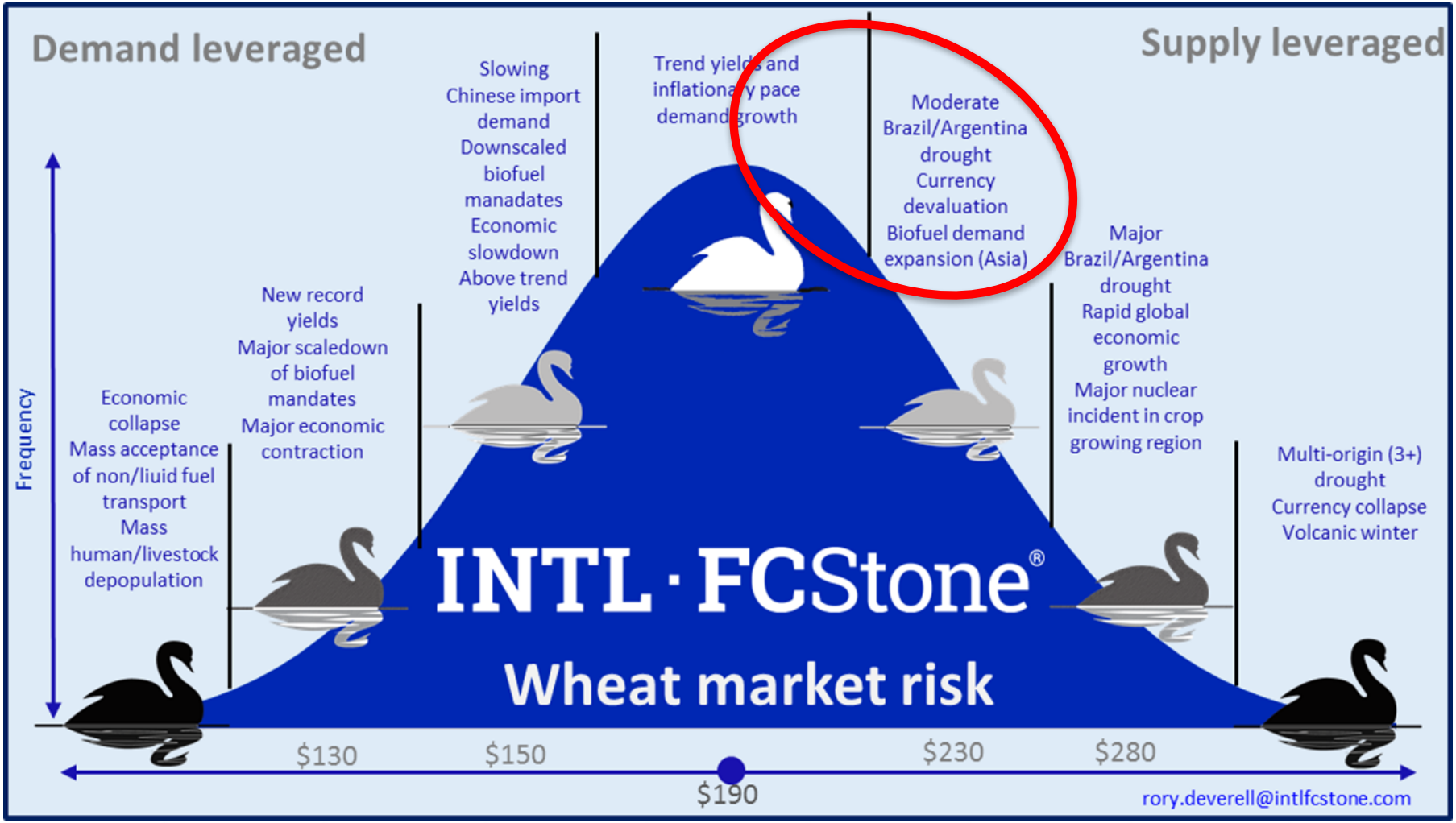
INTL · FCStone
Wheat
Corn
Dr. Rory Deverell
rory.deverell@intlfcstone.com


INTL · FCStone
Wheat
Corn
Dr. Rory Deverell
rory.deverell@intlfcstone.com

Risk

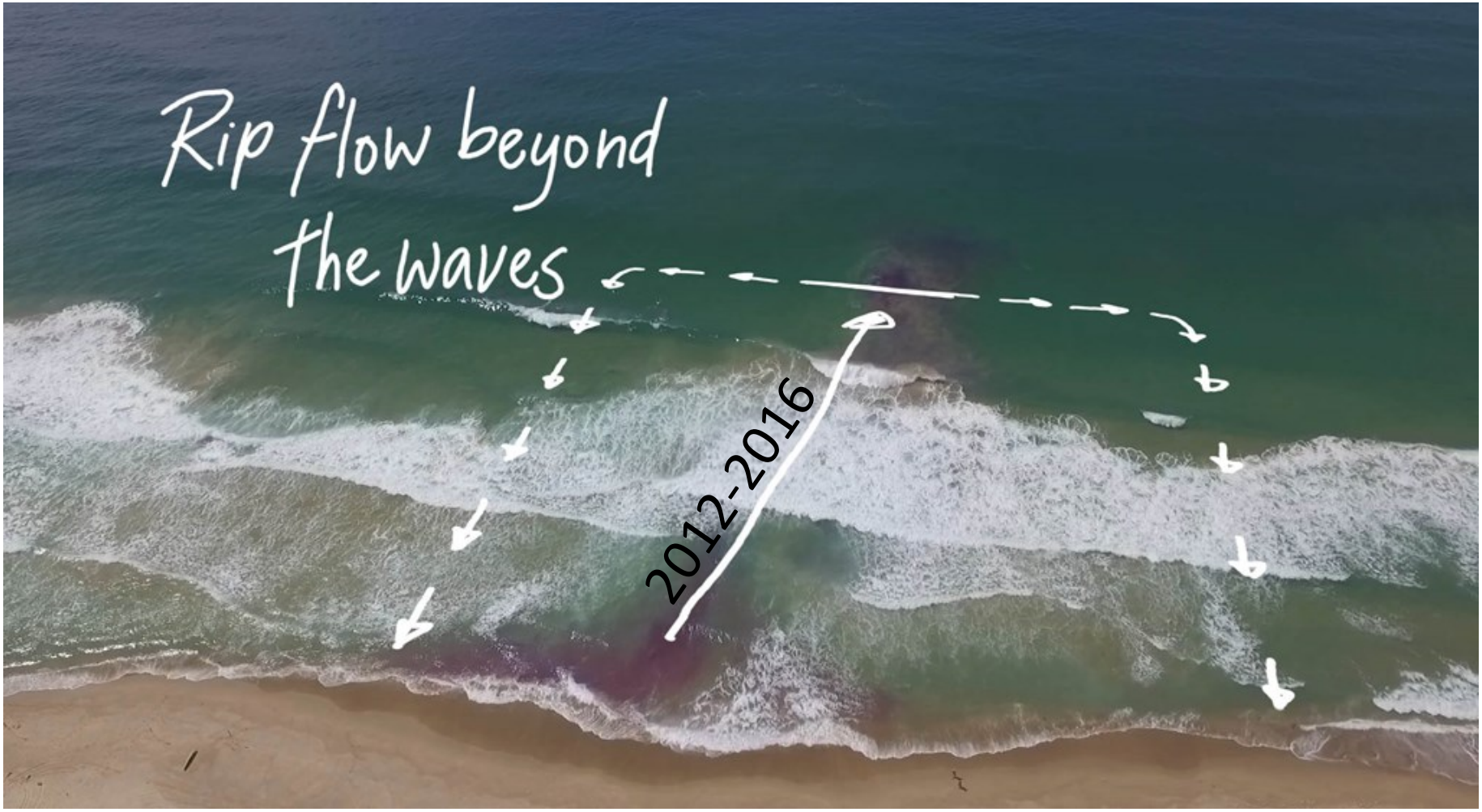

Typically demand related
Typically supply related
Largely expected trend analysis based market conditions
Bearish risks that have reasonable probability and recent historical precident
Bullish risks that have reasonable probability and recent historical precident
Bearish risks that are rare but have historical precident
Bullish risks that are rare but have historical precident
Bearish risks far beyond what are considered possible with no known historical precident
Bullish risks far beyond what are considered possible with no known historical precident
Frequency
INTL · FCStone®
Grain market risk
Lower
Higher
Grain price
rory.deverell@intlfcstone.com

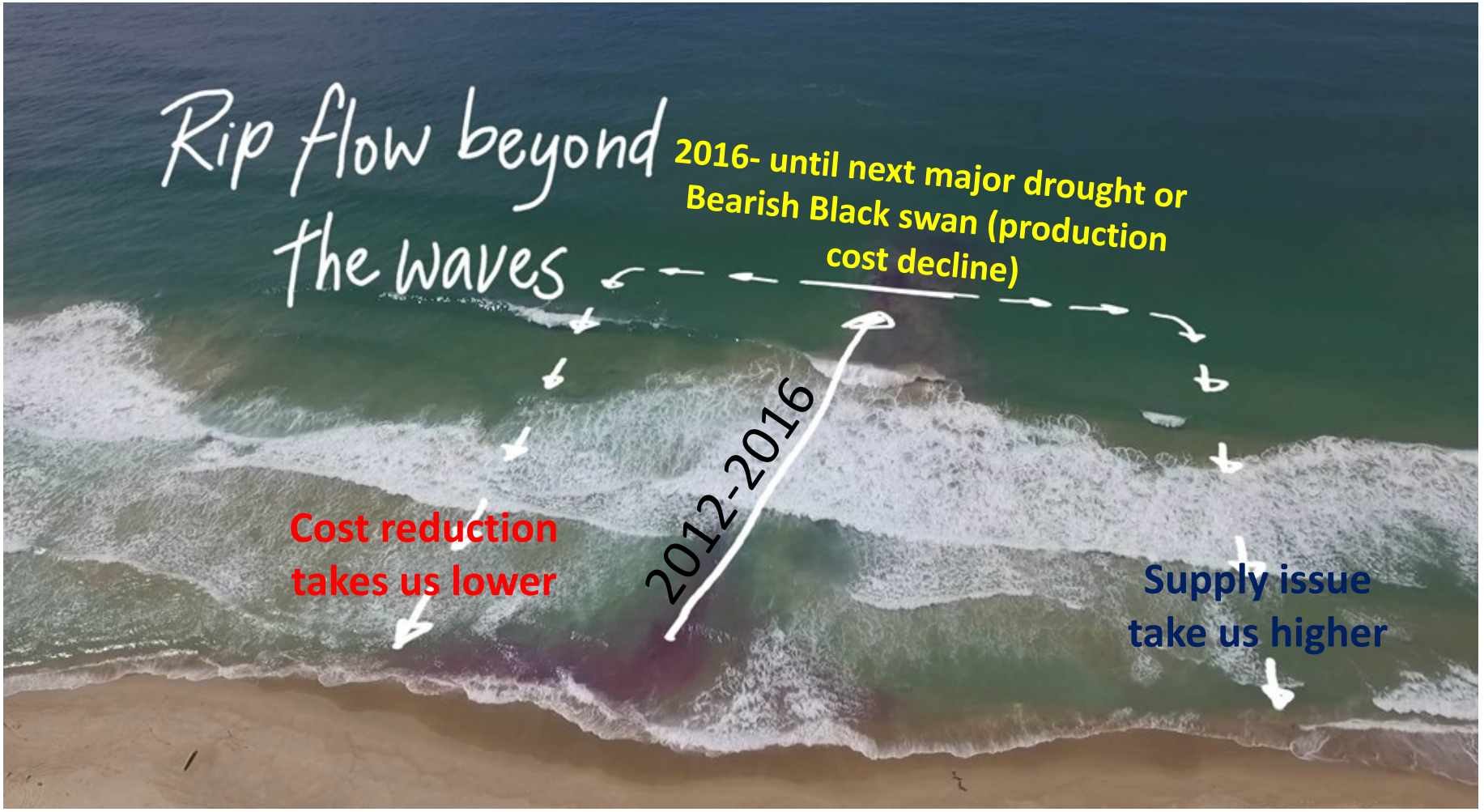
Risk

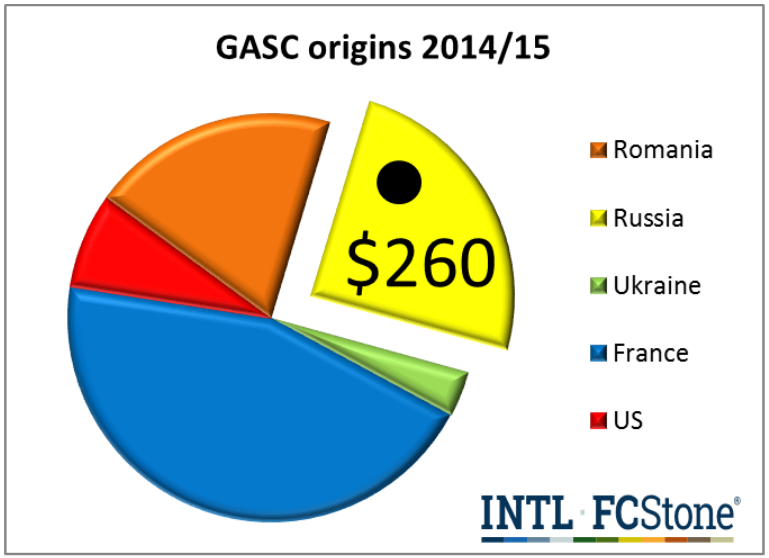

Demand leveraged
Supply leveraged
Frequency
Economic collapse
Mass acceptance of non/liuid fuel transport
Mass human/livestock depopulation
New record yields
Major scaledown of biofuel mandates
Major economic contraction
Slowing Chinese import demand
Downscaled biofuel manadates
Economic slowdown
Above trend yields
Trend yields and inflationary pace demand growth
Moderate Brazil/Argentina drought
Currency devaluation
Biofuel demand expansion (Asia)
Major Brazil/Argentina drought
Rapid global economic growth
Major nuclear incident in crop growing region
Multi-origin (3+) drought
Currency collapse
Volcanic winter
INTL · FCStone®
Wheat market risk
$130
$150
$190
$230
$280
rory.deverell@intlfcstone.com

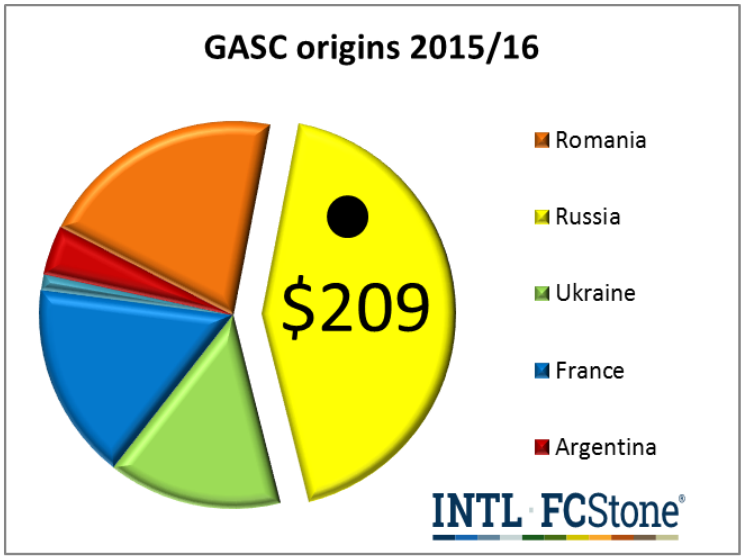
Part 1:

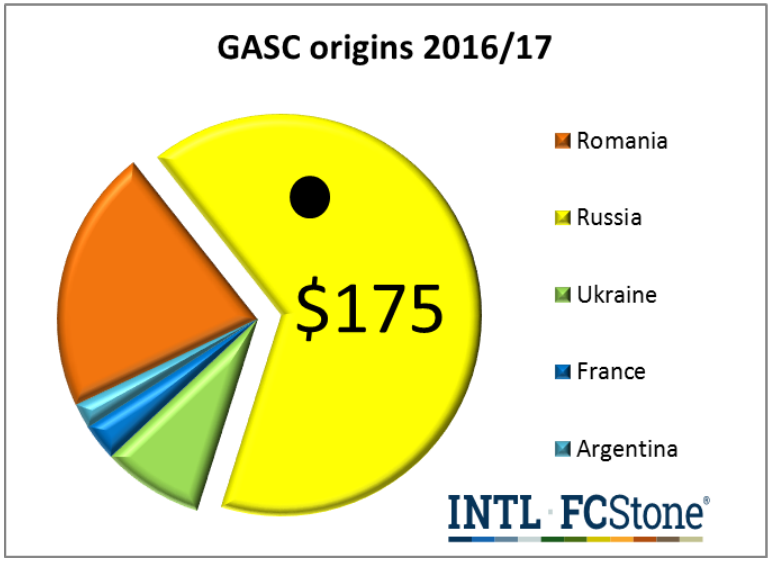
Bondi beach markets: How the market got into and is coming out of a rip

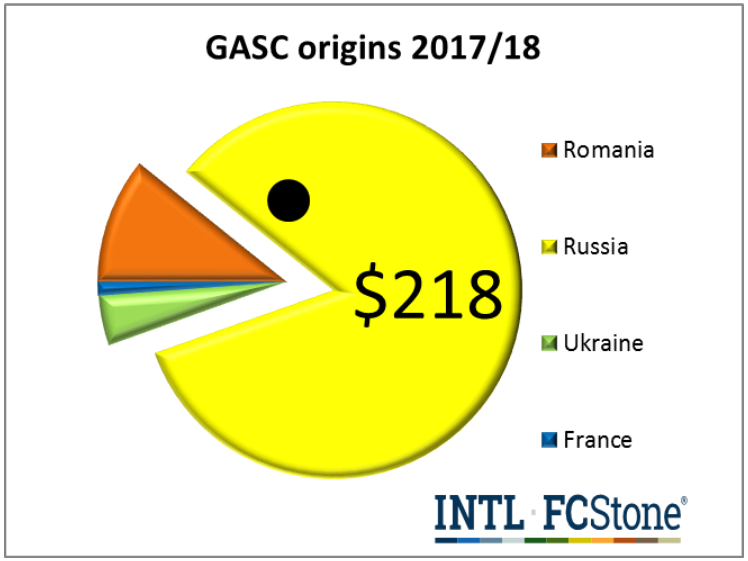

Rip flow beyond
the waves
2012-2016


Rip flow beyond the waves
2016- until next major drought or Bearish Black swan (production cost decline)
2012-2016
Cost reduction takes us lower
Supply issue take us higher



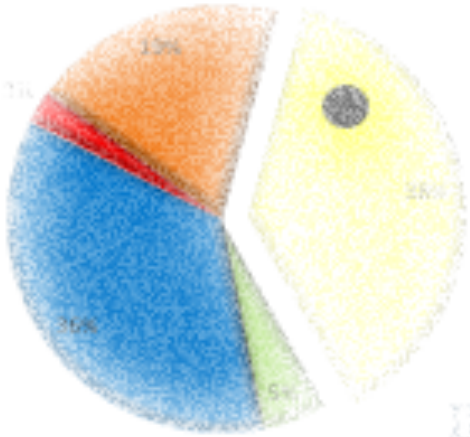


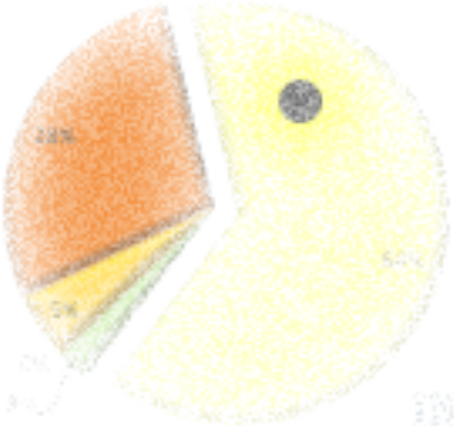




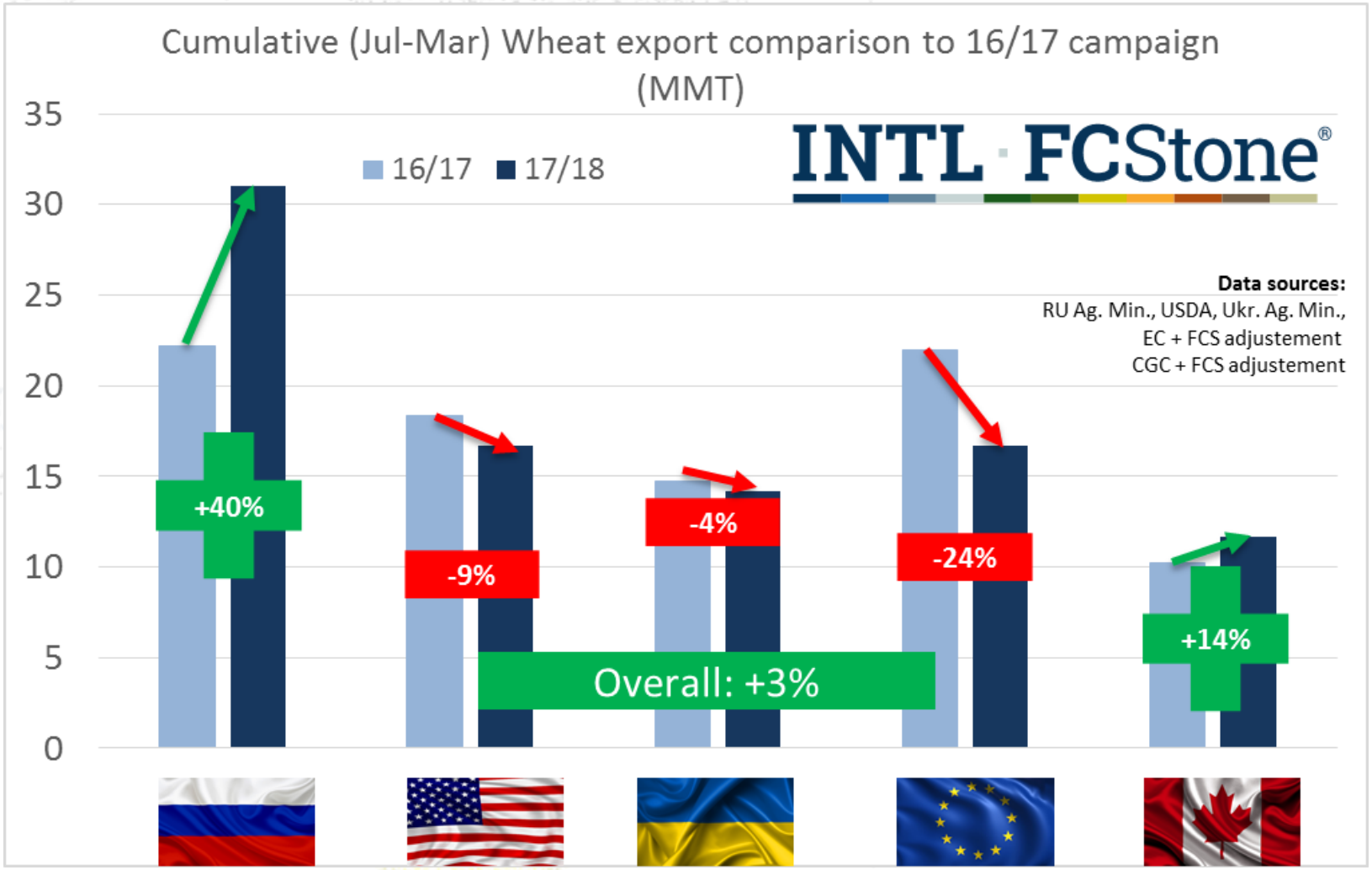
INTL FCStone

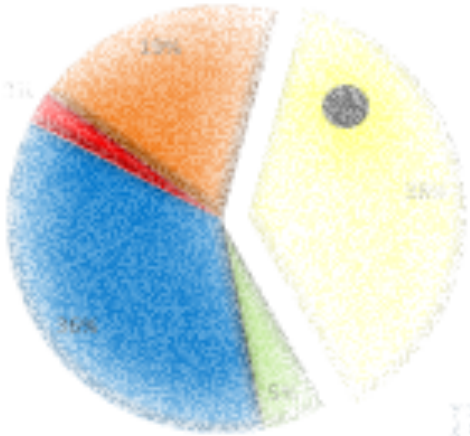
Source of data: GASC, FCStone

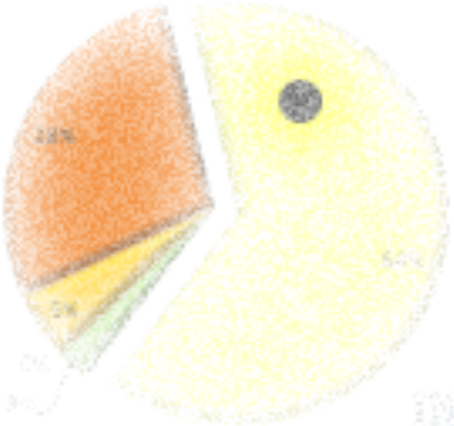


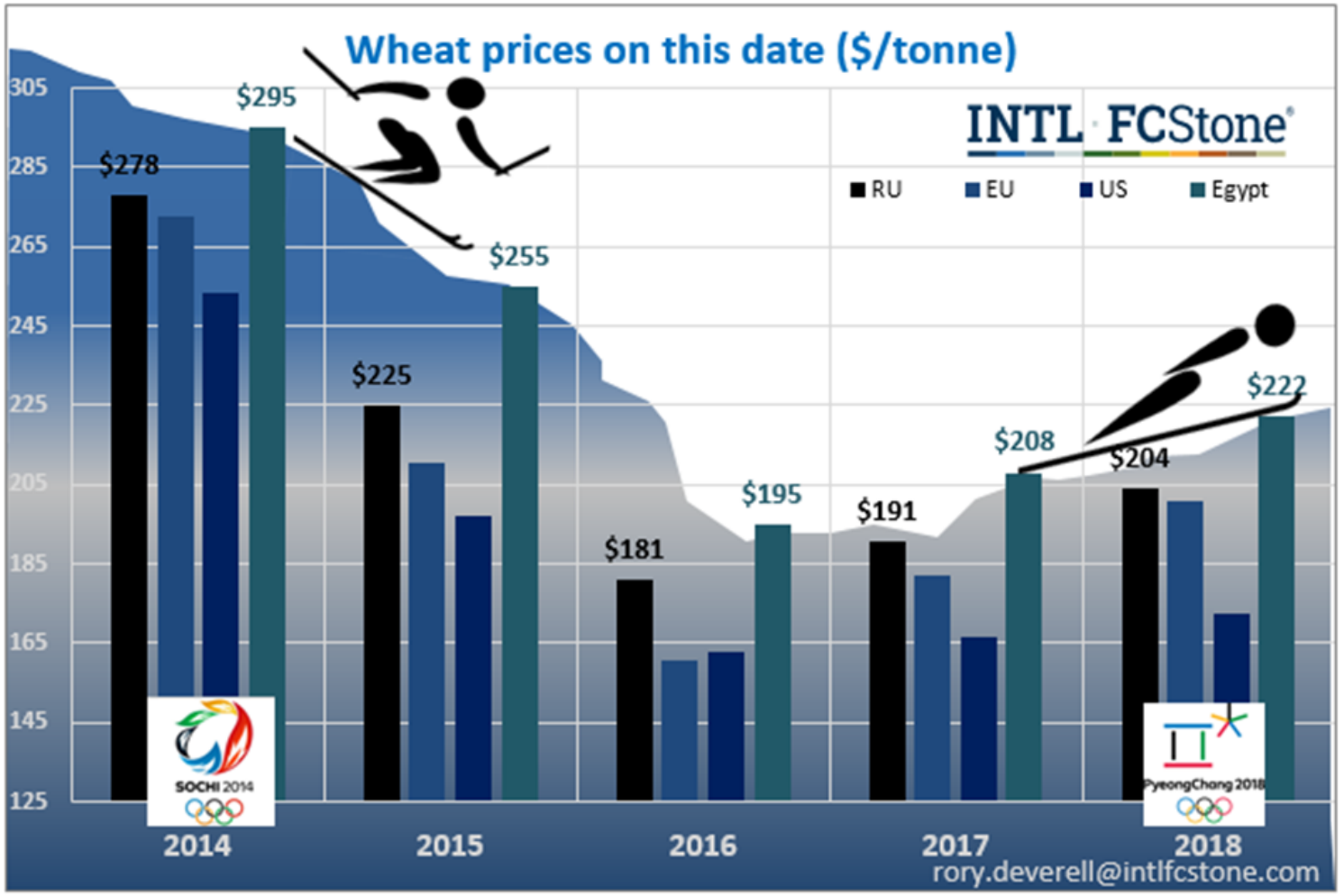


Cumulative (Jul-Mar) Wheat export comparison to 16/17 campaign (MMT)

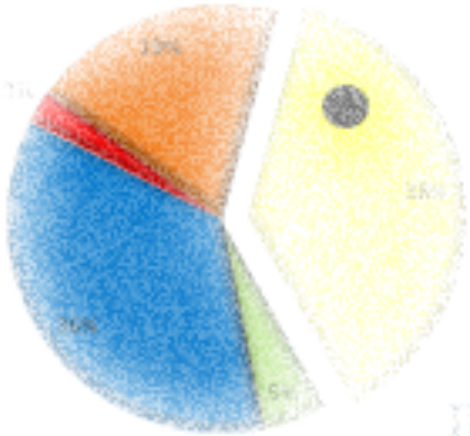


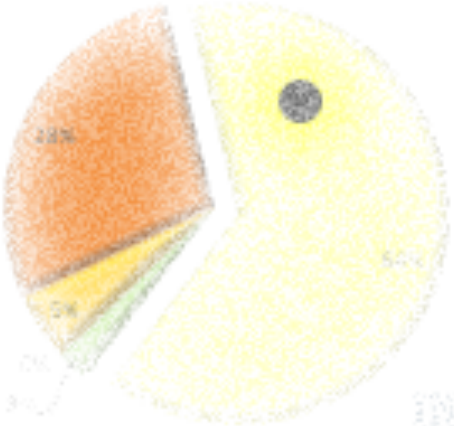


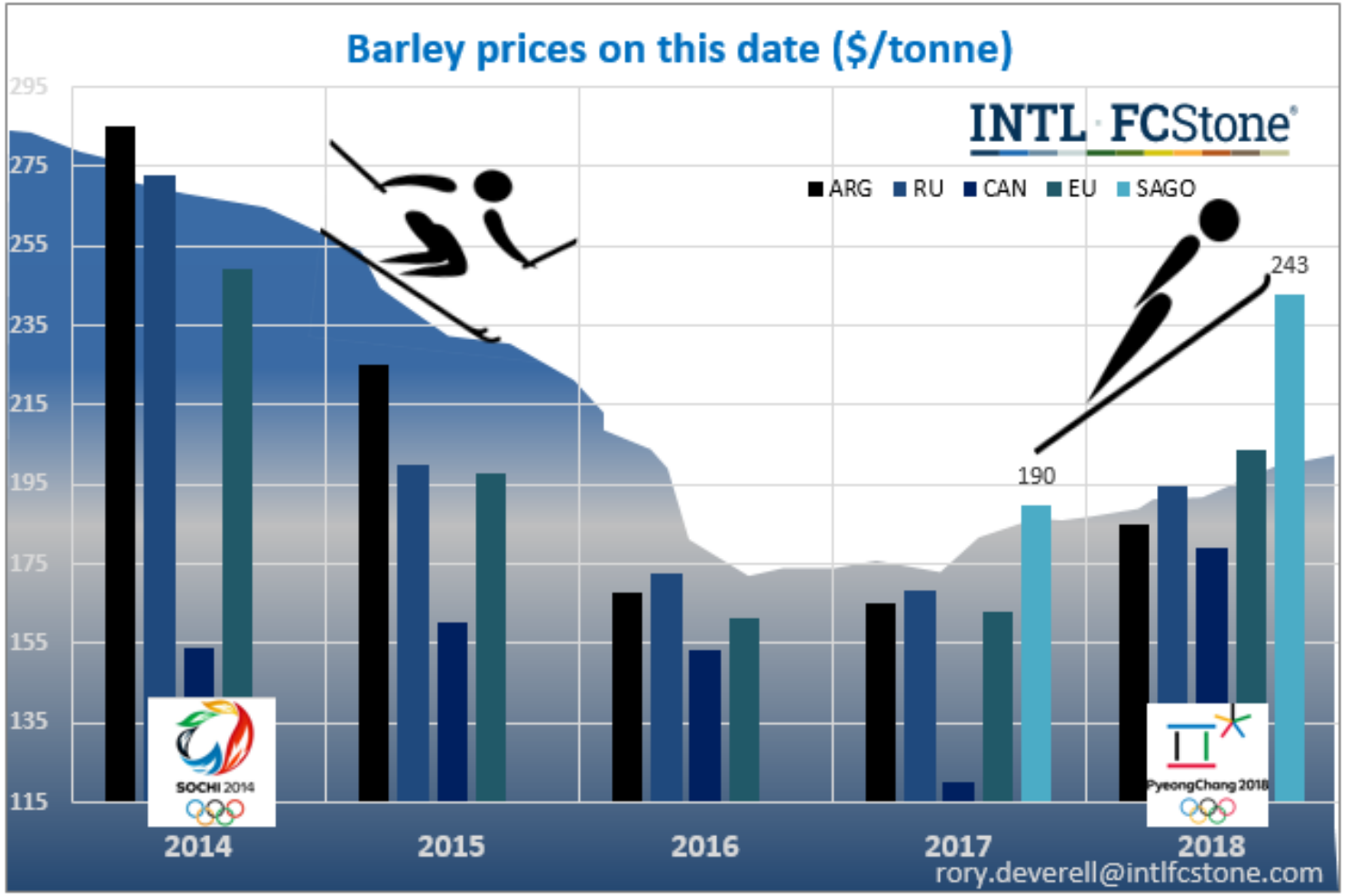




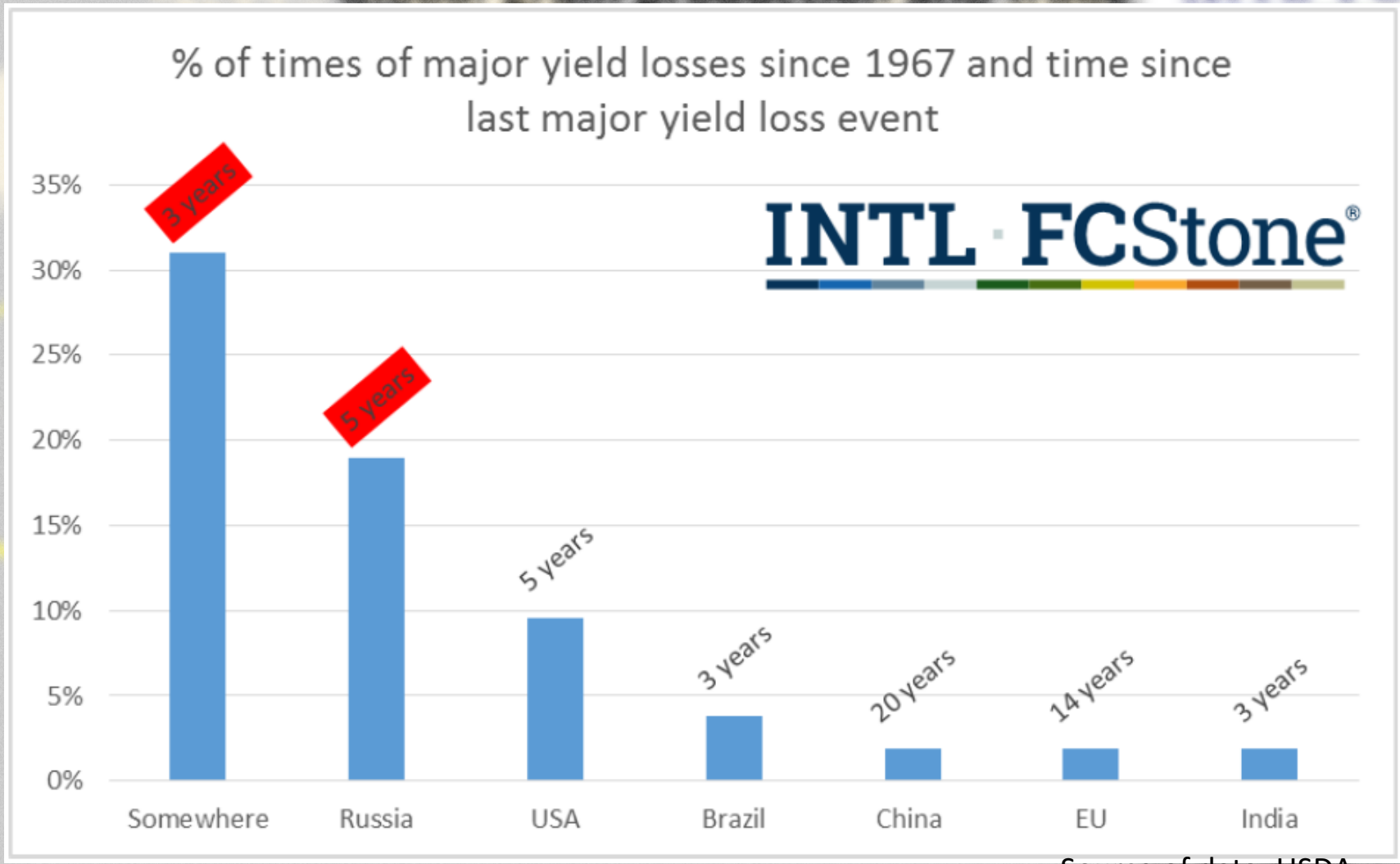
Source of data: Reuters







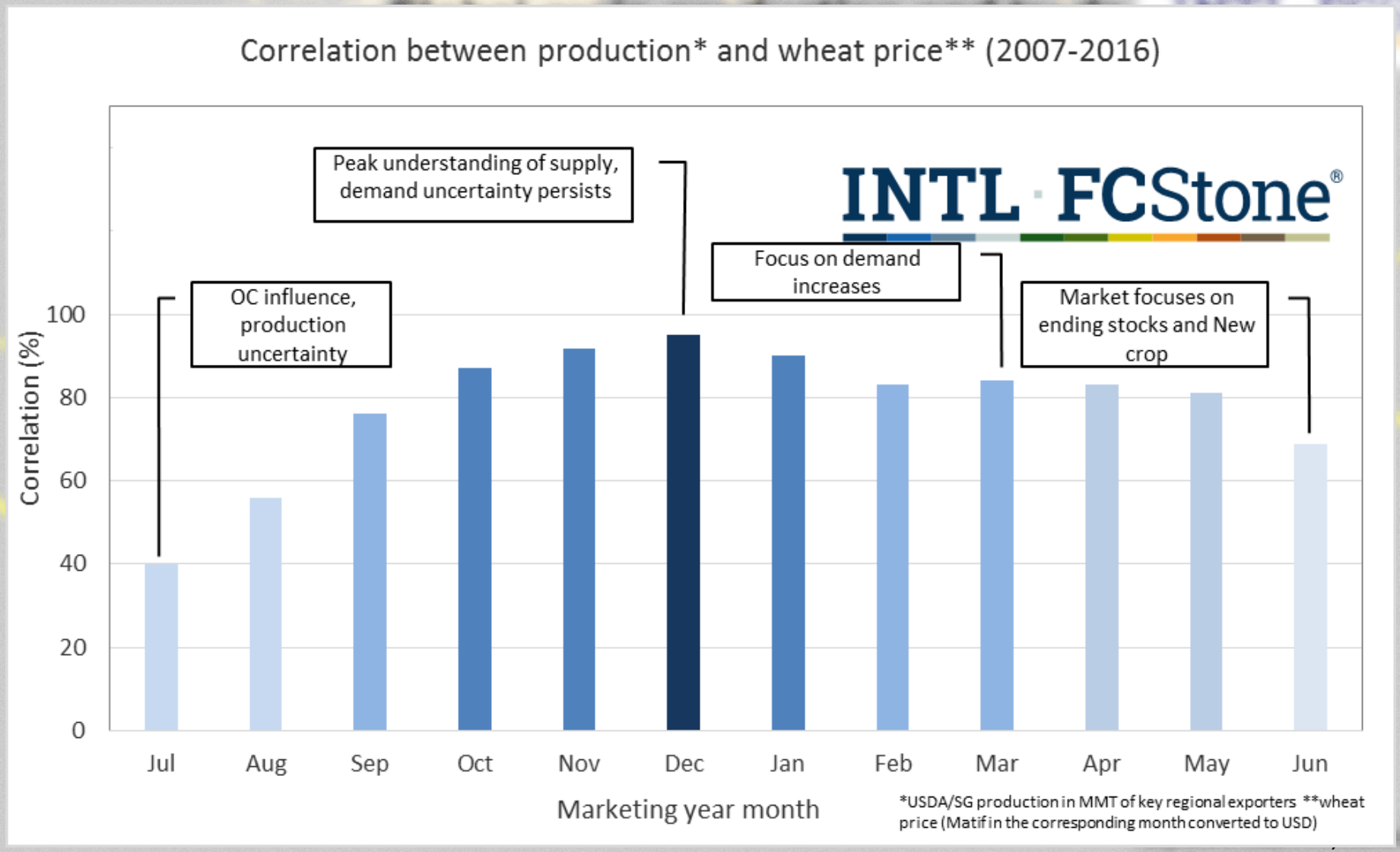
Source of data: Reuters

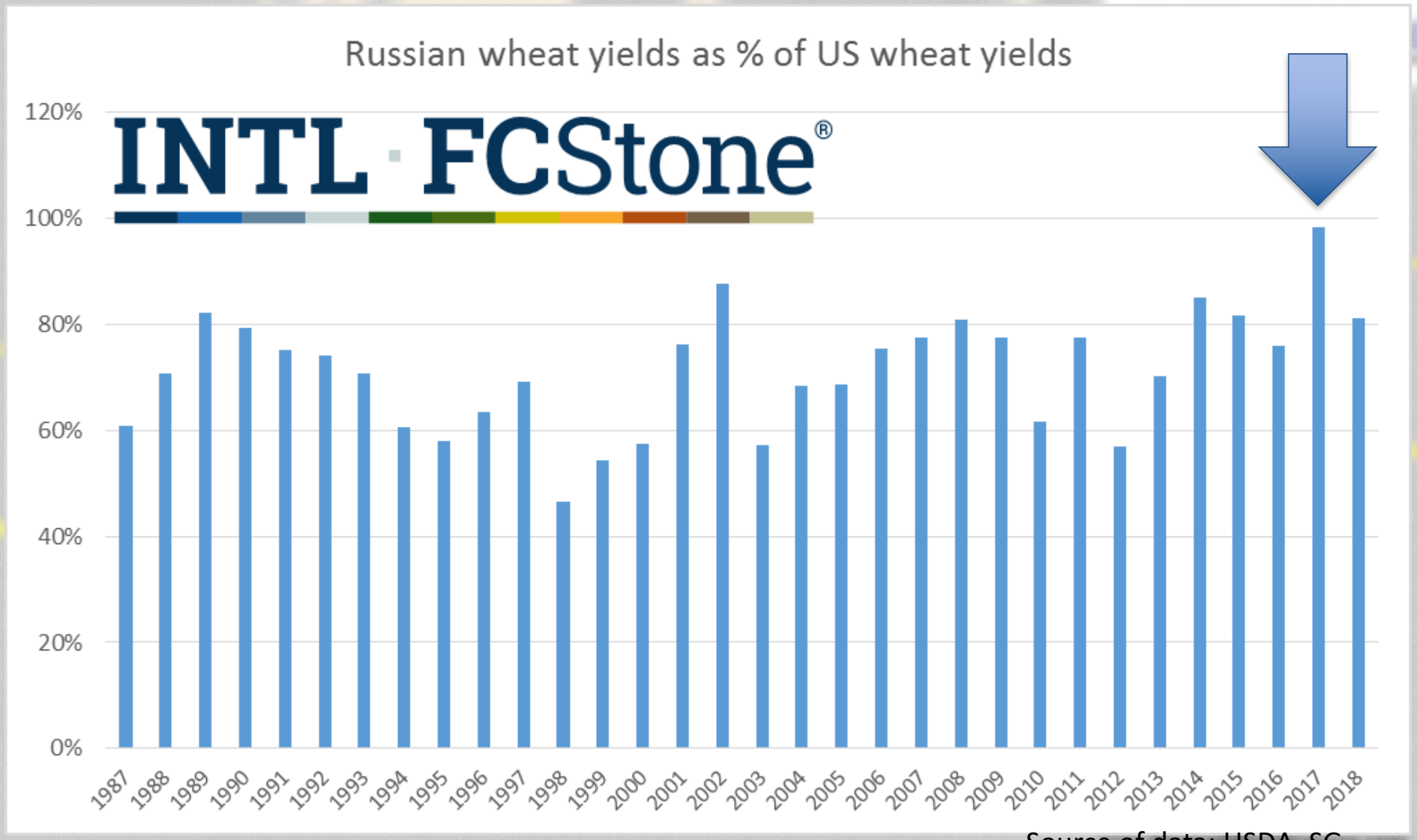


Source of data: USDA

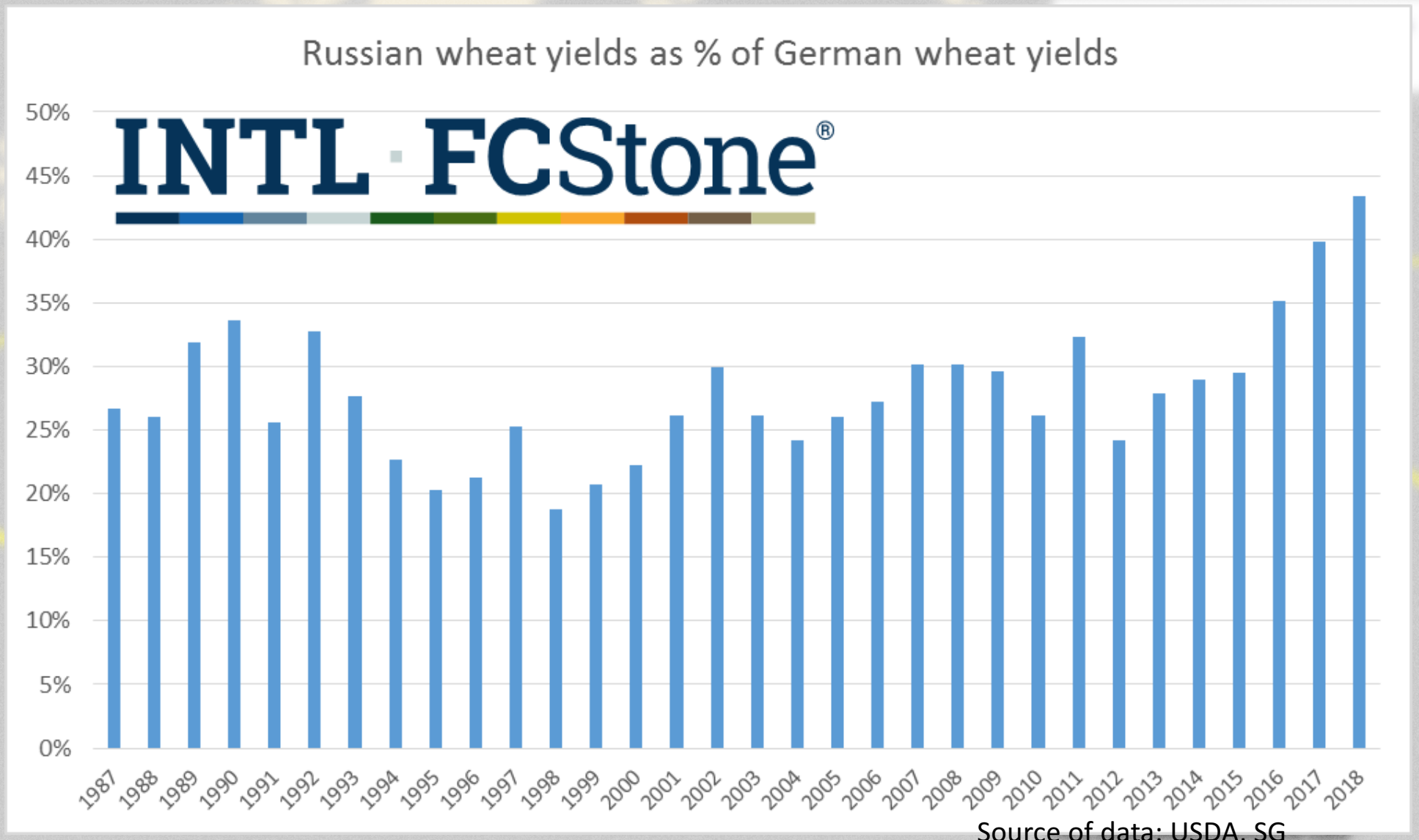
Part 2:

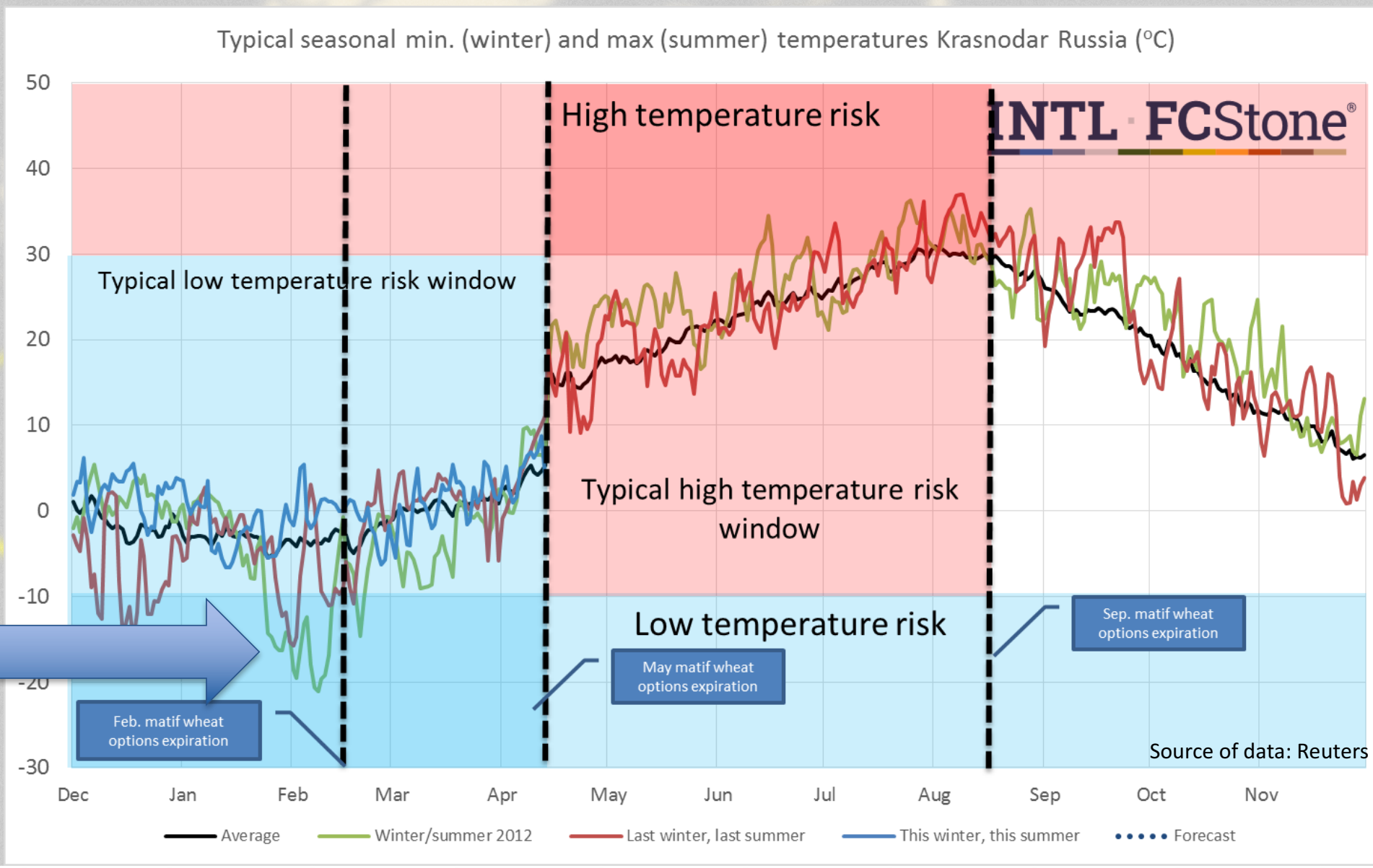
Murder by the orient express, how wheat from the East may impact flows


Correlation between production* and wheat price** (2007-2016)
Peak understanding of supply, demand uncertainty persists
Focus on demand increases
OC influence, production uncertainty
Market focuses on ending stocks and New crop
INTL FCStone®
Correlation (%)
100
80
60
40
20
0
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Marketing year month
*USDA/SG production in MMT of key regional exporters **wheat price (Matif in the corresponding month converted to USD)

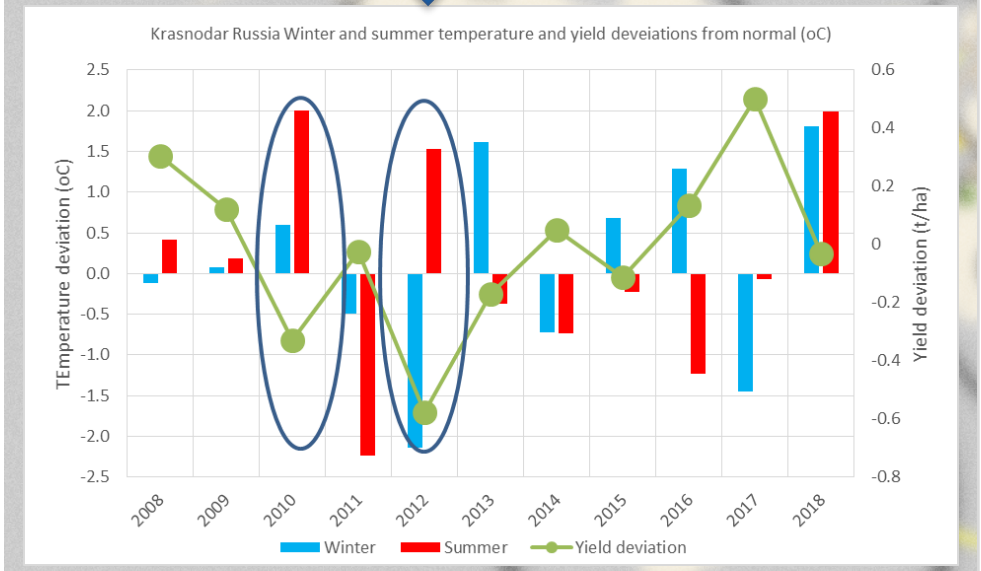


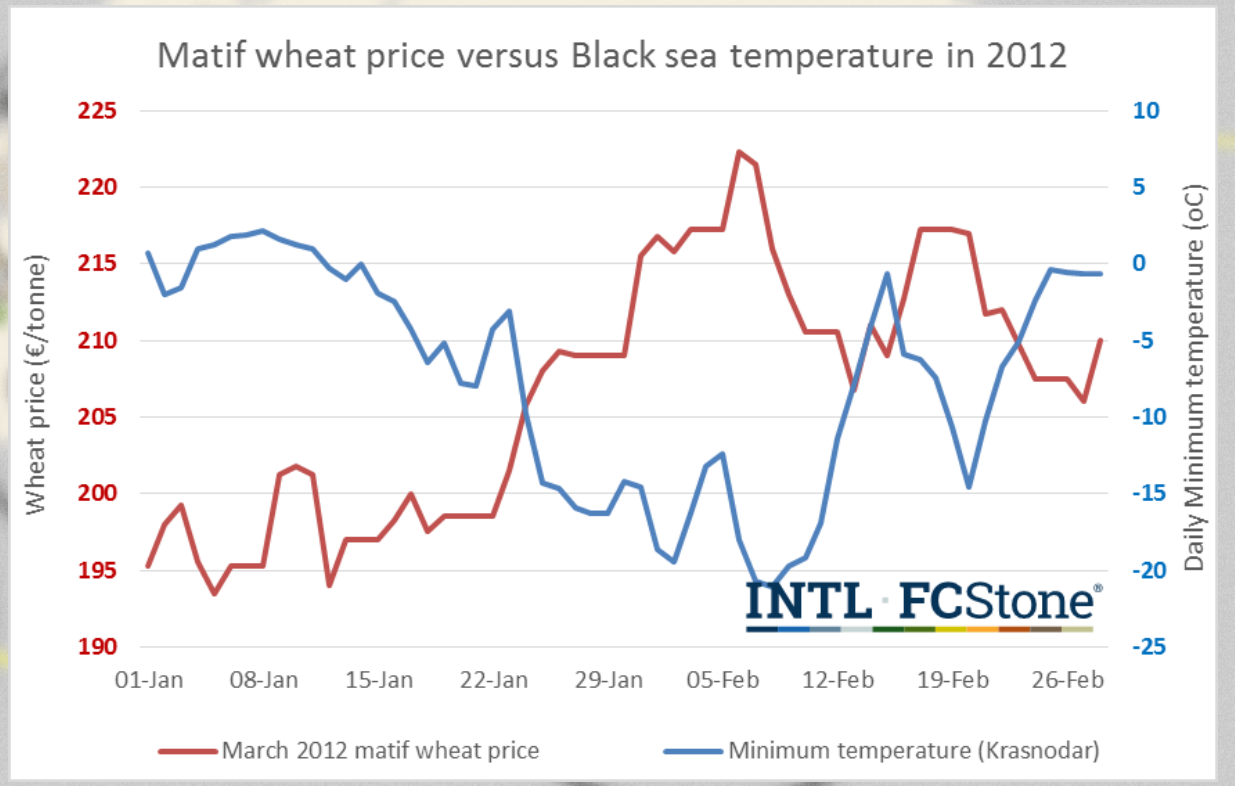
Source of data: USDA, SG


Russian wheat yields as % of German wheat yields
INTL FCStone®
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Source of data: USDA, SG

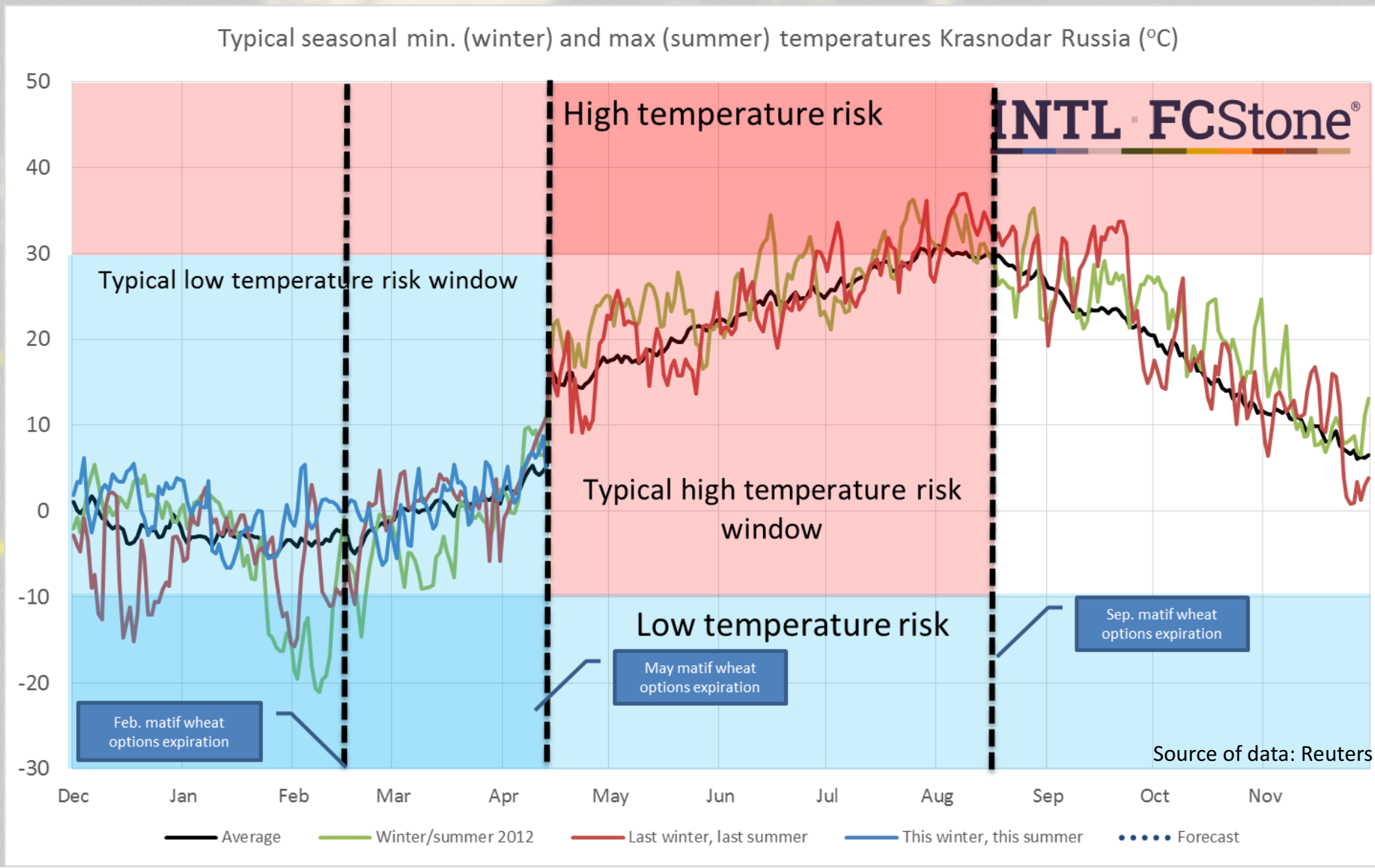

Typical seasonal min. (winter) and max (summer) temperatures Krasnodar Russia (°C)
INTL · FCStone®
High temperature risk
Typical low temperature risk window
Typical high temperature risk window
Low temperature risk
Feb. matif wheat options expiration
May matif wheat options expiration
Sep. matif wheat options expiration
Source of data: Reuters
50
40
30
20
10
0
-10
-20
-30
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Average
Winter/summer 2012
Last winter, last summer
This winter, this summer
Forecast

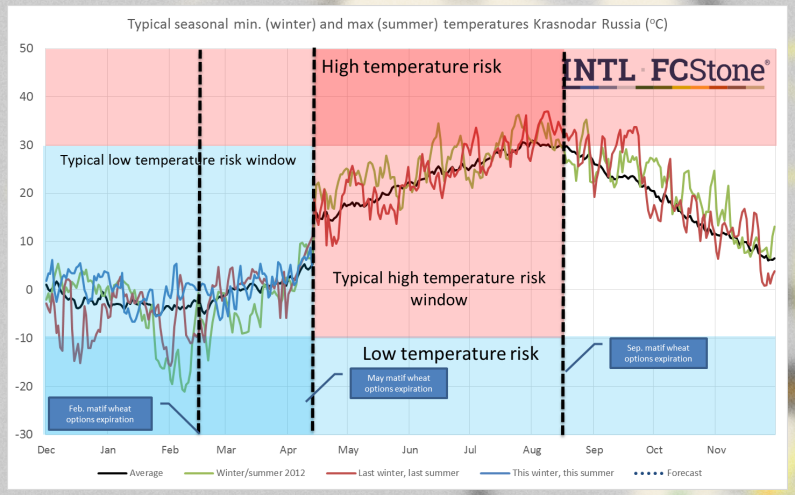
Global grain production and trade

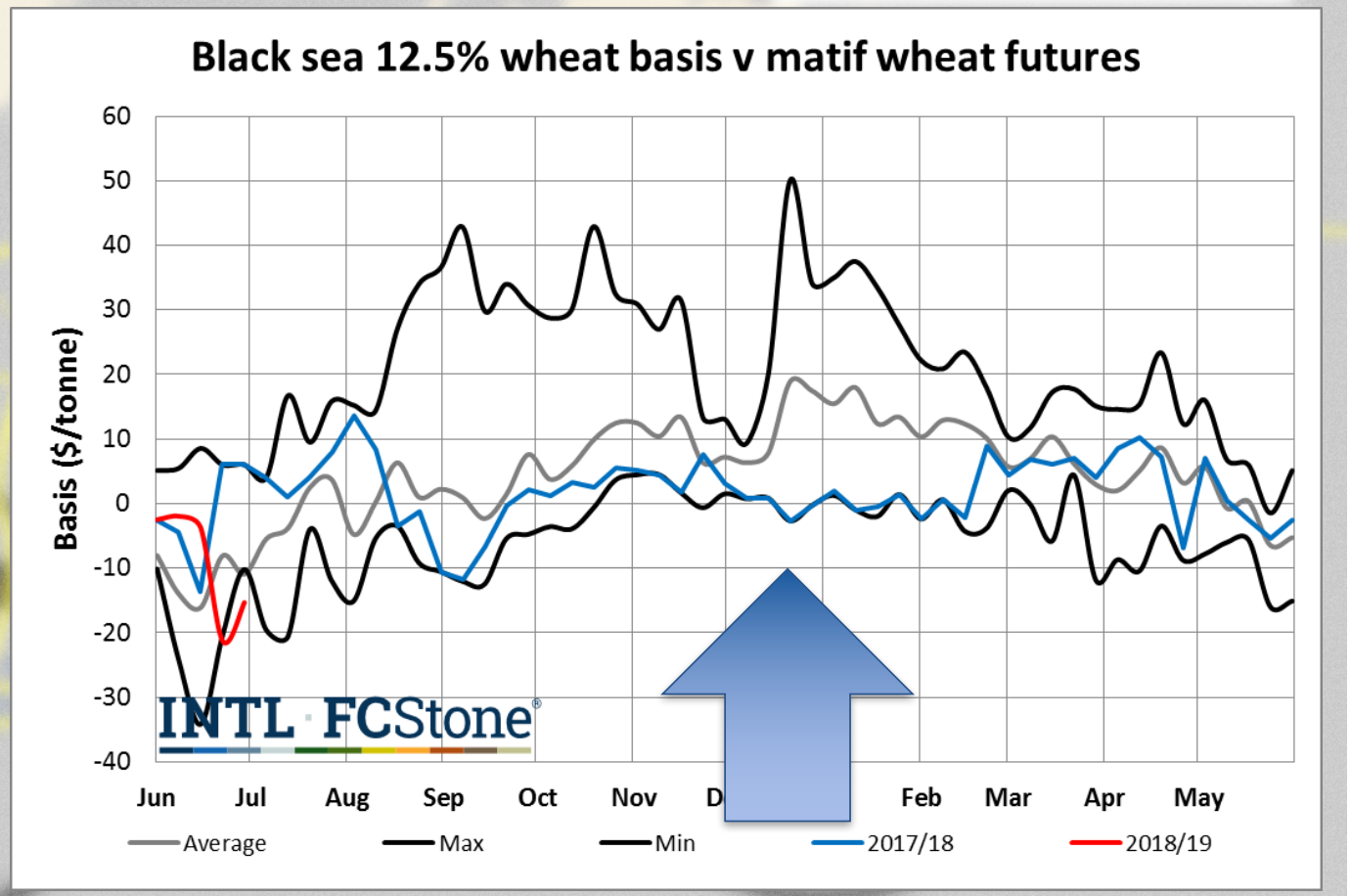




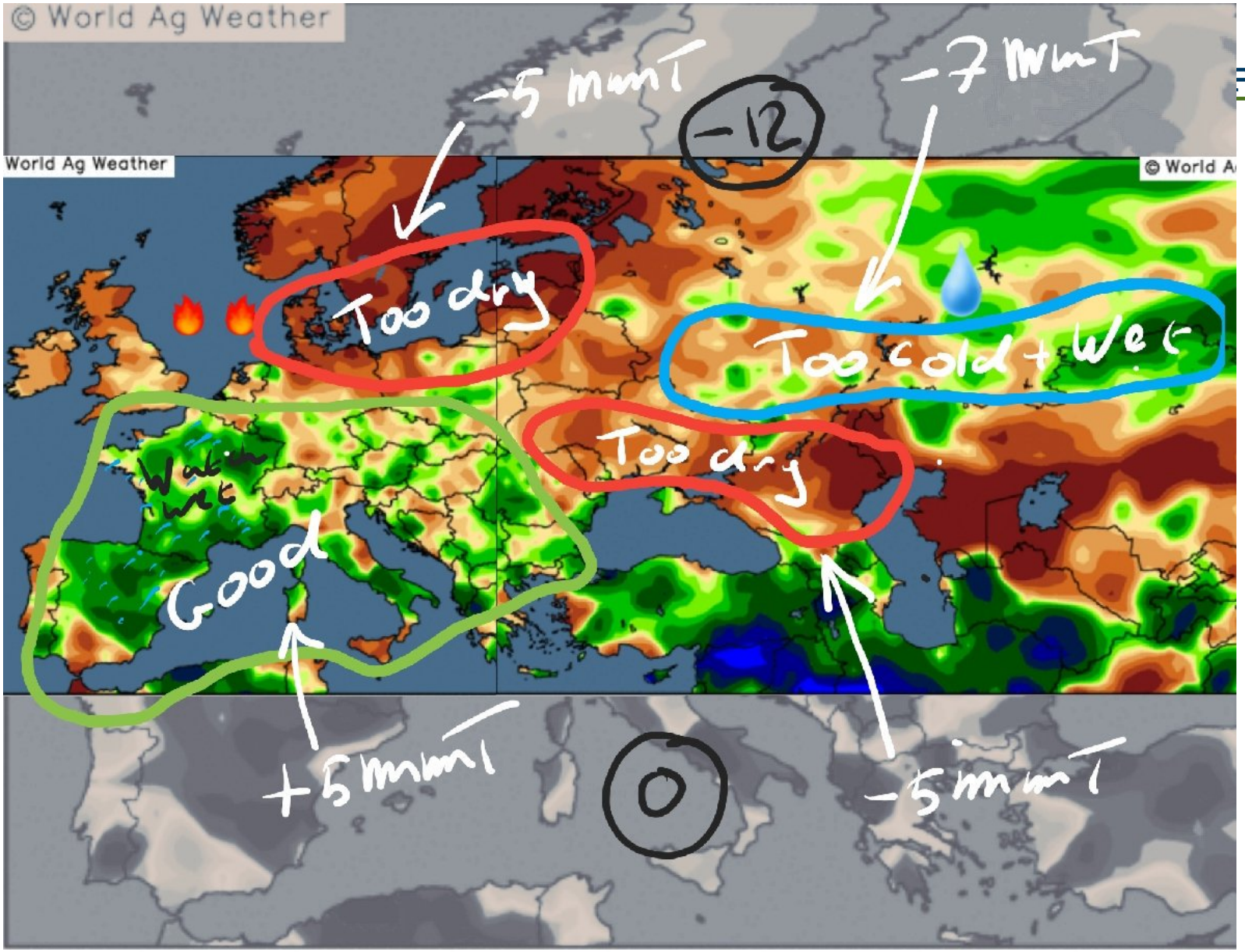
Source of data: Reuters


Typical seasonal min. (winter) and max (summer) temperatures Krasnodar Russia (°C)
INTL · FCStone®
High temperature risk
Typical low temperature risk window
Typical high temperature risk window
Low temperature risk
Feb. matif wheat options expiration
May matif wheat options expiration
Sep. matif wheat options expiration
Source of data: Reuters
50
40
30
20
10
0
-10
-20
-30
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Average
Winter/summer 2012
Last winter, last summer
This winter, this summer
Forecast

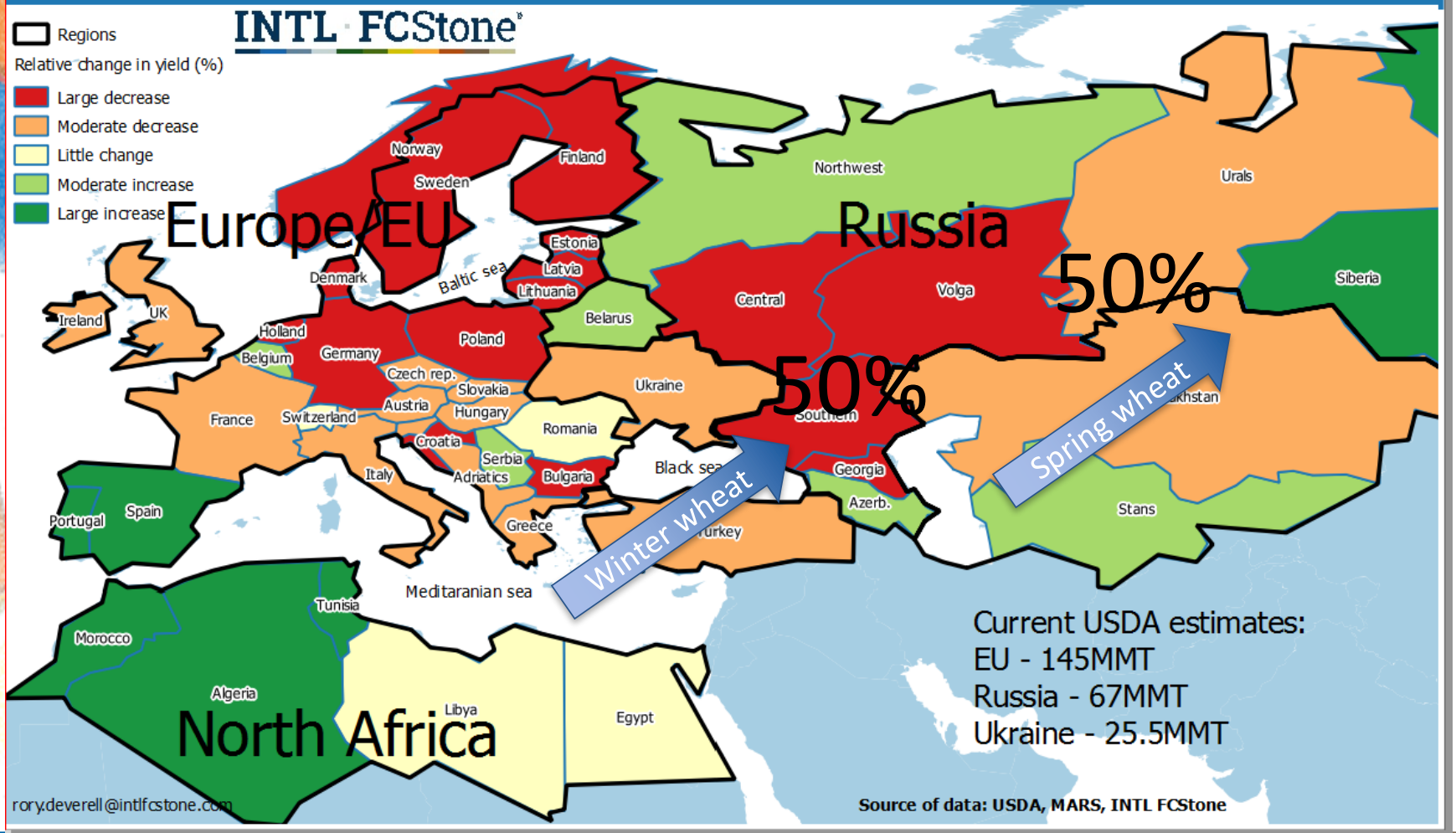


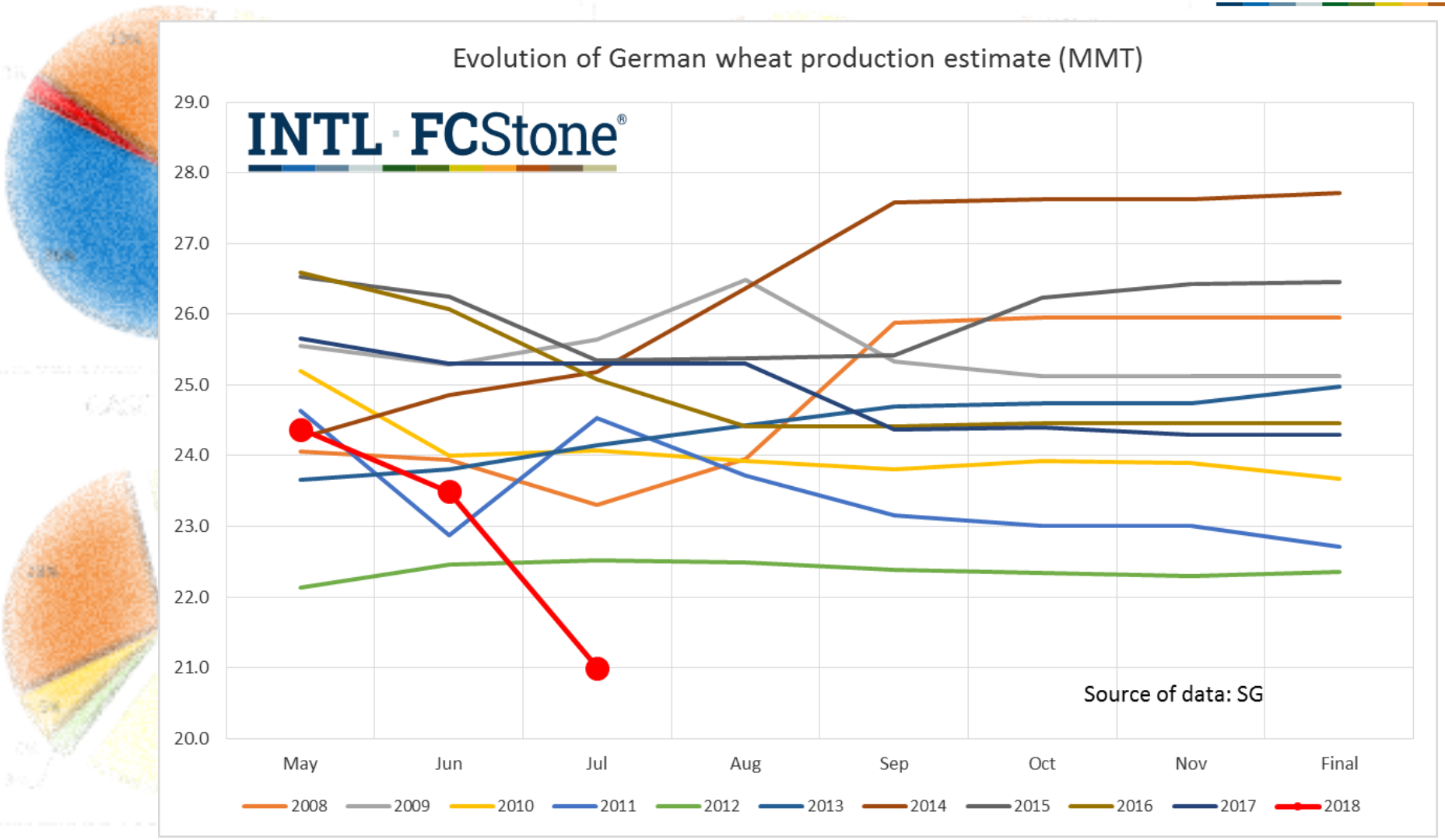


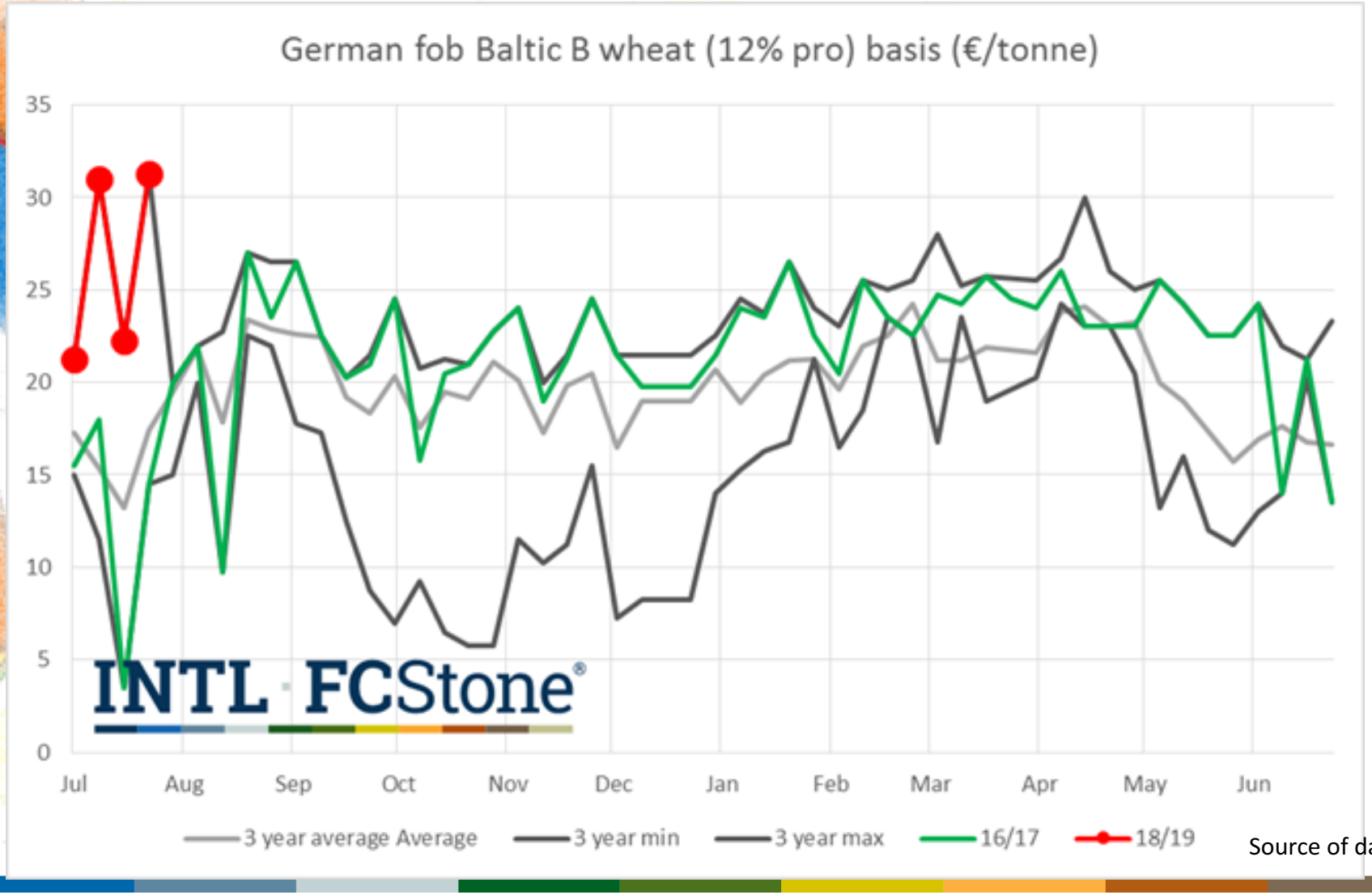
Source of data: Reuters


© World Ag Weather
-5 mm/T
-12
-7 mm/T
World Ag Weather
© World A
Too dry
Too cold + Wet
Too dry
Good
+5 mm/T
0
-5 mm/T

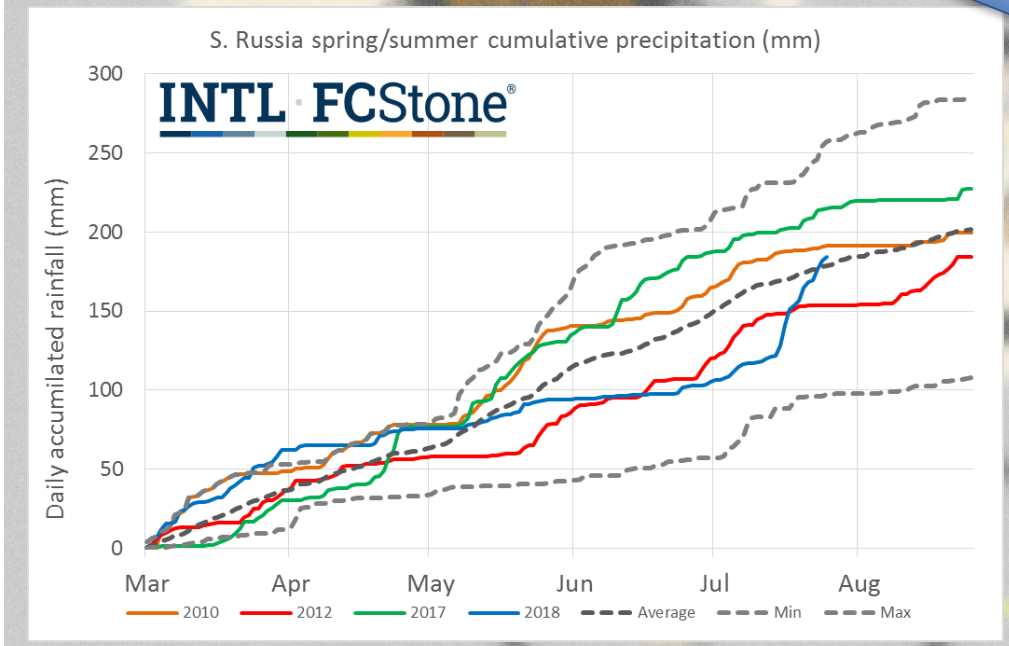
Regional breakdown in current projected wheat yield changes versus last seasons harvest (%)

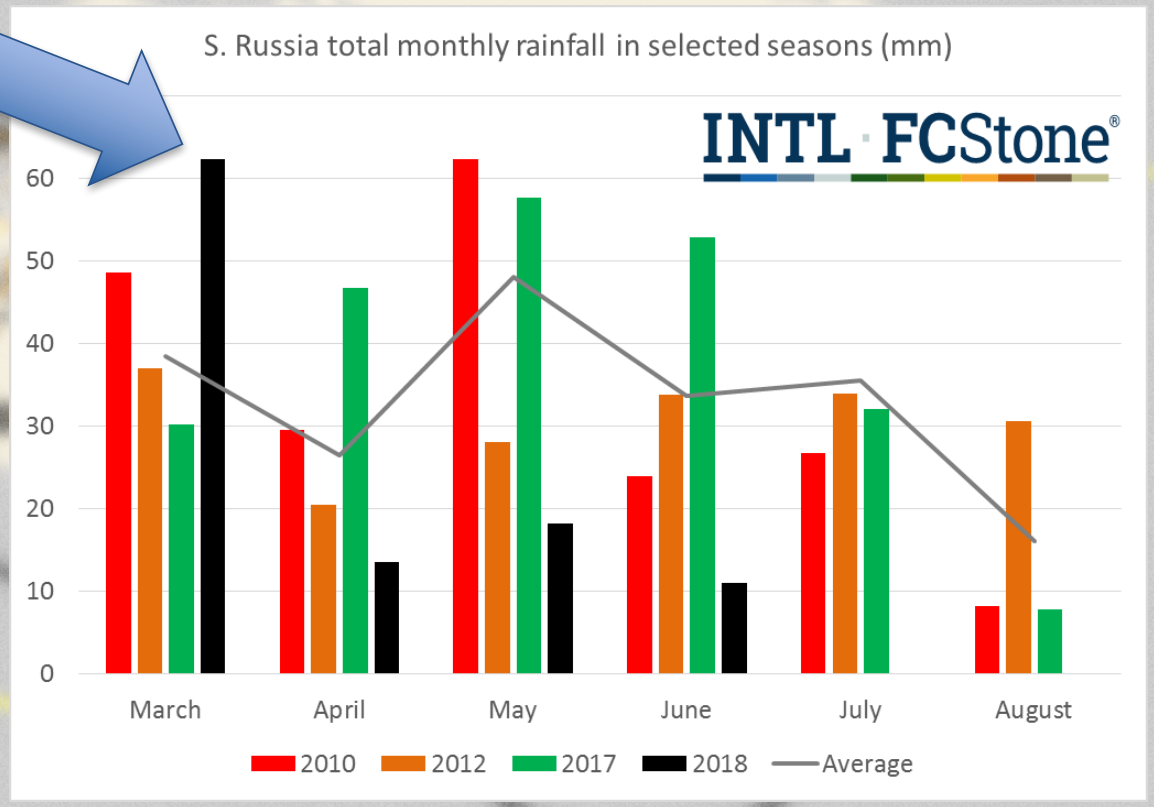



Evolution of German wheat production estimate (MMT)
INTL FCStone
29.0
28.0
27.0
26.0
25.0
24.0
23.0
22.0
21.0
20.0
May
Jun
Jul
Aug
Sep
Oct
Nov
Final
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Source of data: SG

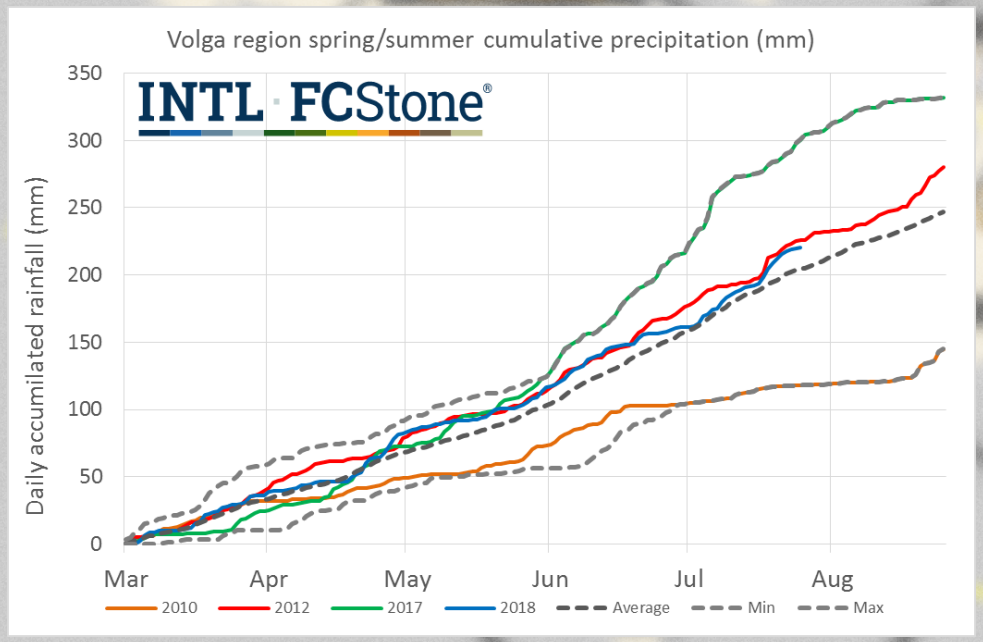


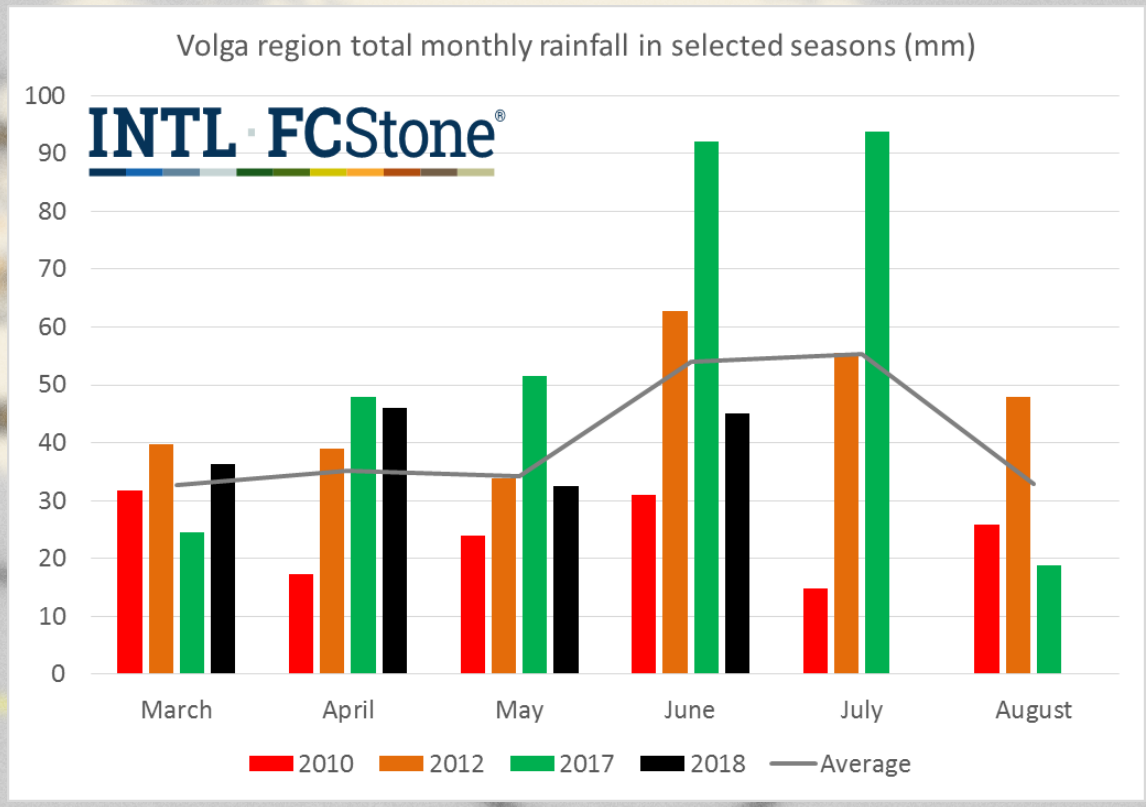
Source of data: Reuters





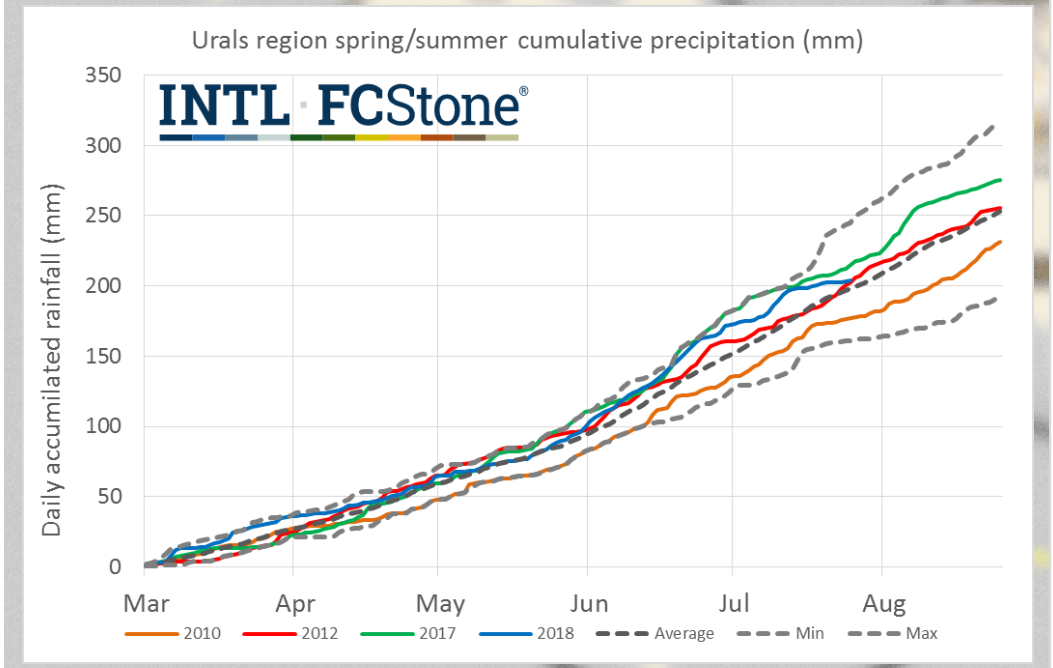
Source of data: Reuters

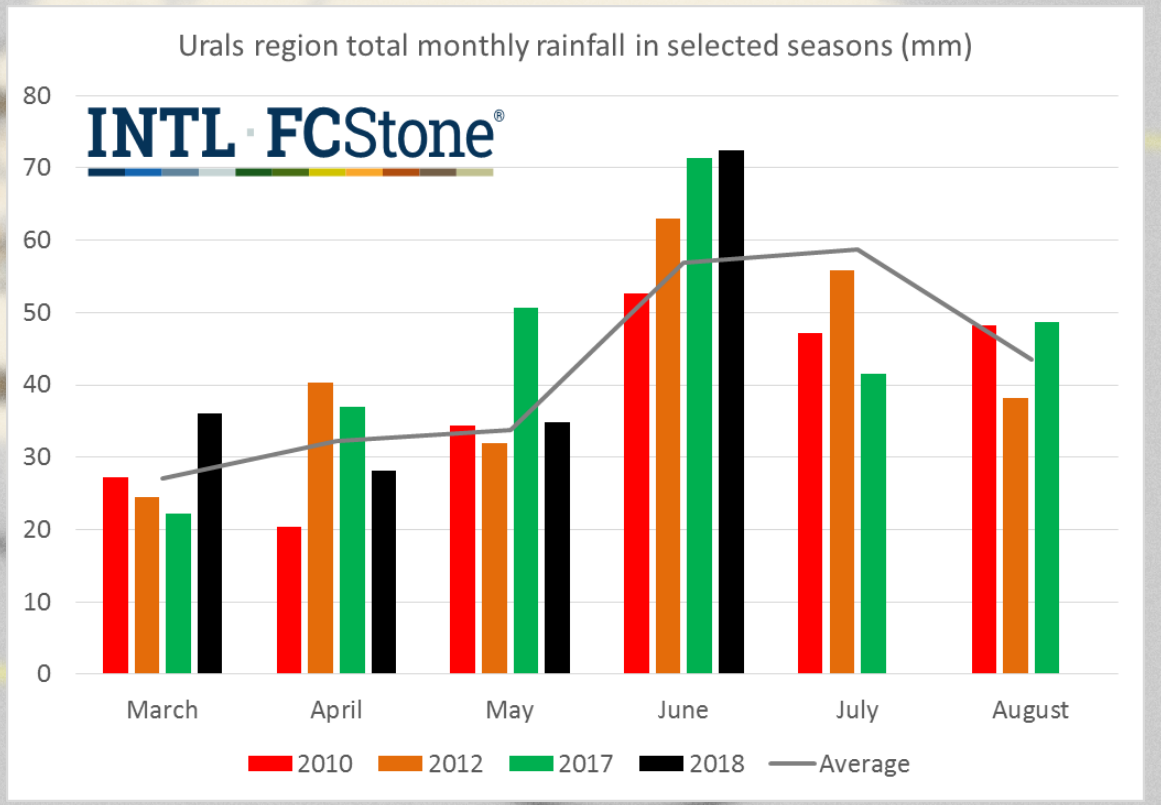




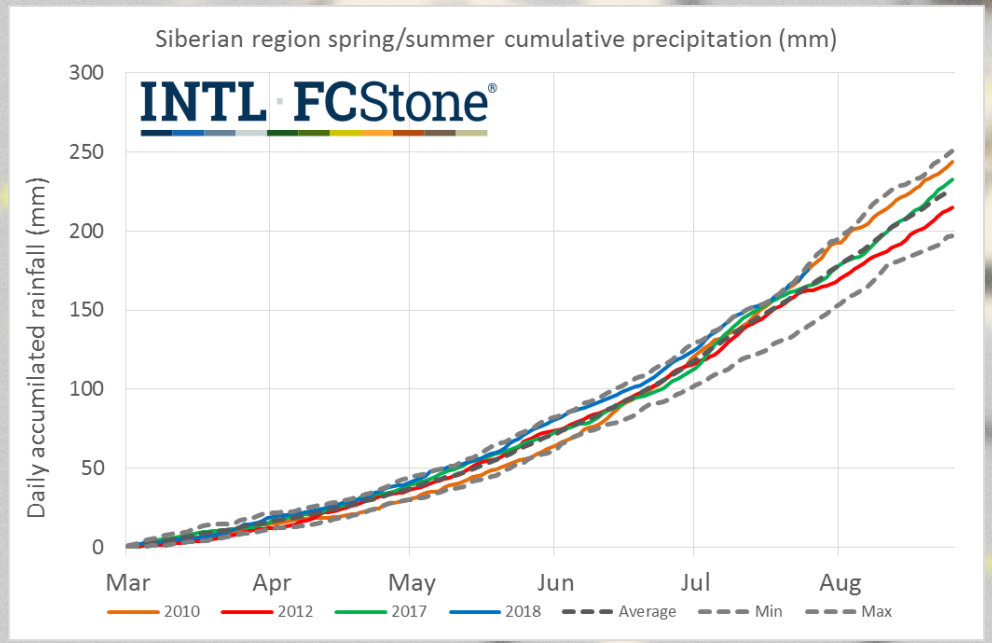
Source of data: Reuters

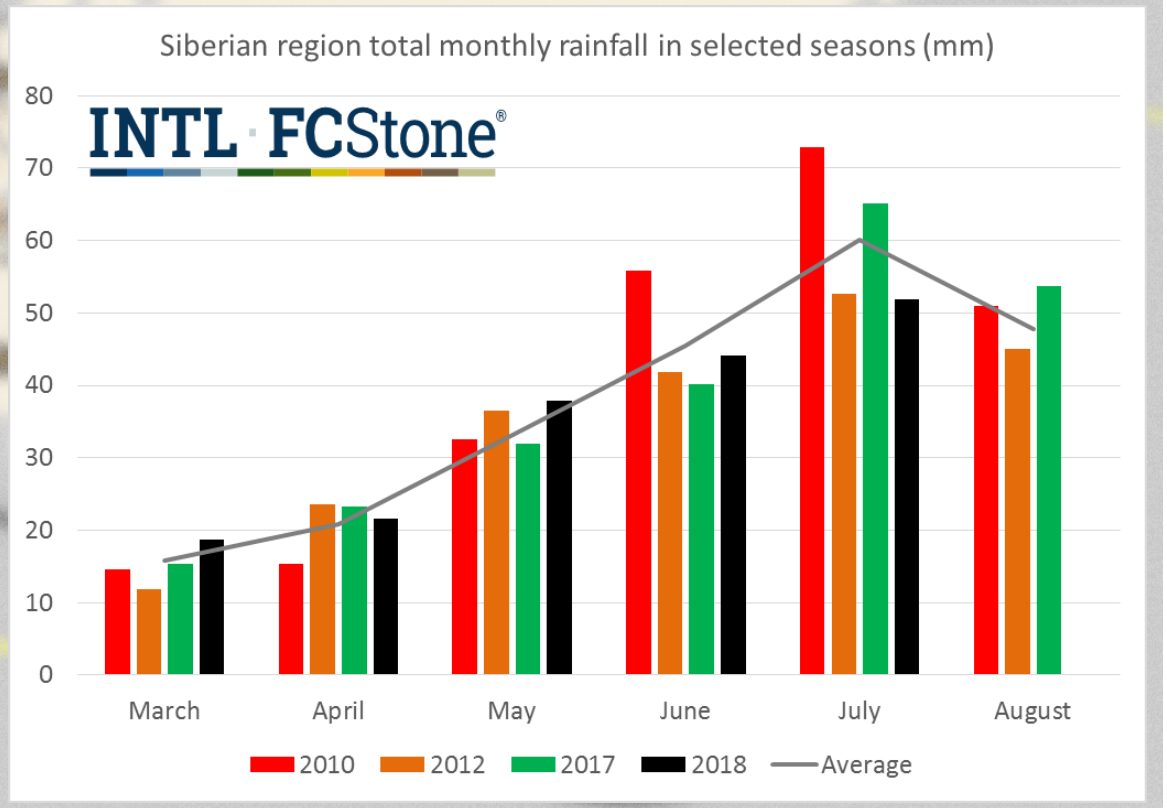
Global grain production and trade



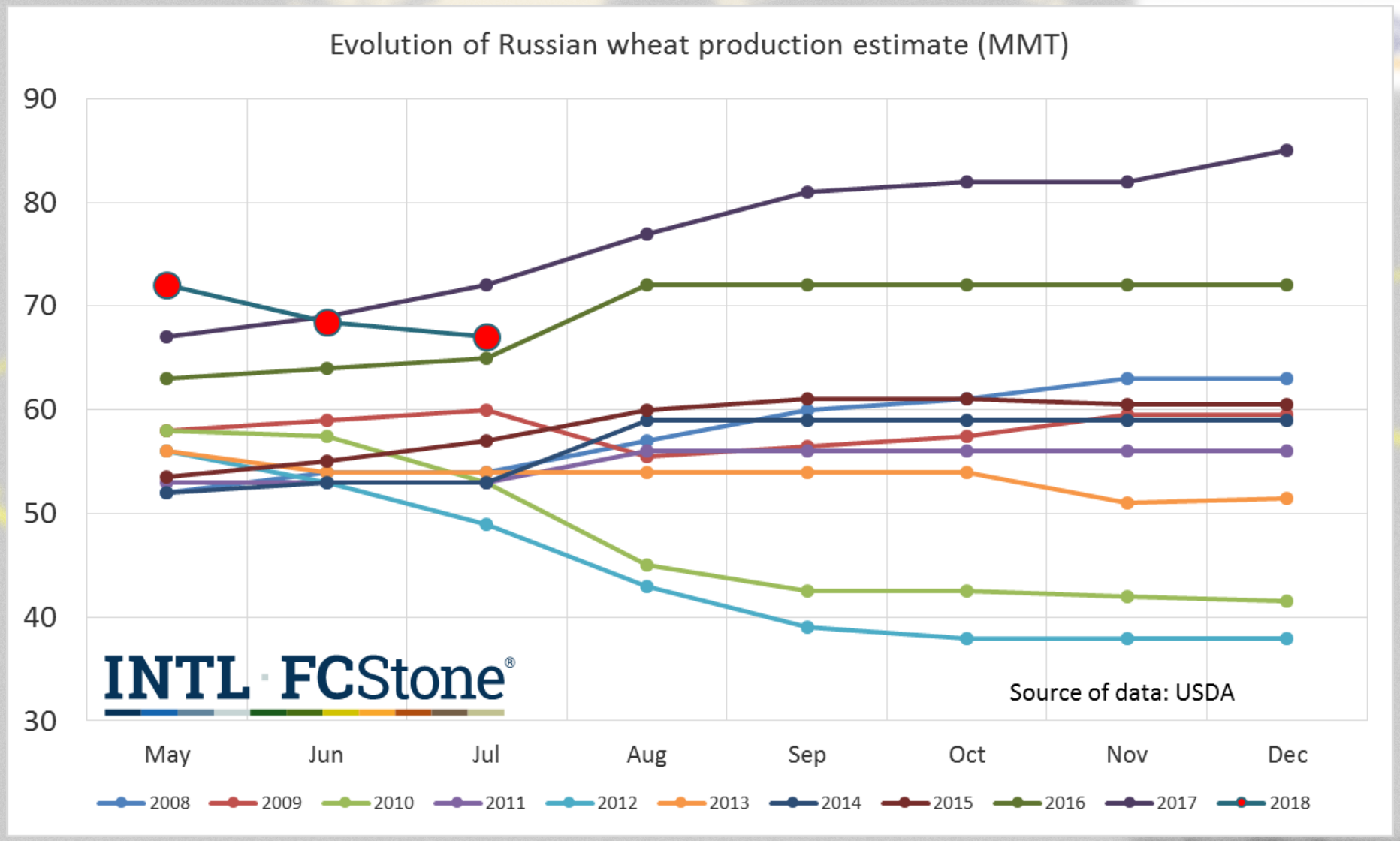


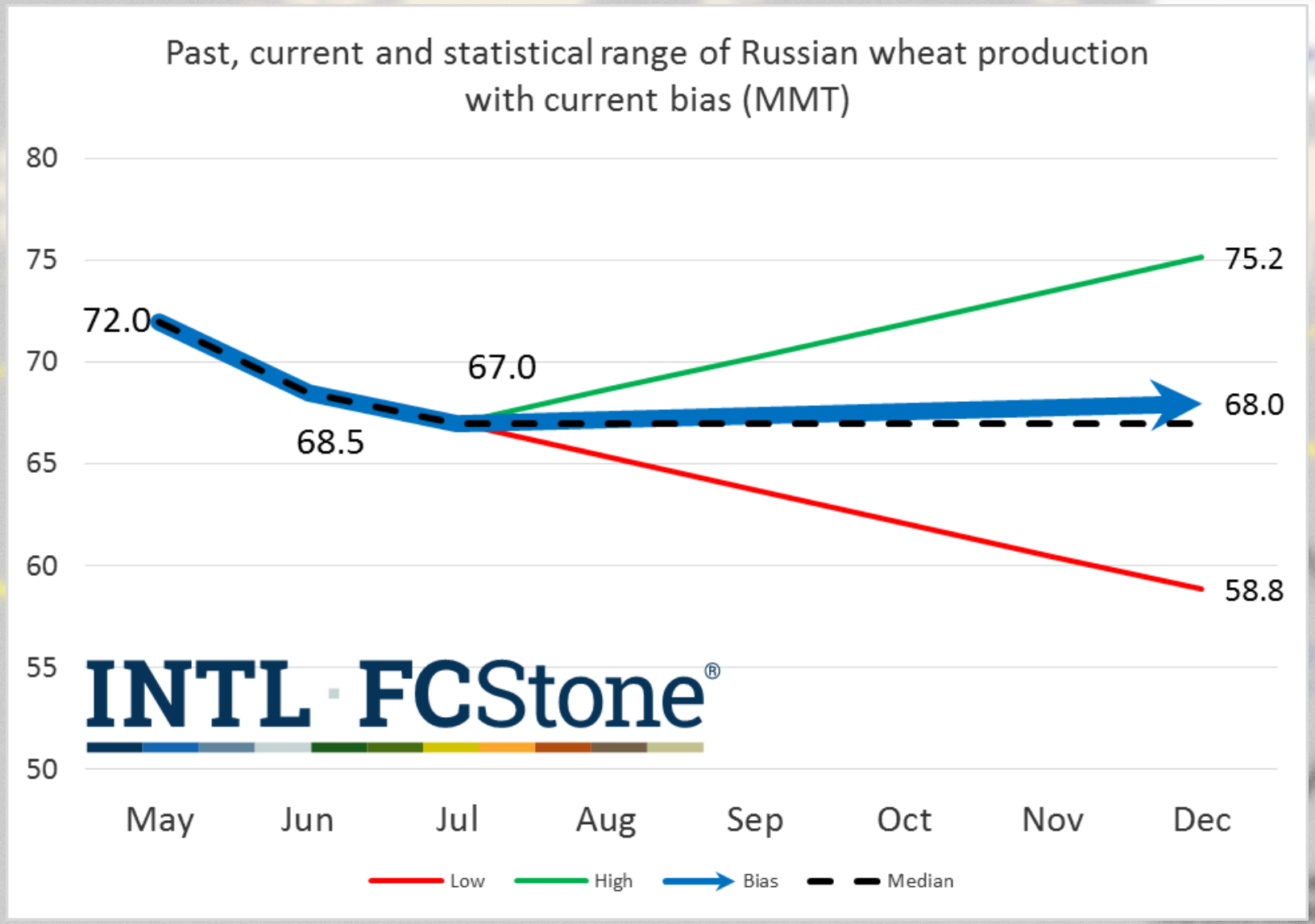
Source of data: Reuters





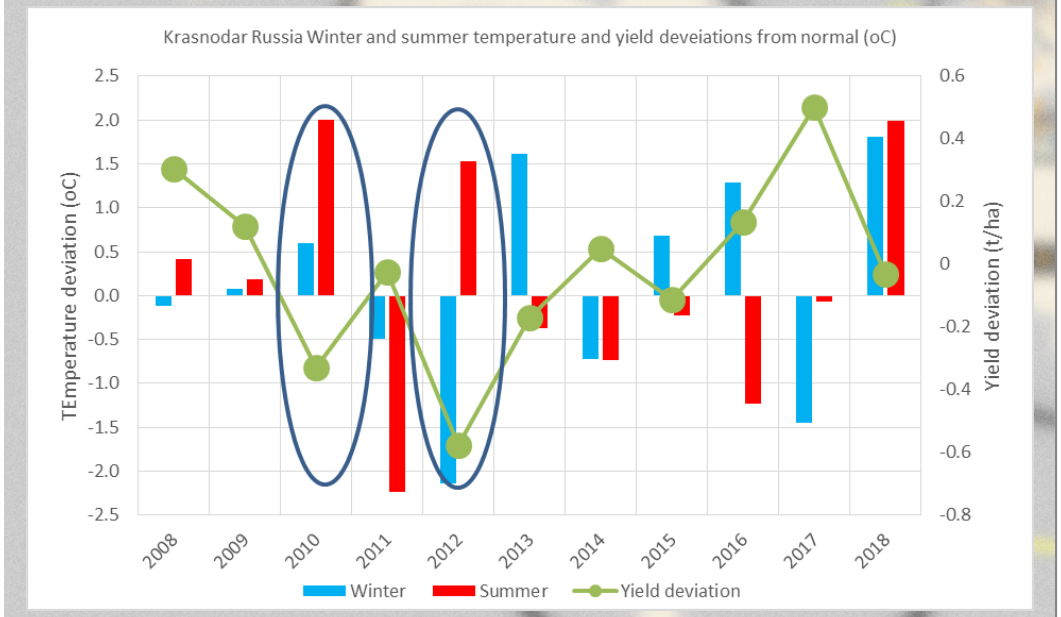
Source of data: Reuters

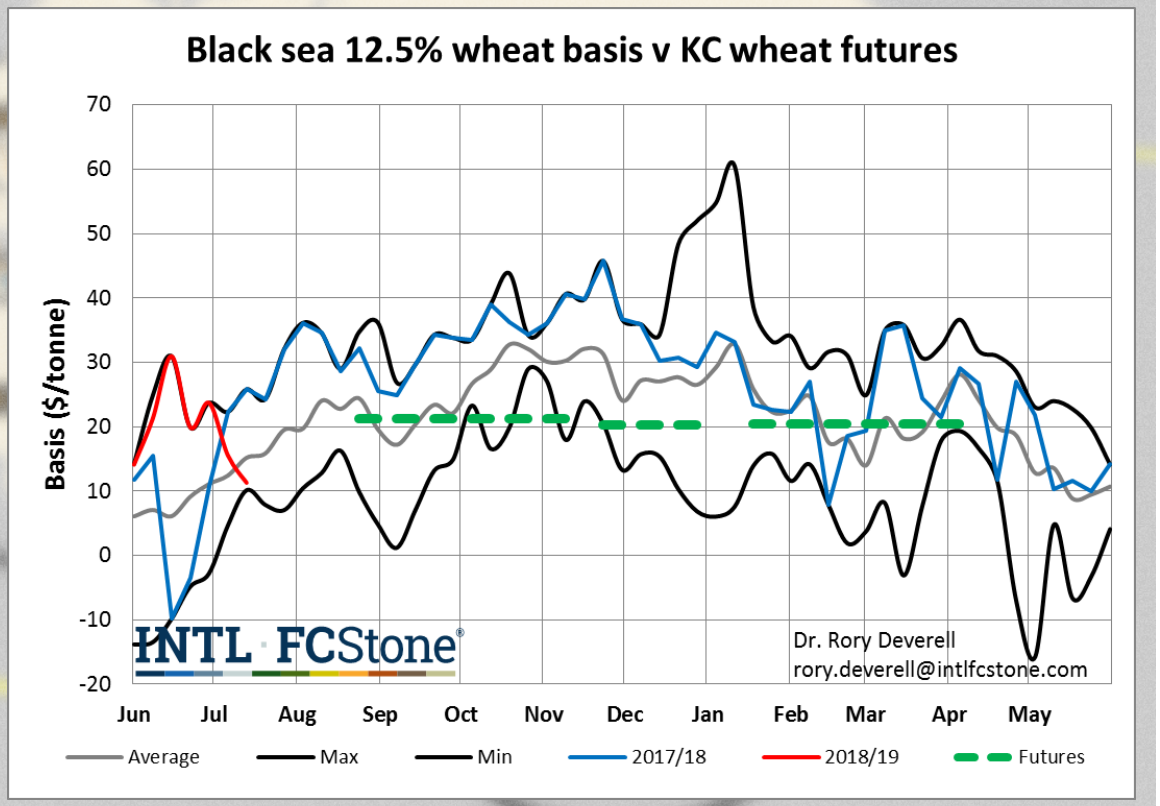

Evolution of Russian wheat production estimate (MMT)
90
80
70
60
50
40
30
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
INTL FCStone®
Source of data: USDA



Source of data: USDA

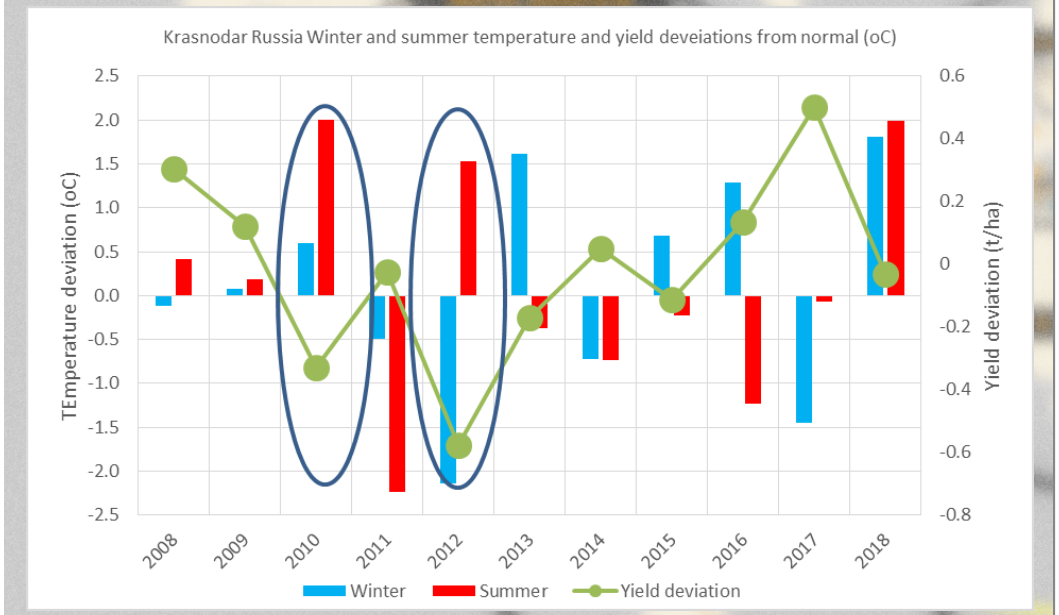
Global grain production and trade

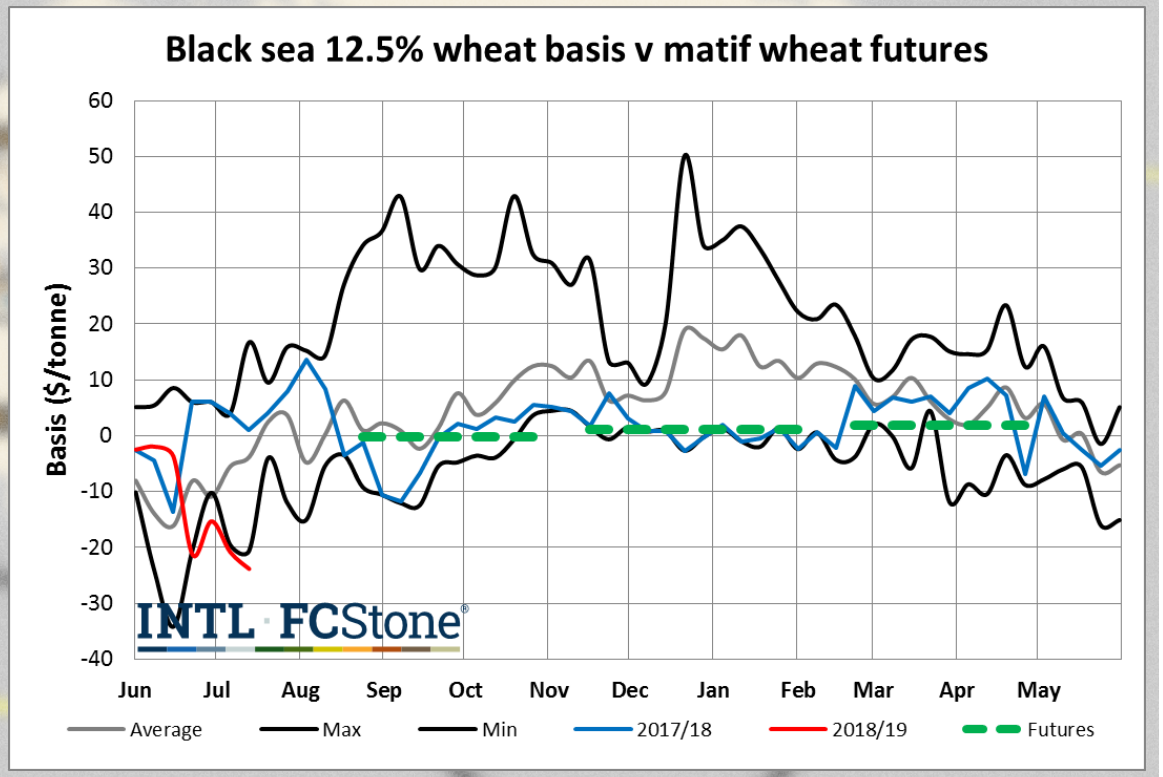




Source of data: Reuters

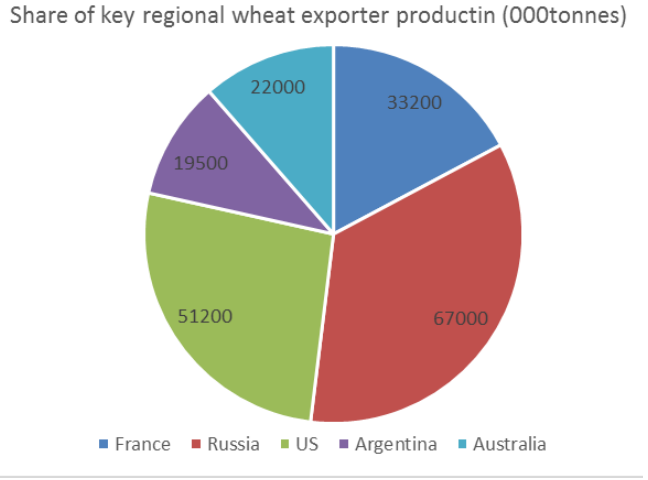
Global grain production and trade



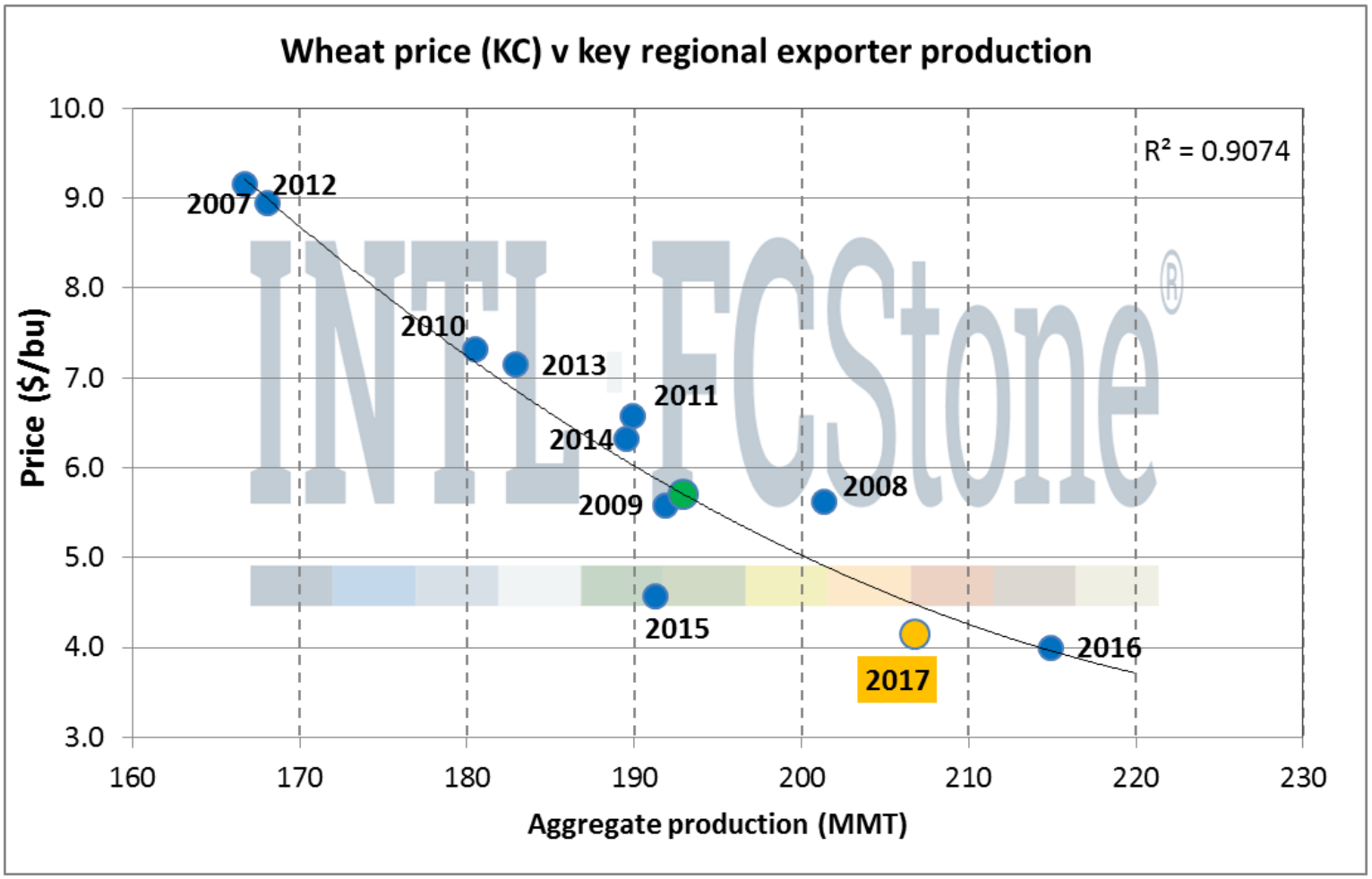


Source of data: Reuters

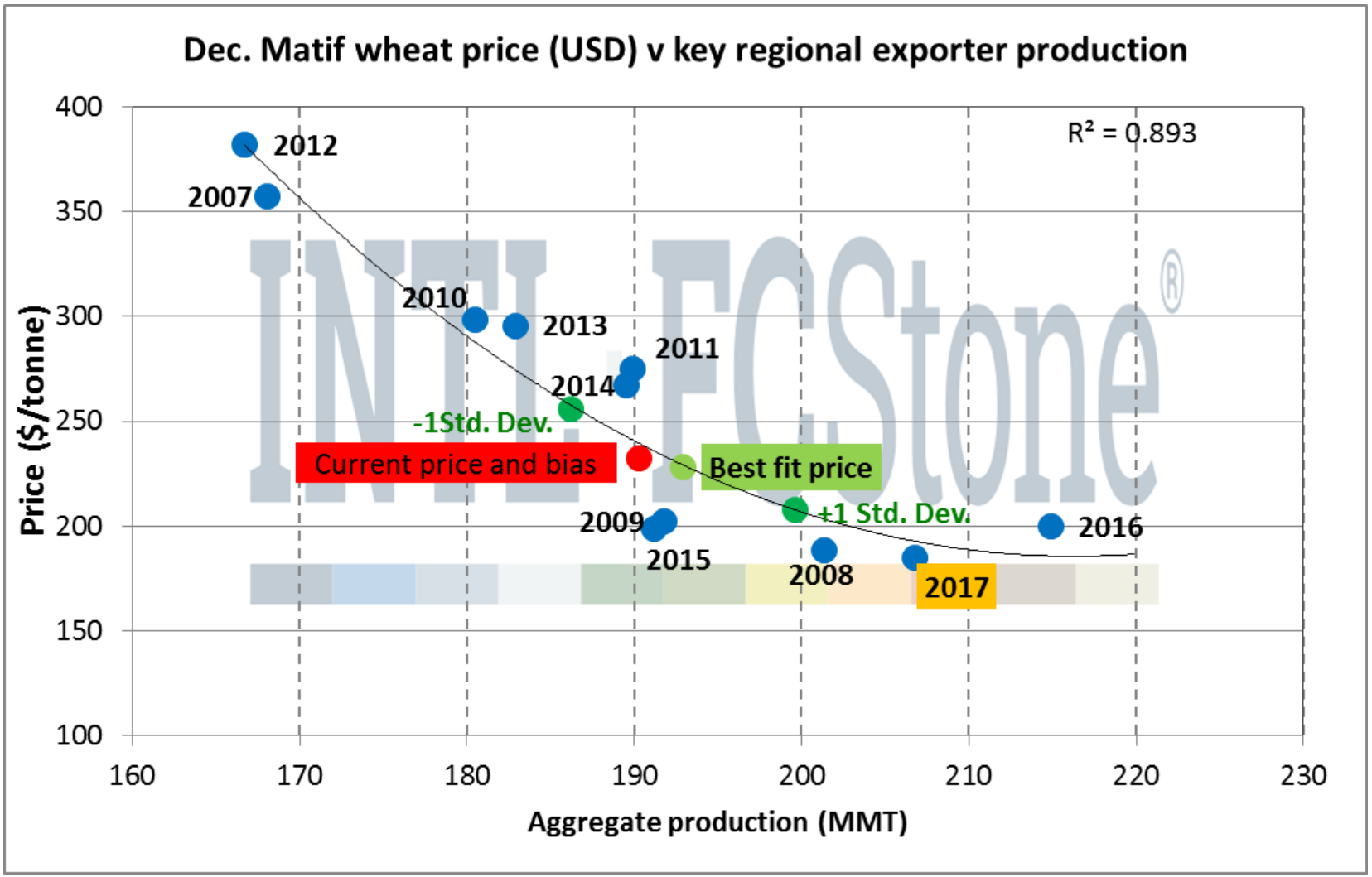
Crop year	France	Russia	US	Argentina	Australia	Total
2005	34748	47615	57243	13800	25173	178579
2006	33160	44927	49217	16300	10822	154426
2007	30660	49368	55821	18600	13569	168018
2008	36759	63765	68363	11000	21420	201307
2009	36069	61770	60117	12000	21834	191790
2010	35487	41508	58868	17200	27410	180473
2011	33970	56240	54244	15500	29905	189859
2012	35529	37720	61298	9300	22856	166703
2013	36866	52091	58105	10500	25303	182865
2014	37451	59080	55150	13930	23910	189521
2015	40448	61040	56120	11300	22280	191188
2016	27600	72530	62830	18400	33500	214860
2017	37400	85000	47370	17500	21500	206770
2018 Base	33200	67000	51200	19500	22000	192900
-1 Std. Dev.	30400	58834	51220	18105	18287	186208
+1 Std. Dev.	36000	75166	51180	20895	22043	199592
2018 Bias	33000	66000	51000	20000	20250	190250



Source of data: SG, USDA, FCStone



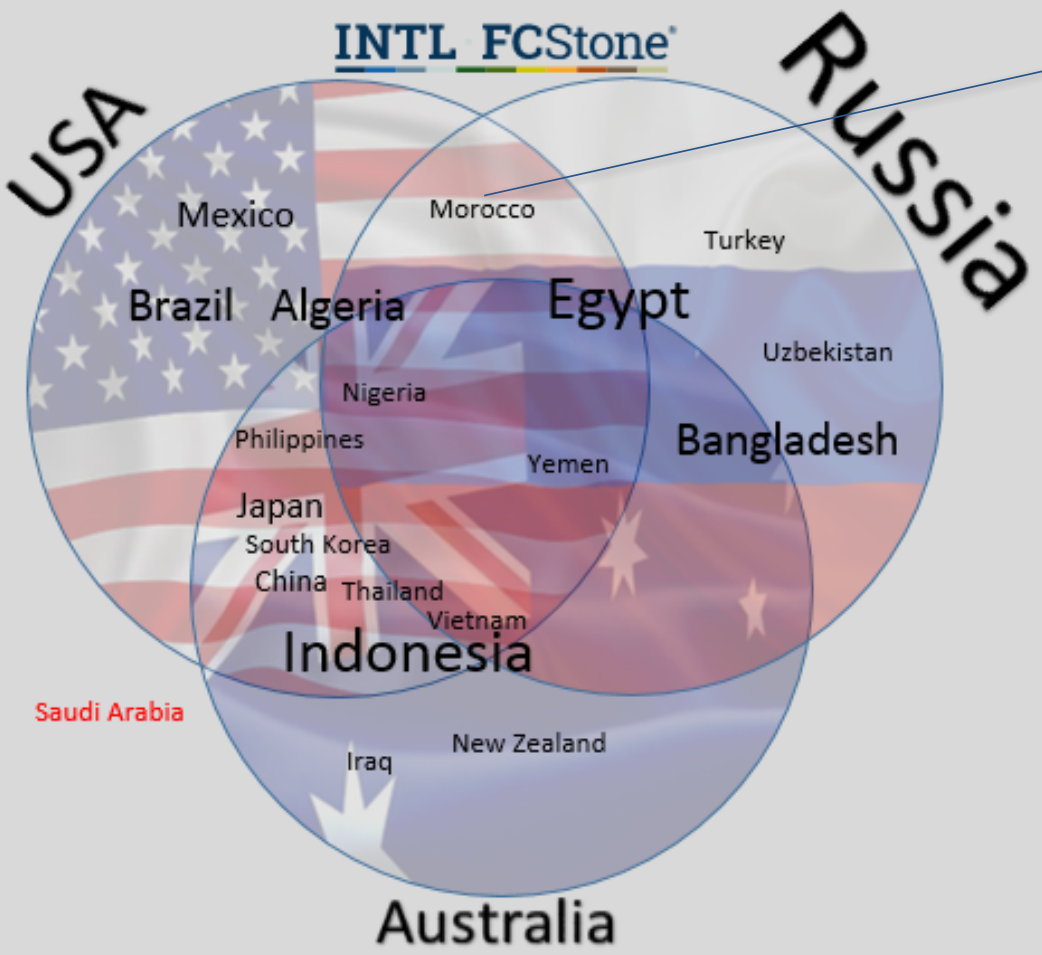
Source of data: Reuters



Source of data: Reuters

Wheat market intersections

INTL FCStone

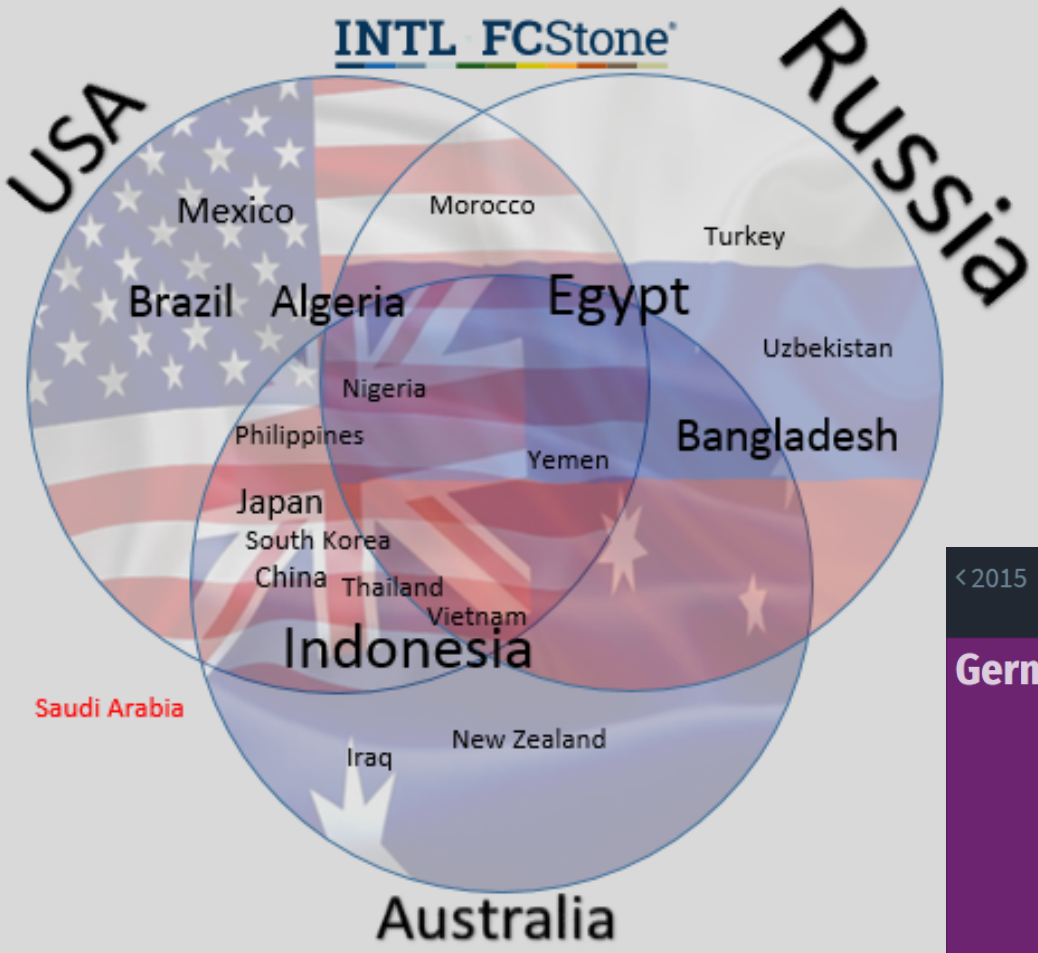


Rory.deverell@intlfcstone.com

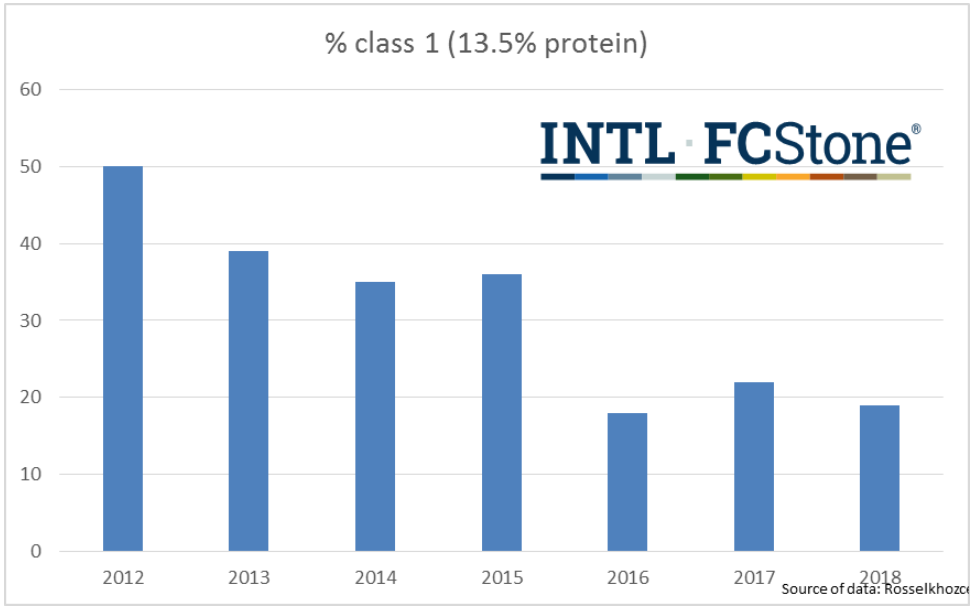
INTL FCStone

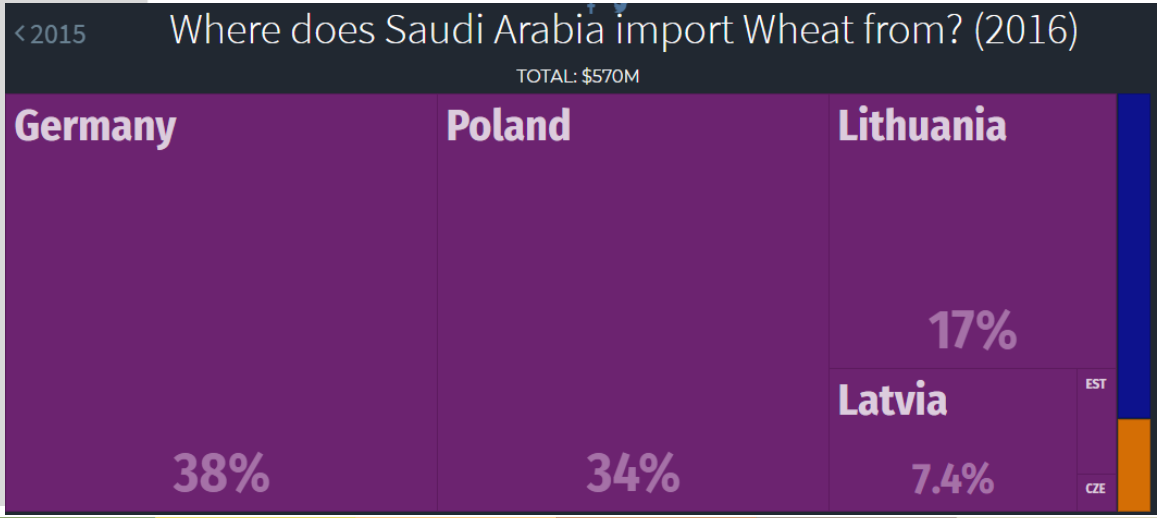
2016

Wheat market intersections

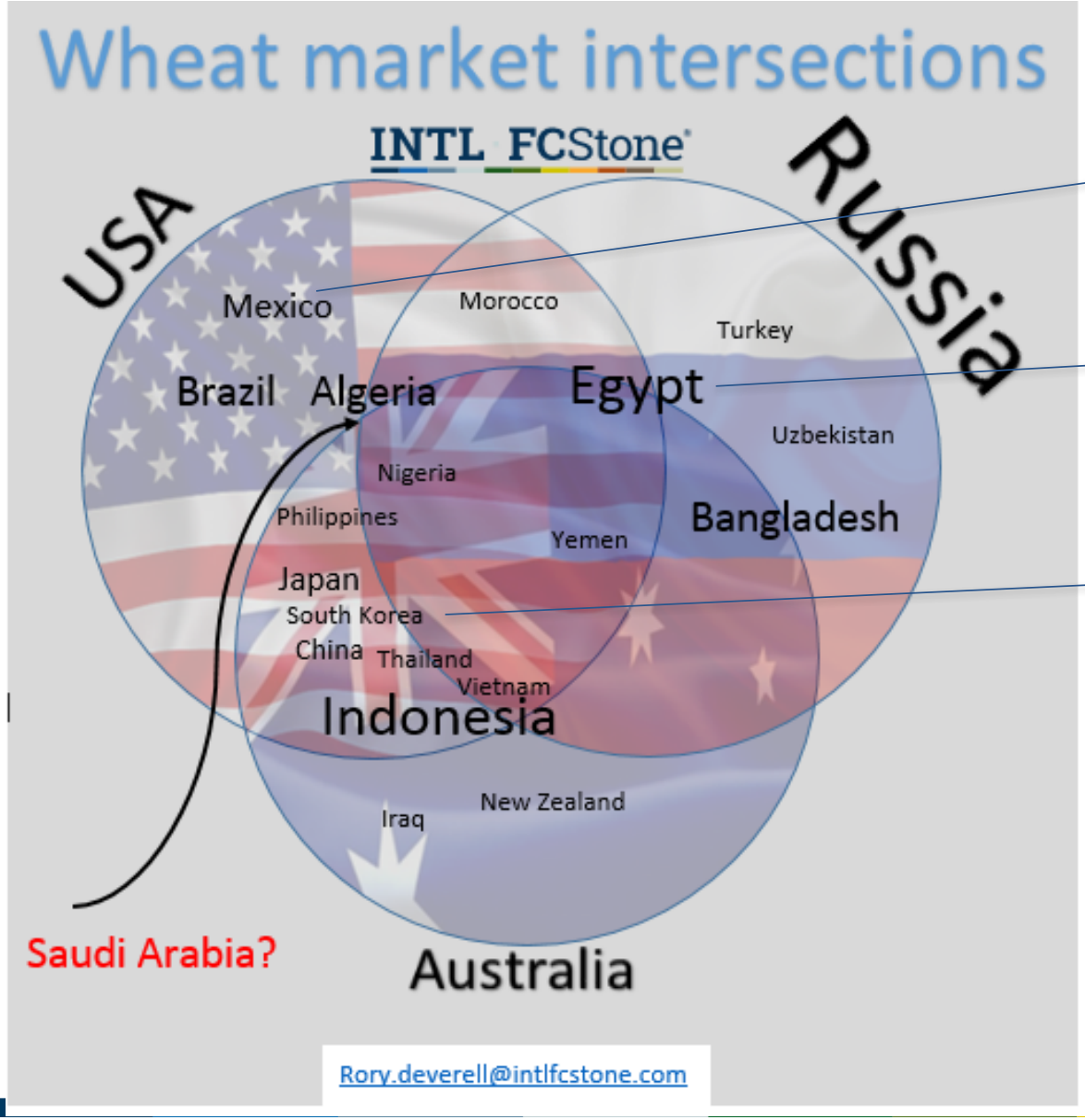


Rory.deverell@intlfcstone.com





Wheat market intersections

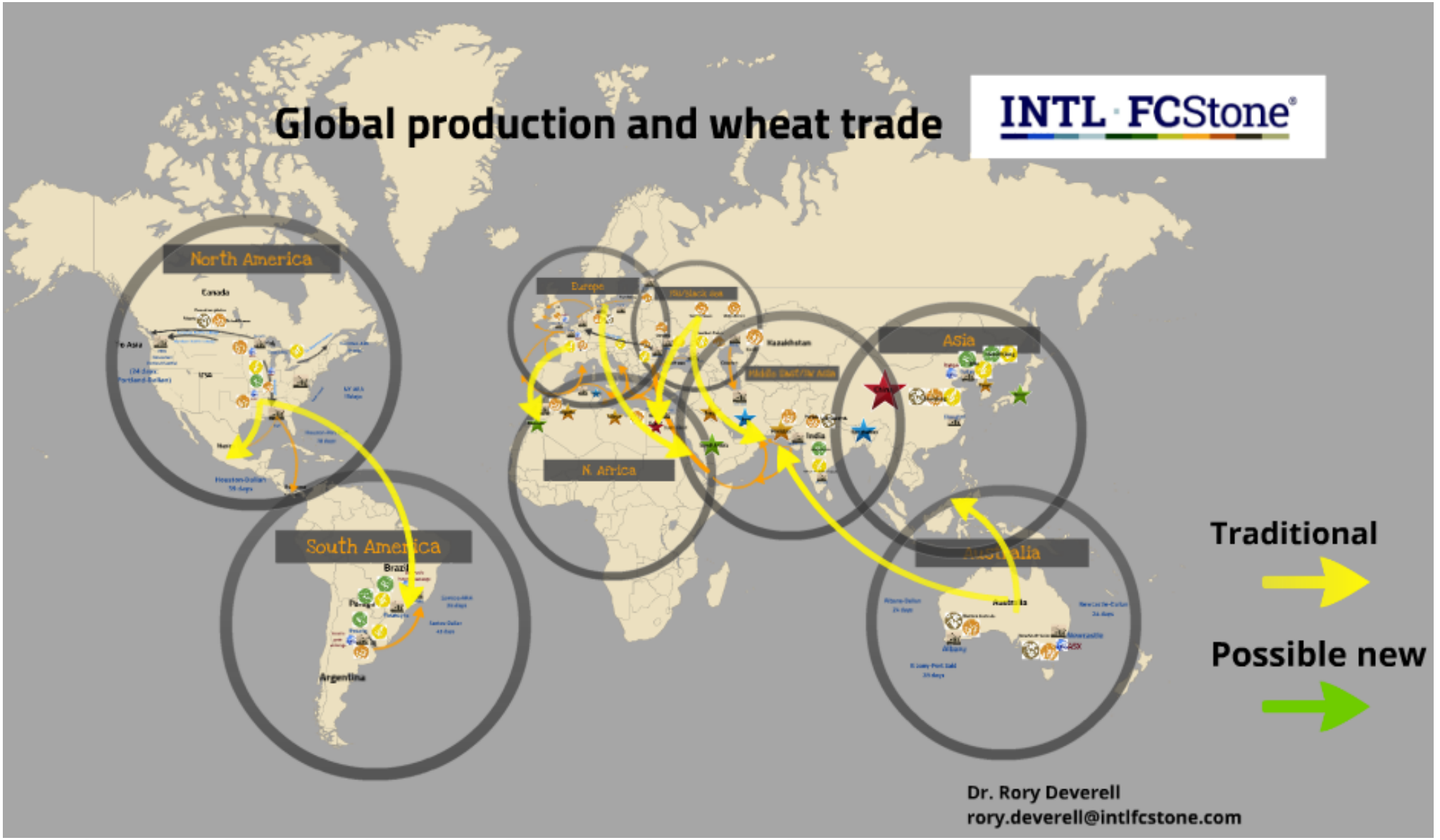


INTL FCStone

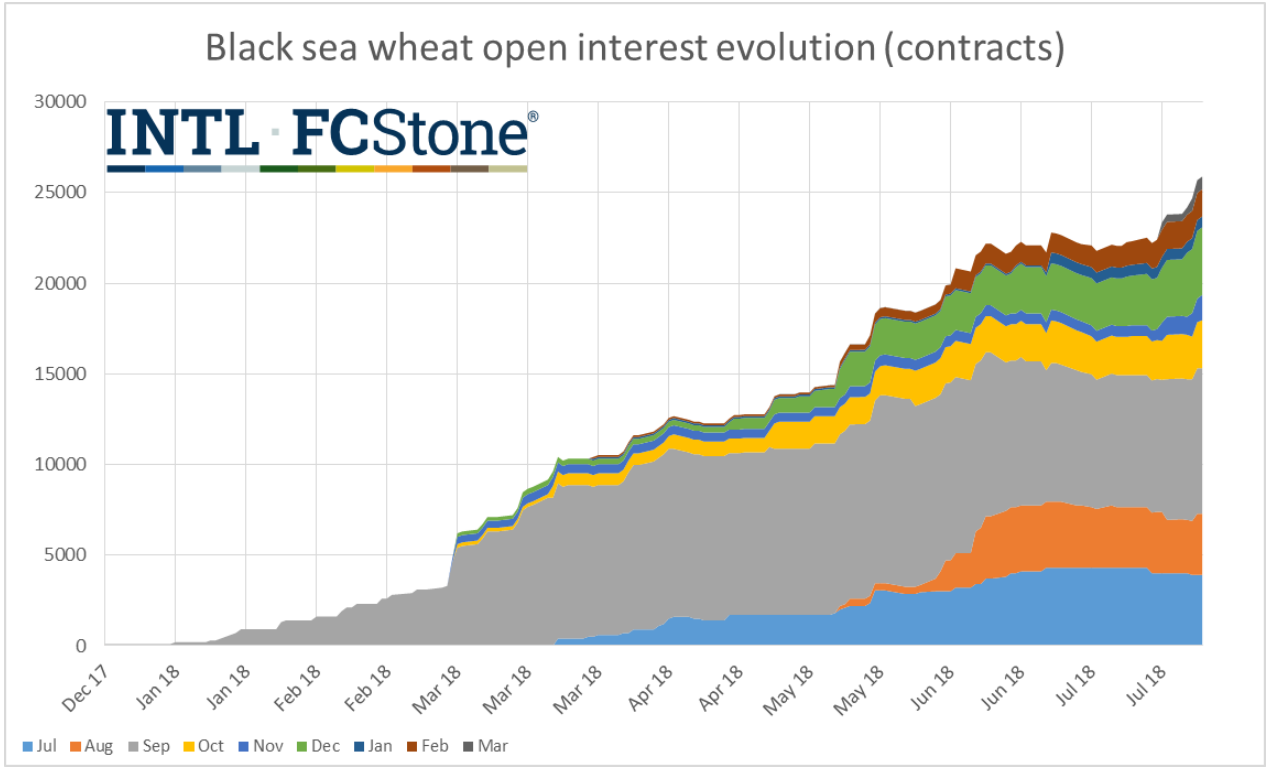
- Mexico?
- Egypt?
- (SE)Asia?

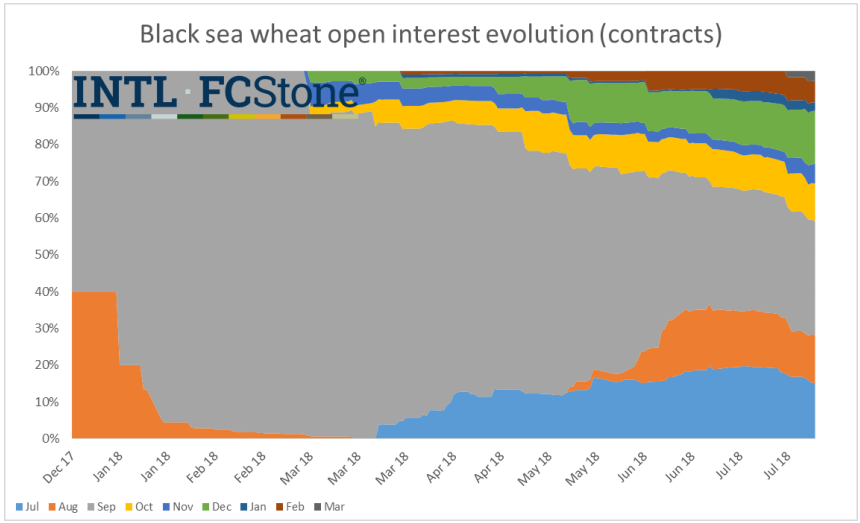
Rory.deverell@intlfcstone.com

Global production and wheat trade

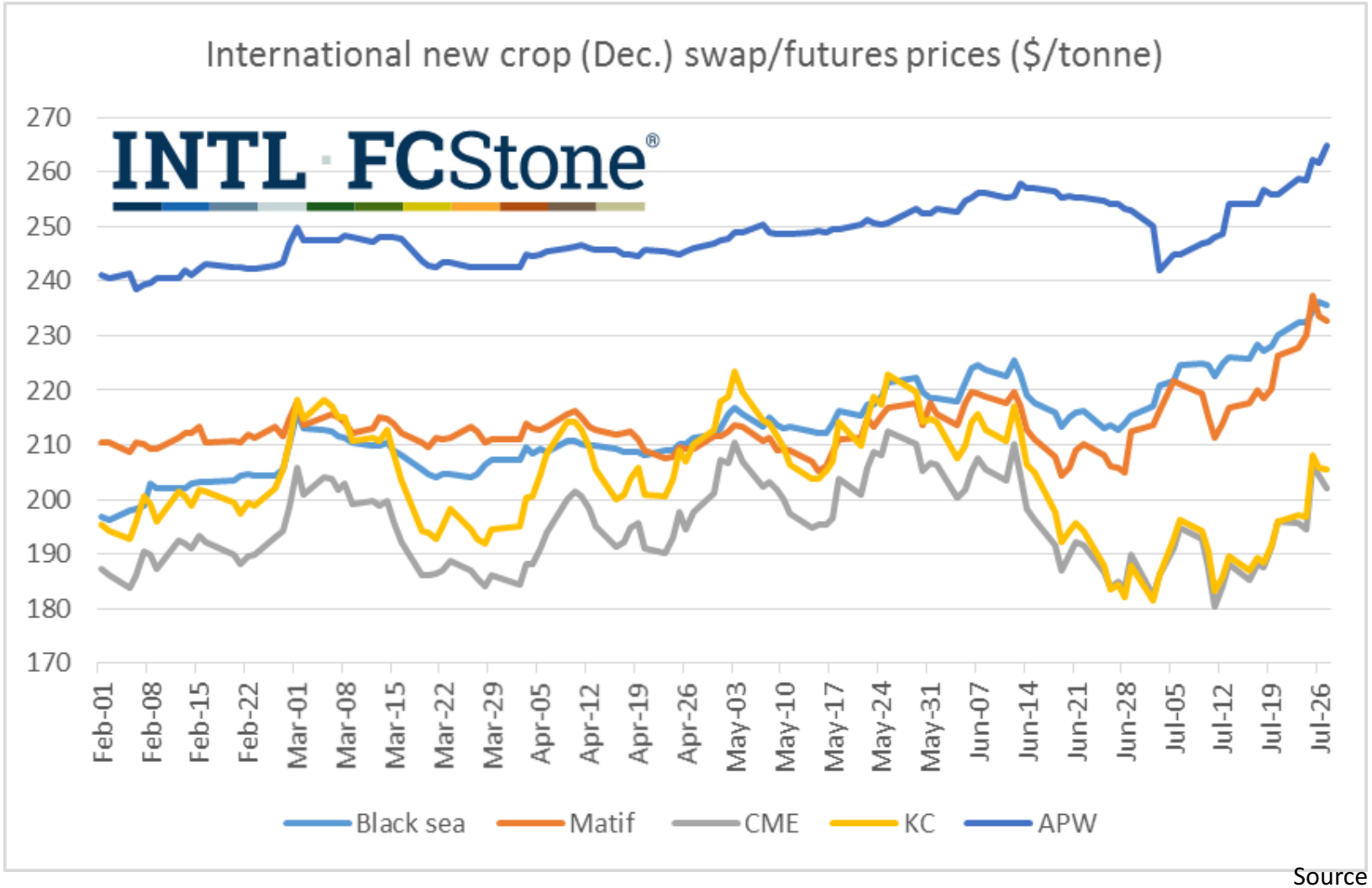


Dr. Rory Deverell
rory.deverell@intlfcstone.com

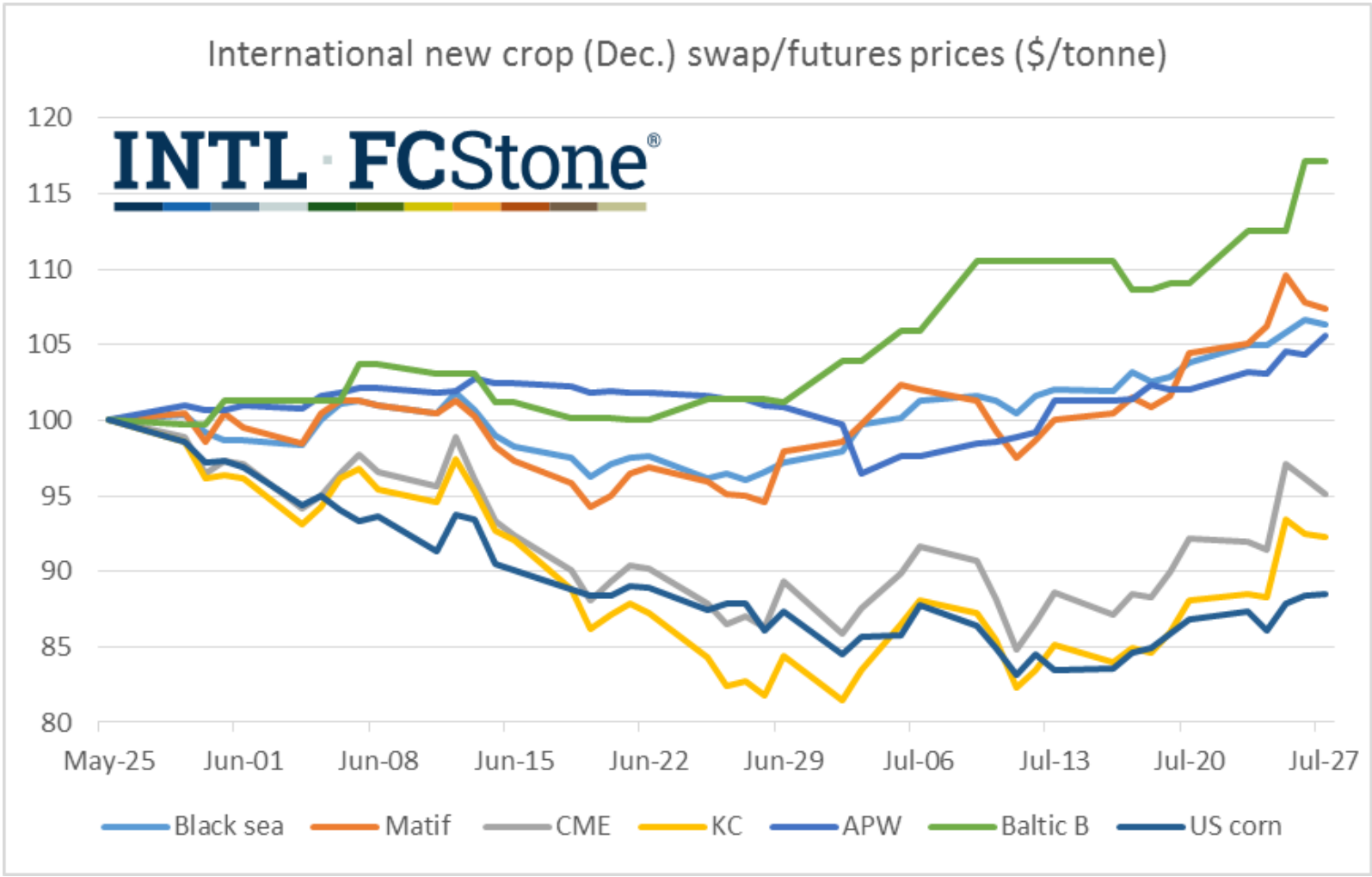




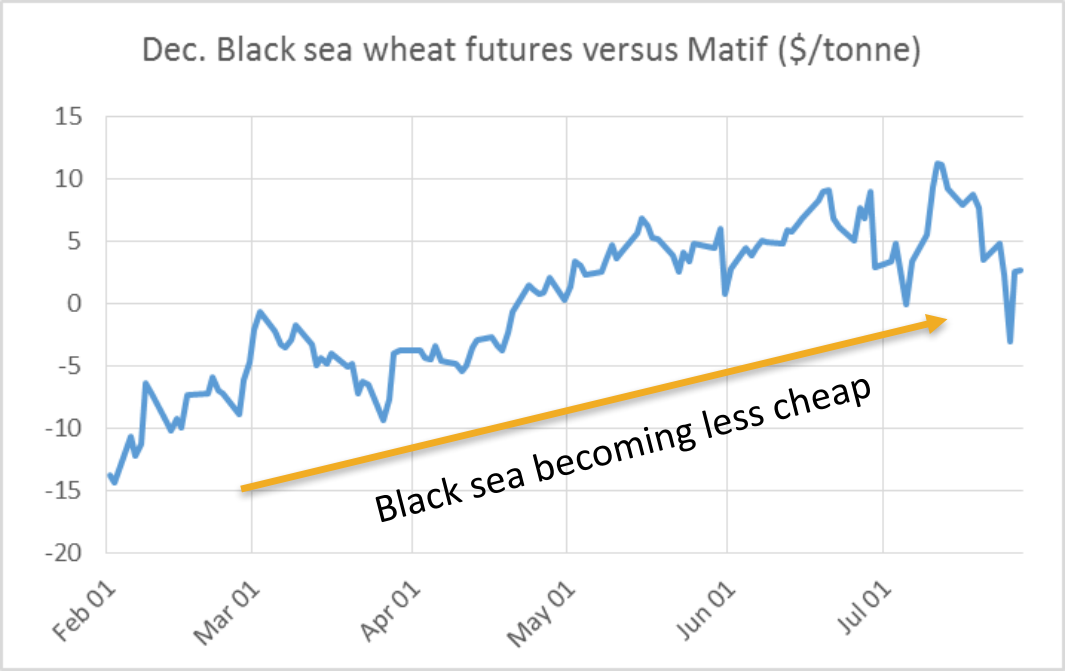
Source of data: CME

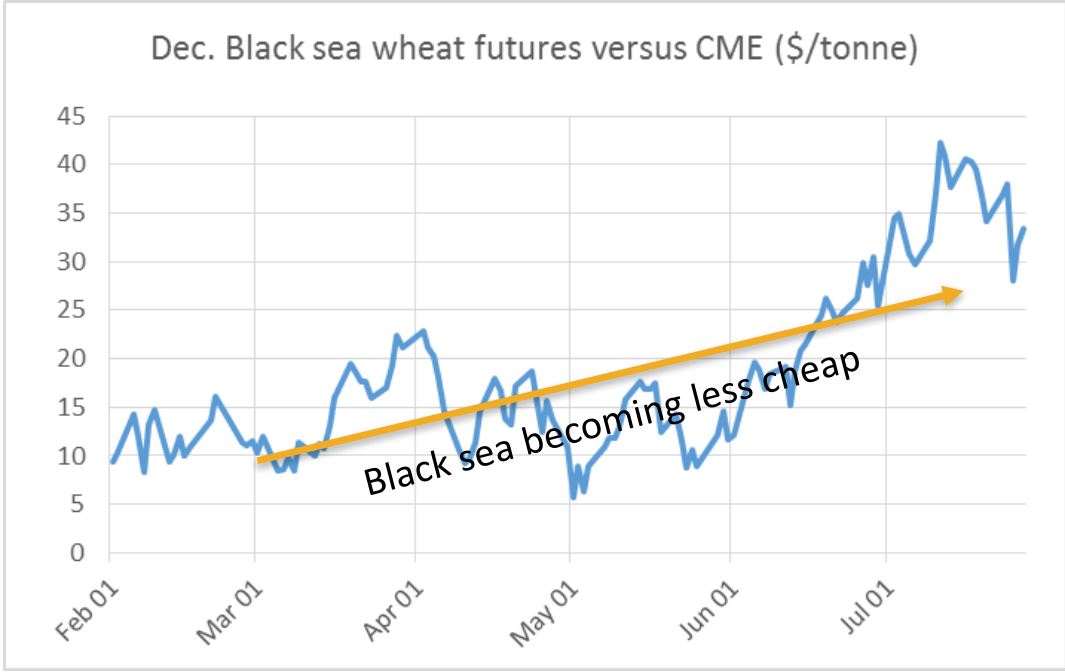


Source of data: Reuters

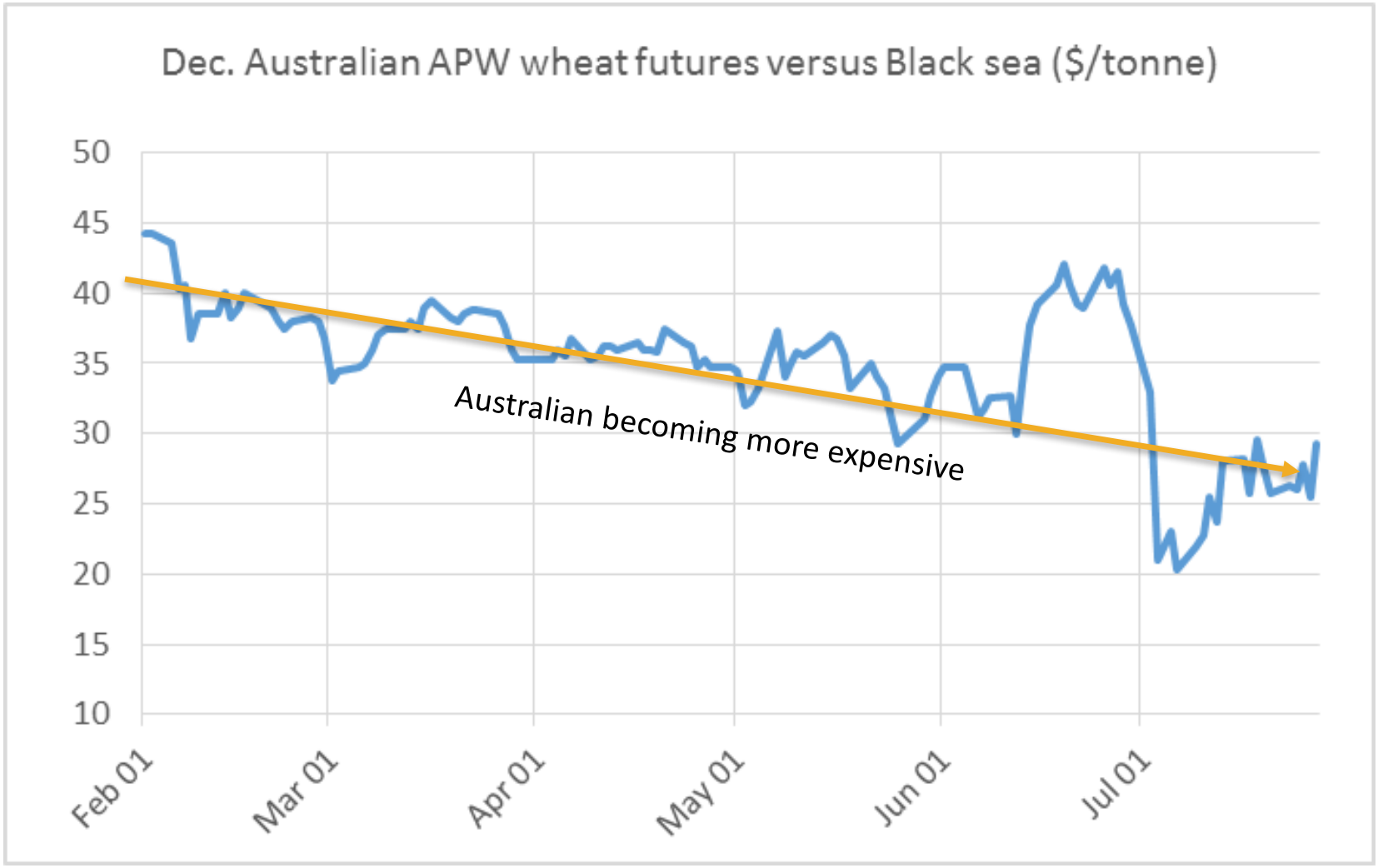


Source of data: Reuters

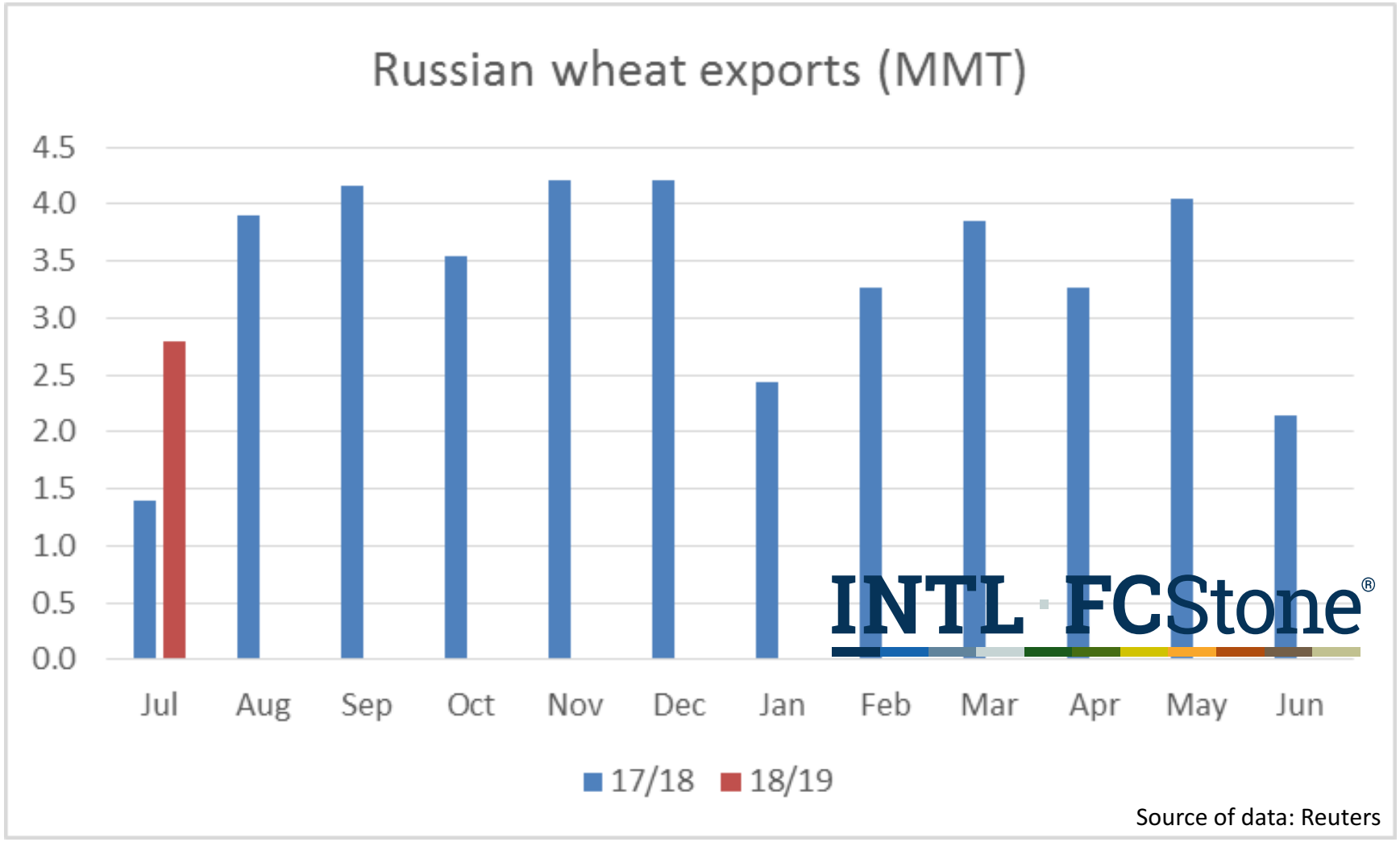




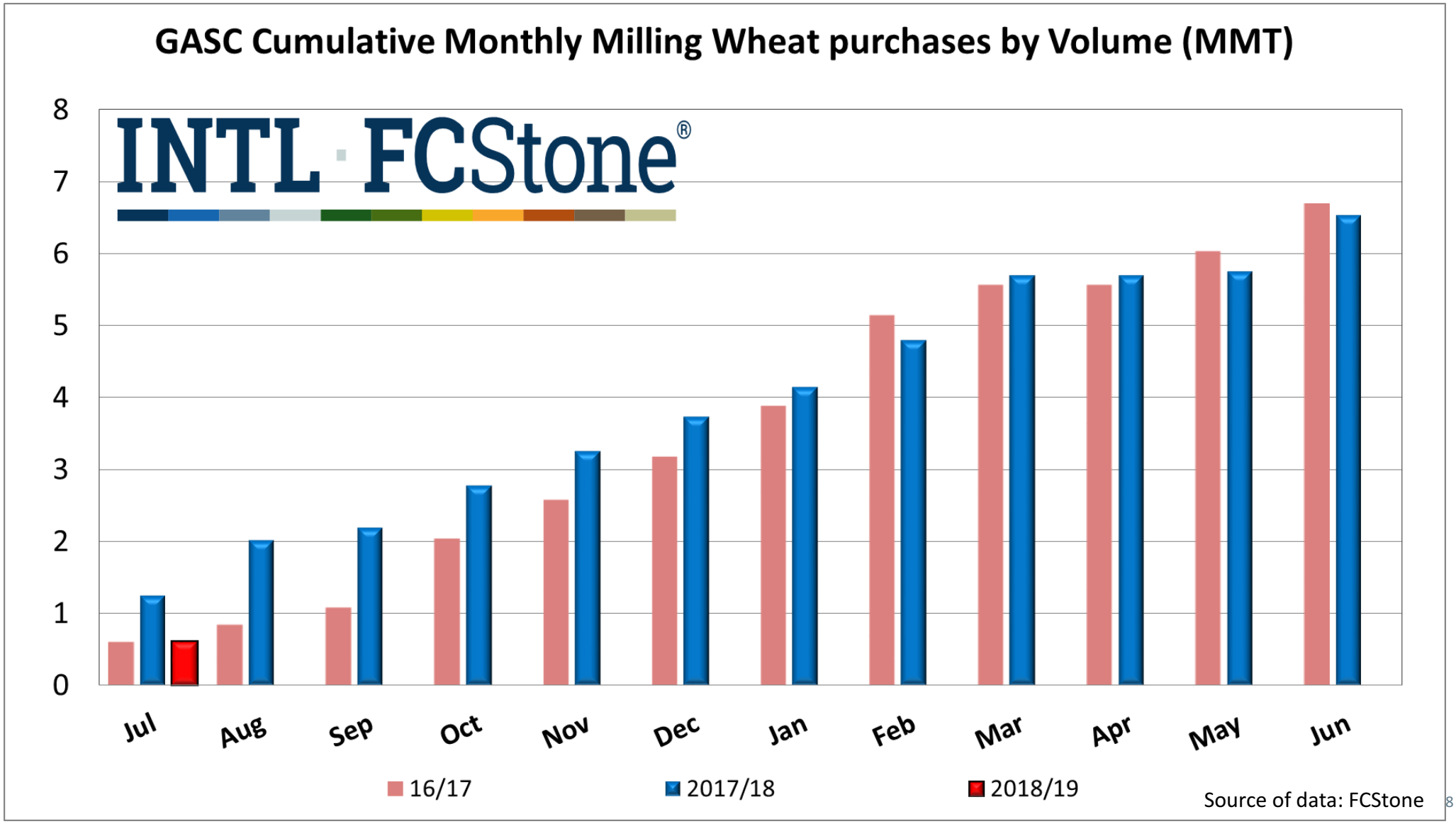
Source of data: Reuters

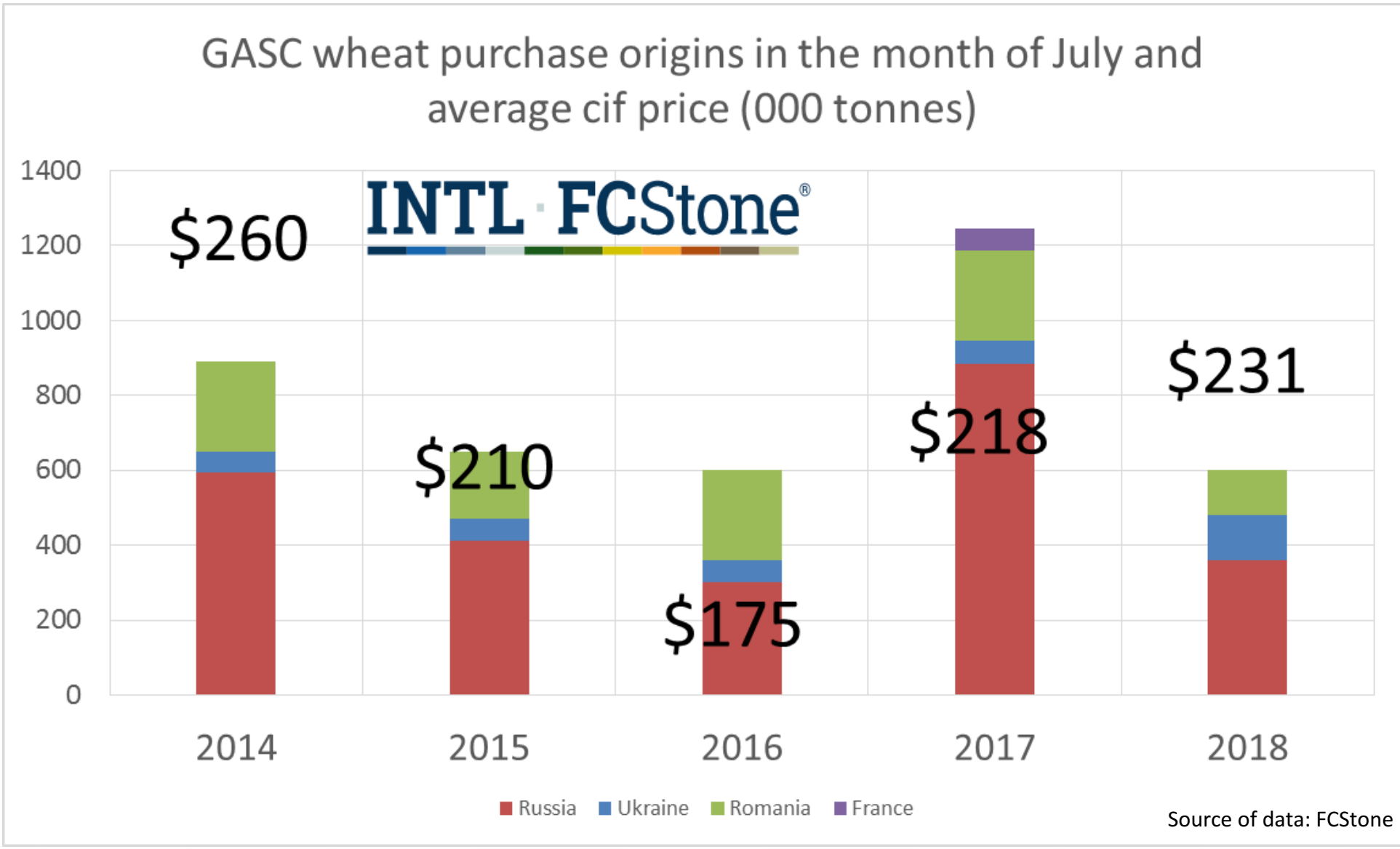


Source of data: Reuters

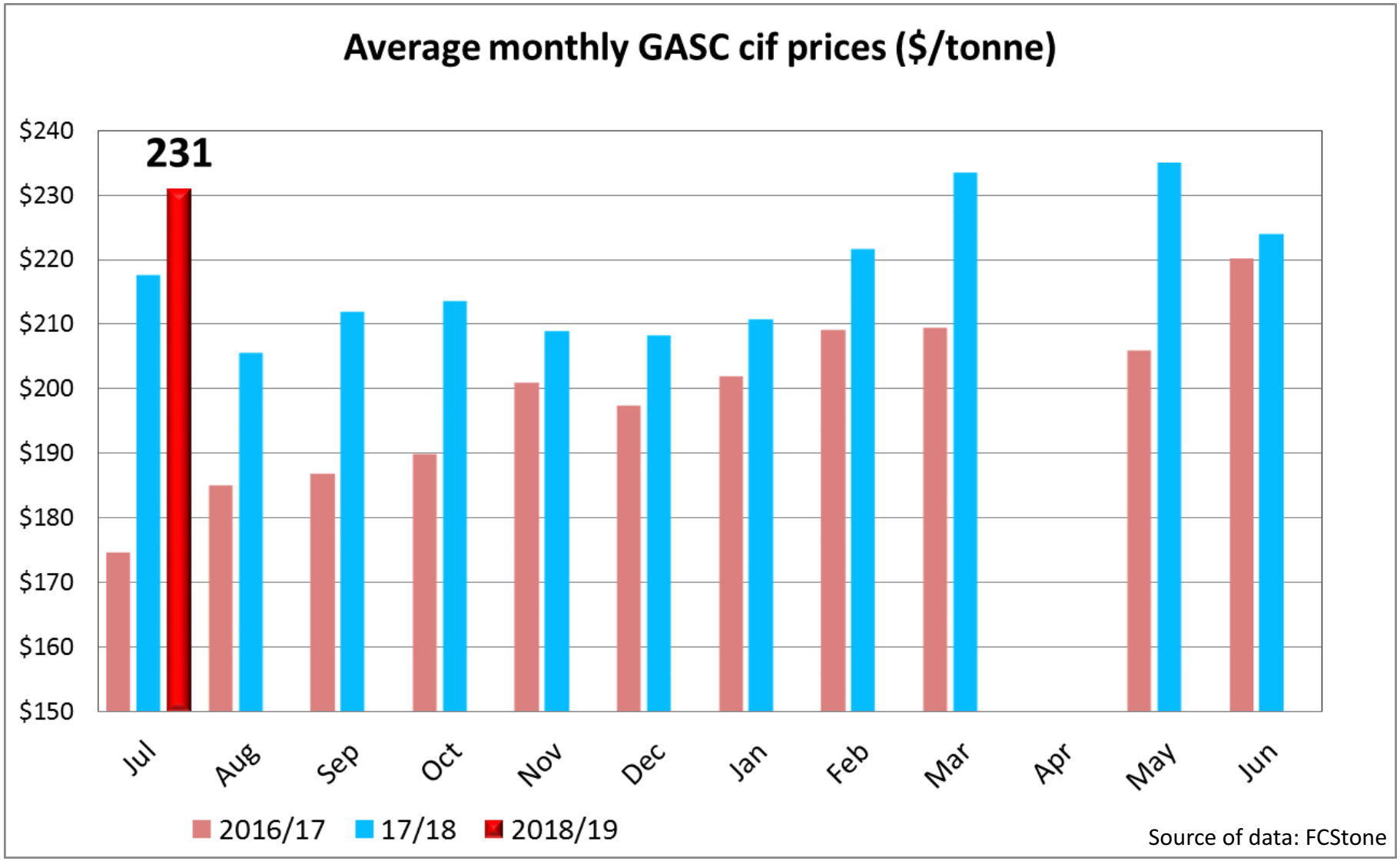


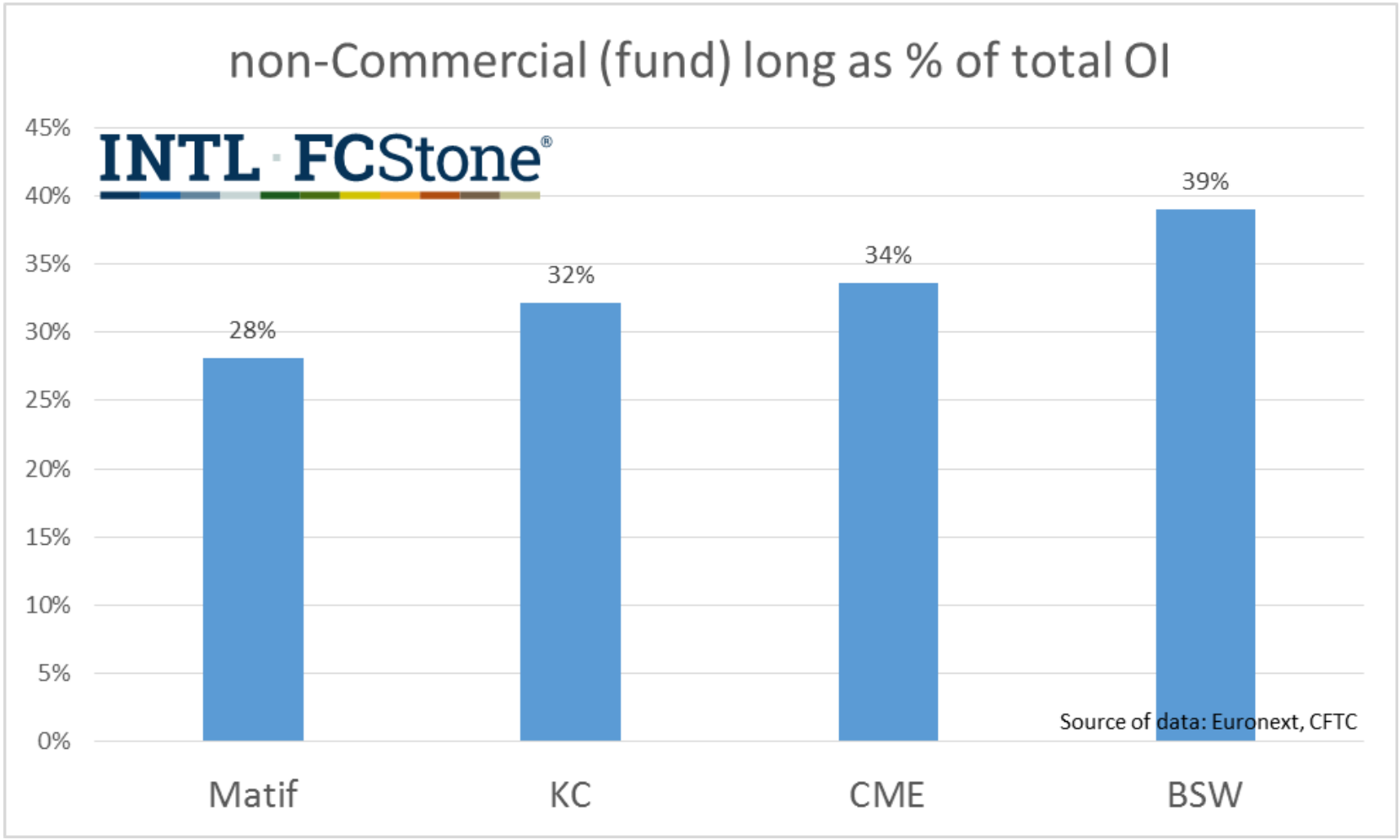
Source of data: Reuters

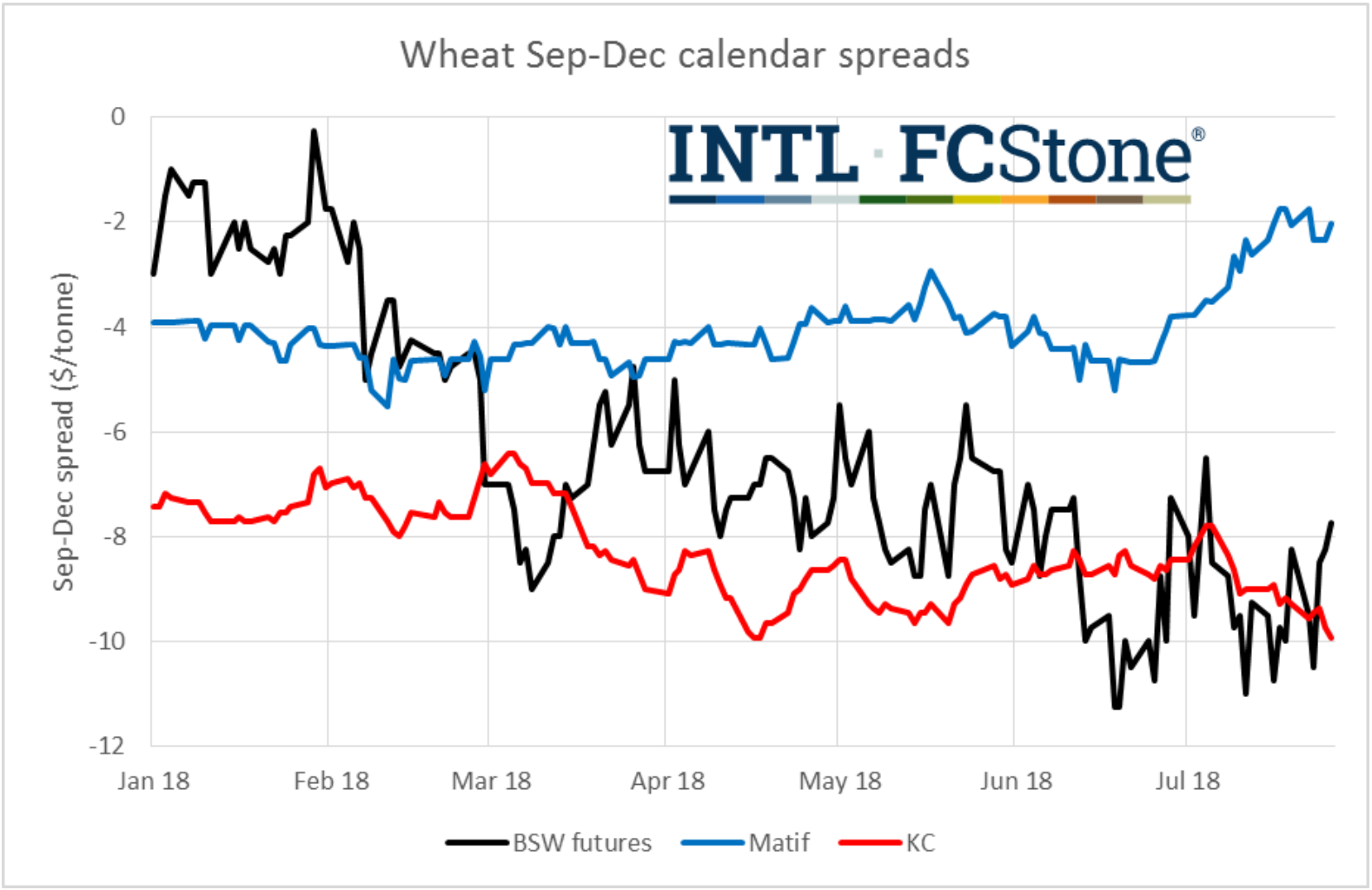

GASC Cumulative Monthly Milling Wheat purchases by Volume (MMT)
INTL · FCStone®
8
7
6
5
4
3
2
1
0
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
16/17
2017/18
2018/19
Source of data: FCStone



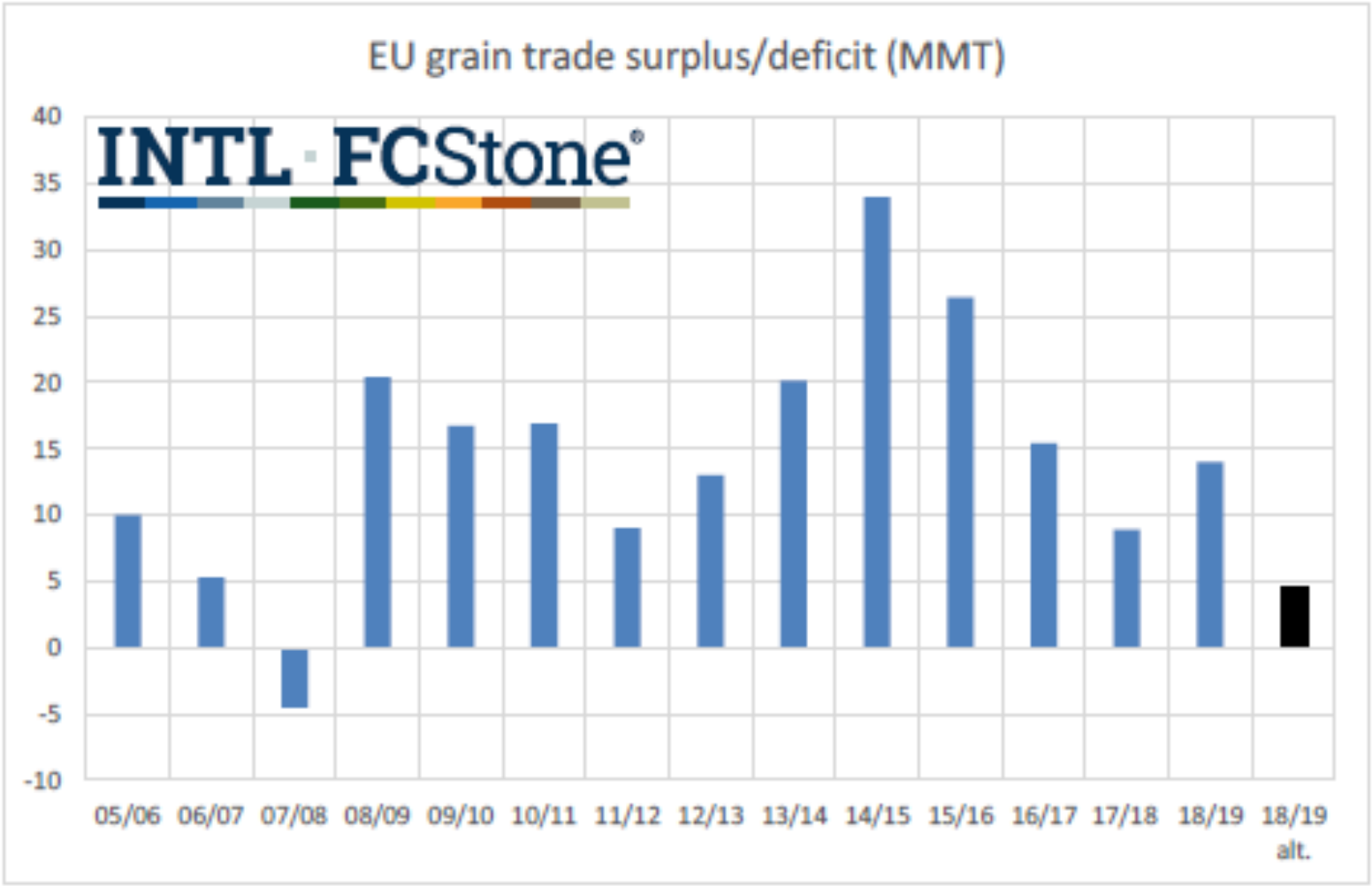
Source of data: FCStone


Average monthly GASC cif prices ($/tonne)
231
$240
$230
$220
$210
$200
$190
$180
$170
$160
$150
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
2016/17
17/18
2018/19
Source of data: FCStone

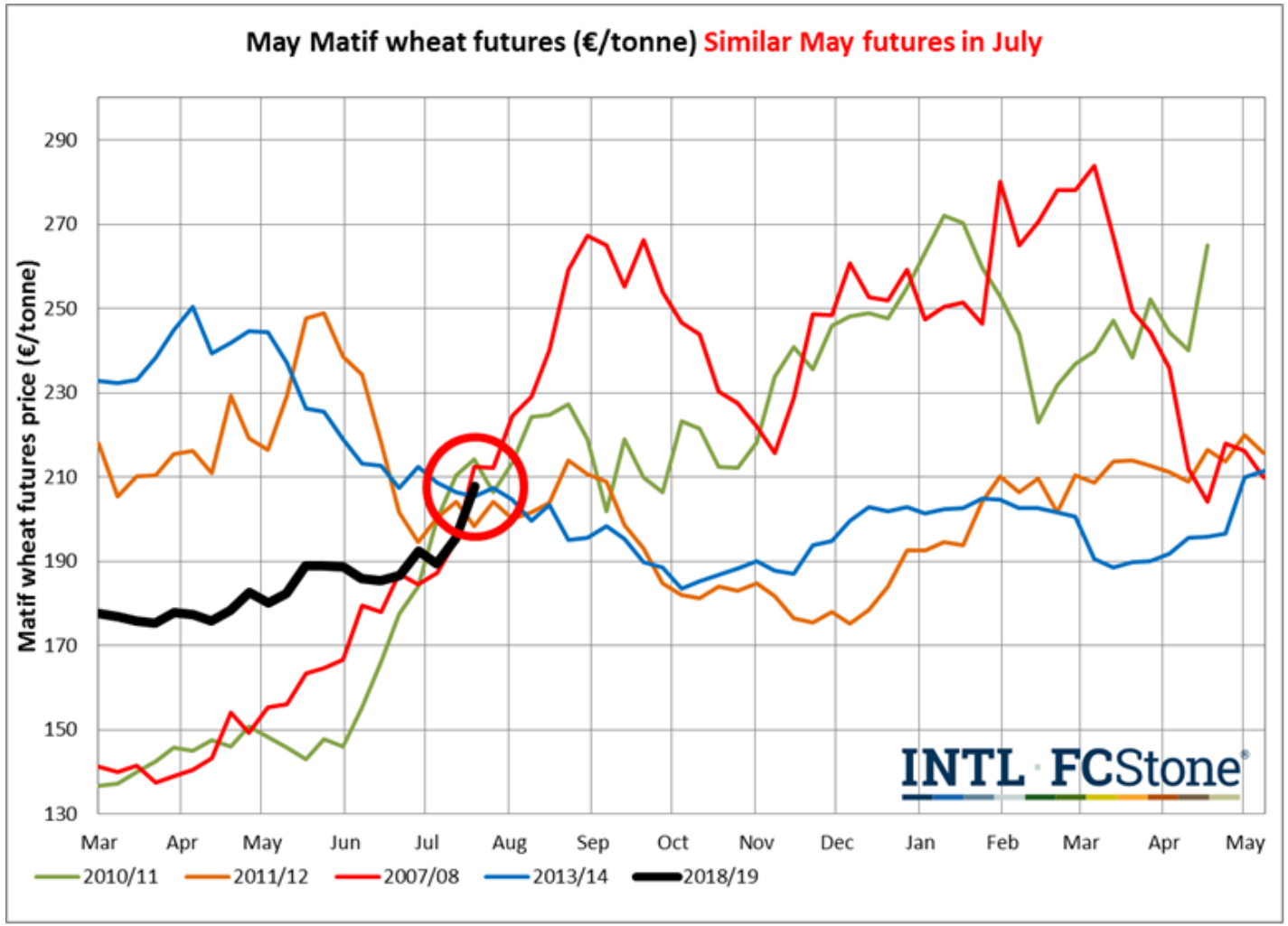

non-Commercial (fund) long as % of total OI
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
28%
32%
34%
39%
Source of data: Euronext, CFTC
Matif
KC
CME
BSW



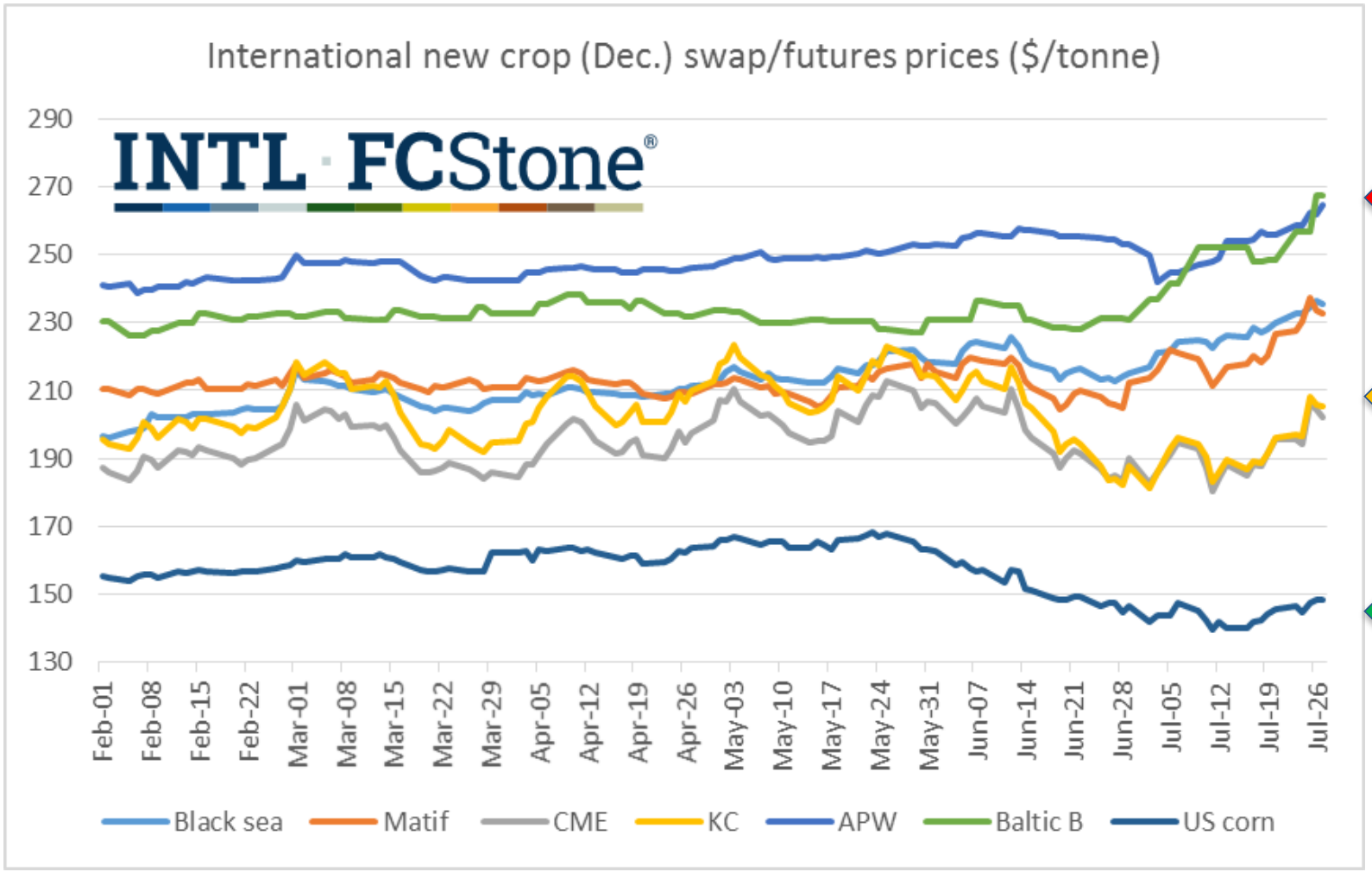
Source of data: Reuters [52]



Source of data: USDA, FCStone



Source of data: Reuters



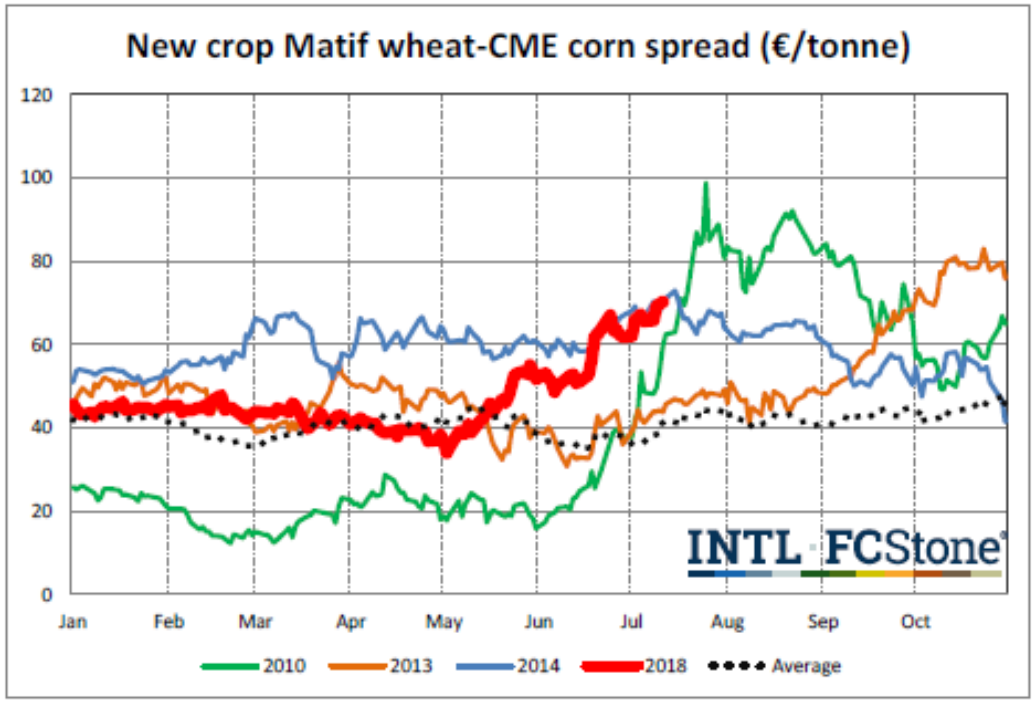
INTL FCStone

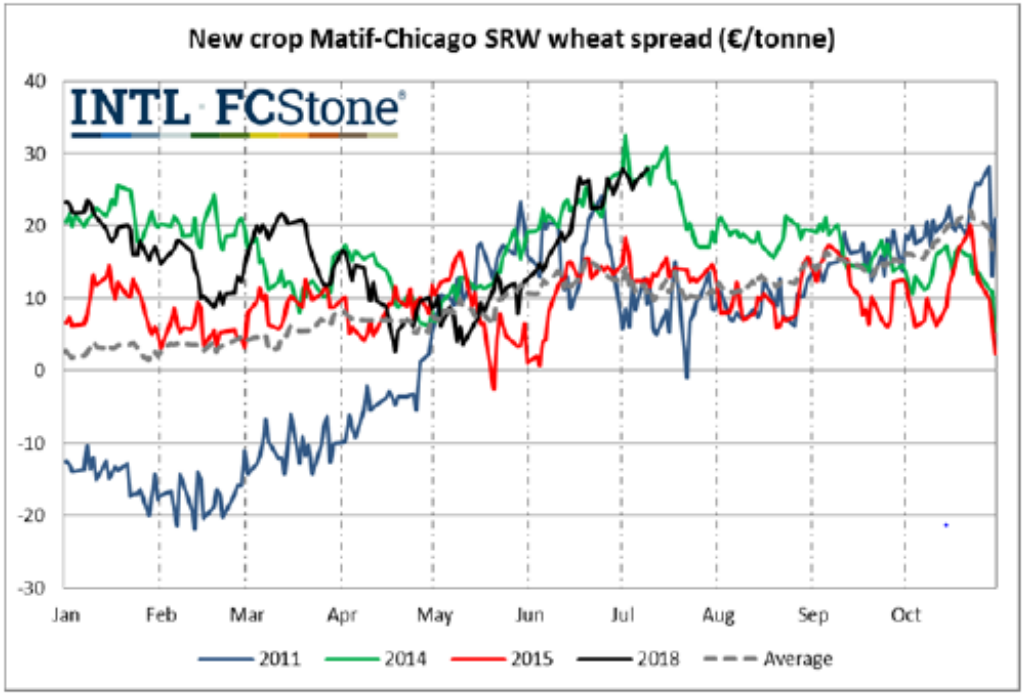
Wheat problem.

Wheat solution

Corn solution

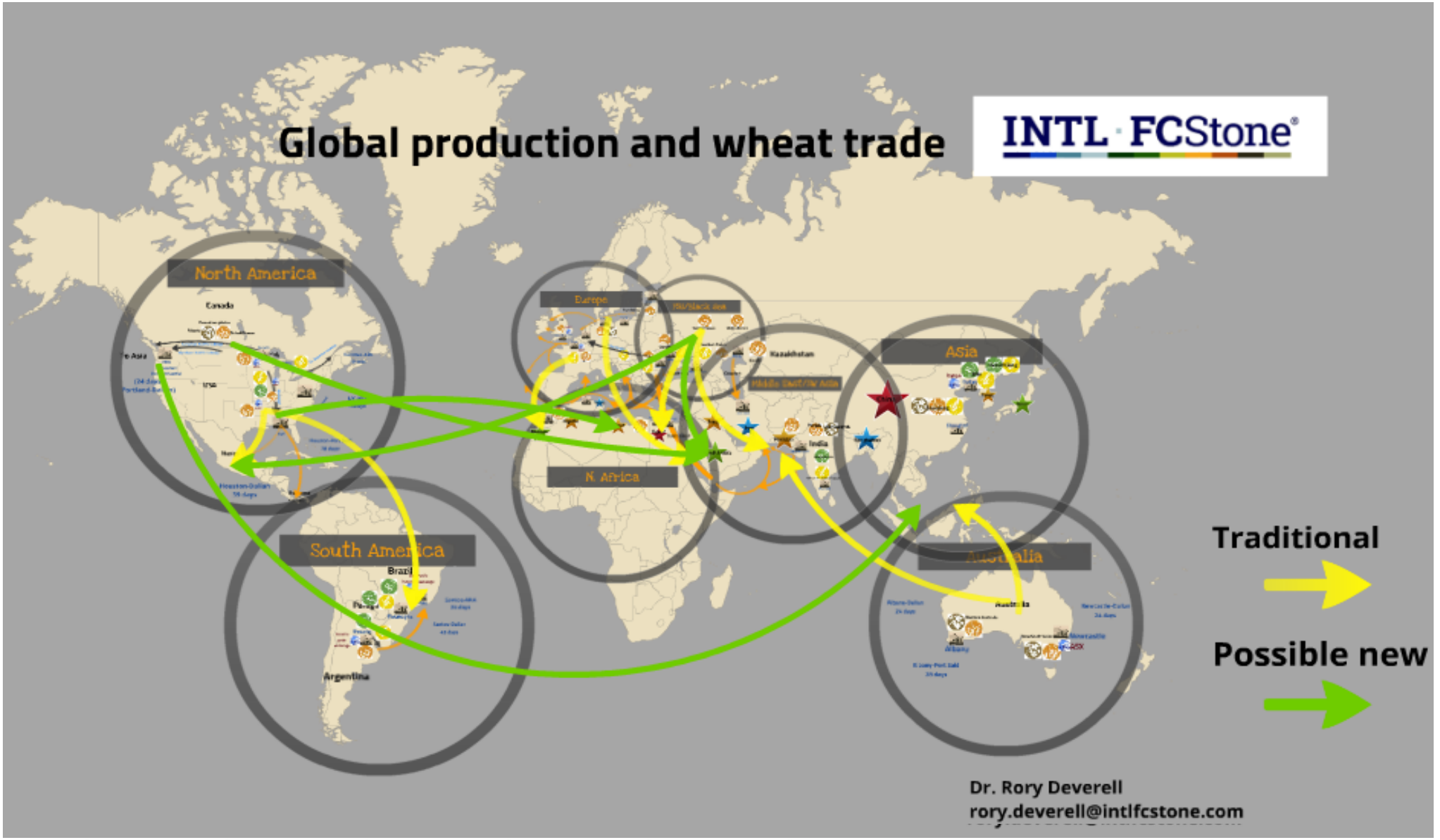
Source of data: Reuters

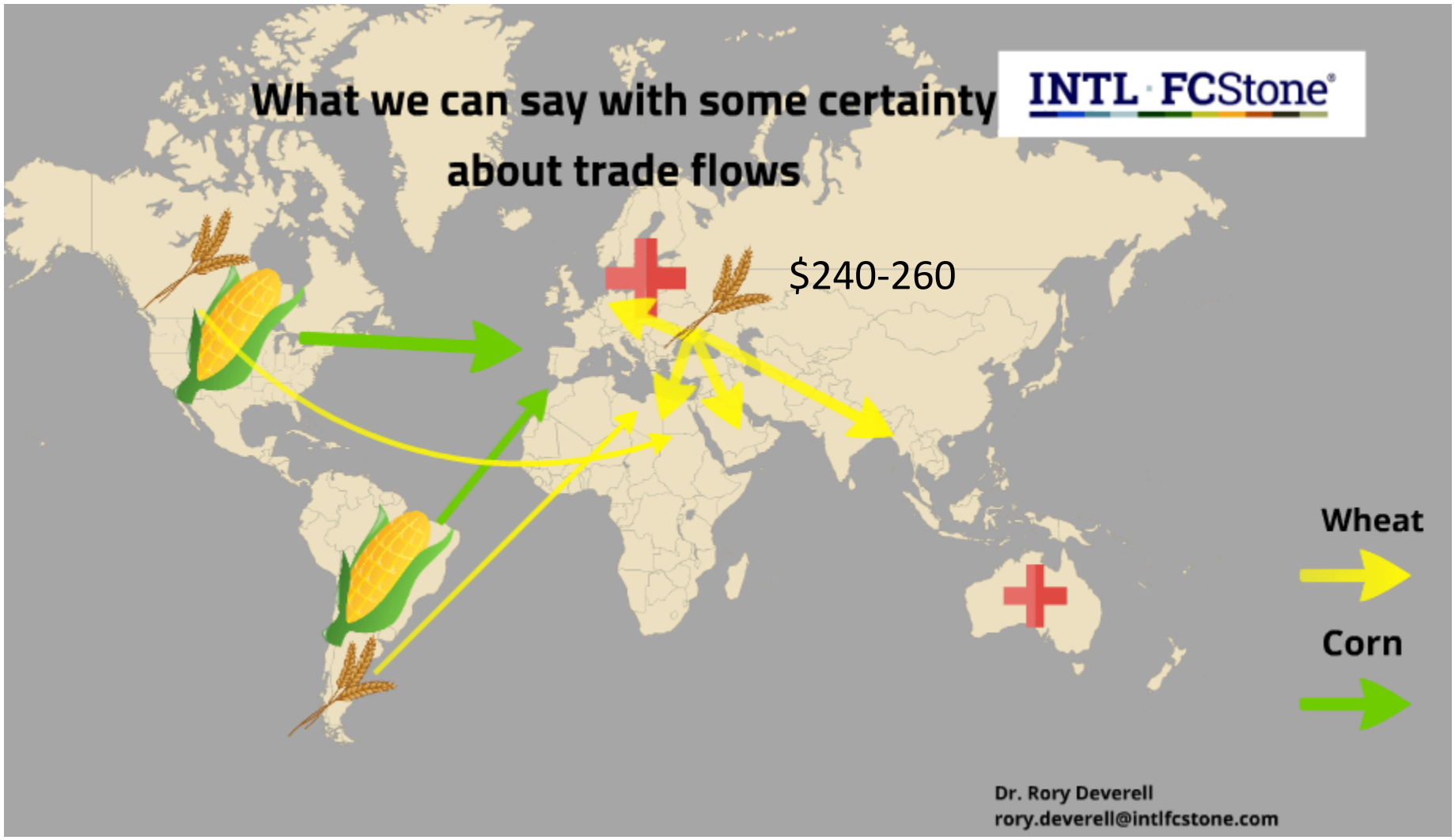




Source of data: Reuters

Global production and wheat trade

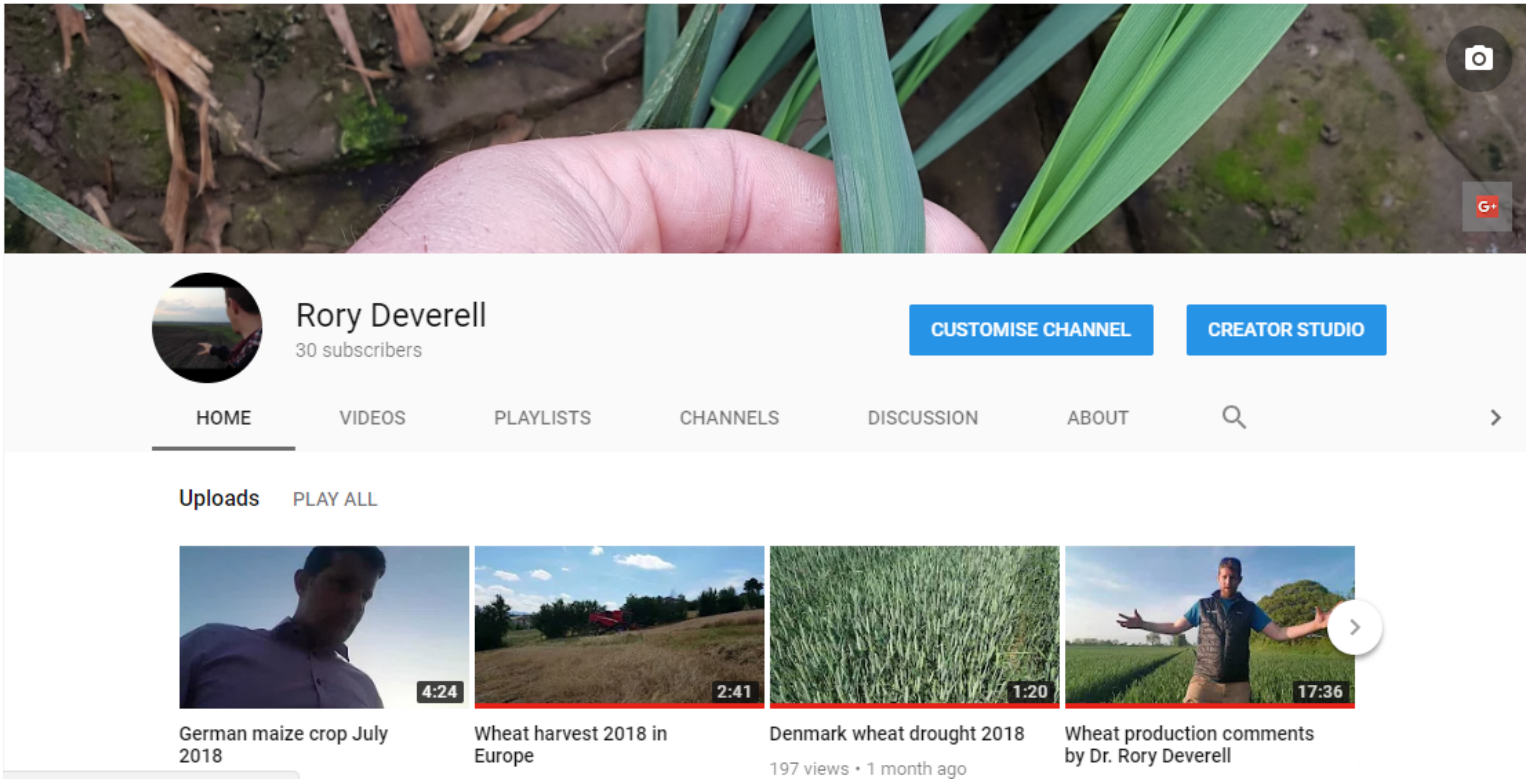



What we can say with some certainty
about trade flows
INTL · FCStone®
$240-260
Wheat
Corn
Dr. Rory Deverell
rory.deverell@intlfcstone.com

Follow me on twitter and youtube:

Twitter:
@rorydeverell

Youtube:
Rory Deverell



Jaime Nolan Miralles & Dr. Rory Deverell

Vice president OTC & Advisory EMEA

Contact Office - +353 1 63 49 140
Contact Mobile - +353 85 778 22 66 (JNM)
Contact Mobile - +353 86 150 34 40 (RD)

Jaime.Nolan-miralles@intlfcstone.com
Rory.devrell@intlfcstone.com