



The silent giant – emerging economies & shifting market demands for the global agricultural industry

GlobOil Delhi 2017

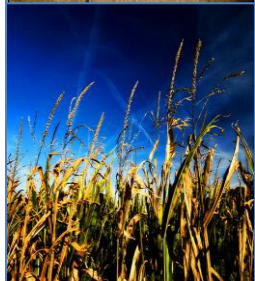
New Delhi, INDIA

1-3 February 2017

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2016 – started volatile – ends volatile. Thunder rolls to start 2017



- Brexit + Trump elected
- U.S. – China relations “less than rosy”
- Lack of growth – global recession concerns
- Poor economic performance – does this cause consumer & industrial demand for good & services to contract?
- The U.S. Fed versus rest of the world’s Central Banks
- Too much exportable surplus chasing too little demand
- The world is becoming more efficient and is able to live with lower stocks. And right now – supplies of grains & oilseeds remain at / near record levels
- The world is willing to pay a production risk premium – learn from corn and wheat



A look back at 2016 in “quotes”

World politics in a joke – 2 countries sitting at the bar having a chat

BRITIAN: Brexit was the stupidest, most self-destructive act a country could undertake

USA: Hold my drink

“Facts don’t matter. People tailor facts to their own reality.”

“Real experts were in short supply and real facts were in short demand.”

“Truth remains way, way stranger than fiction.”

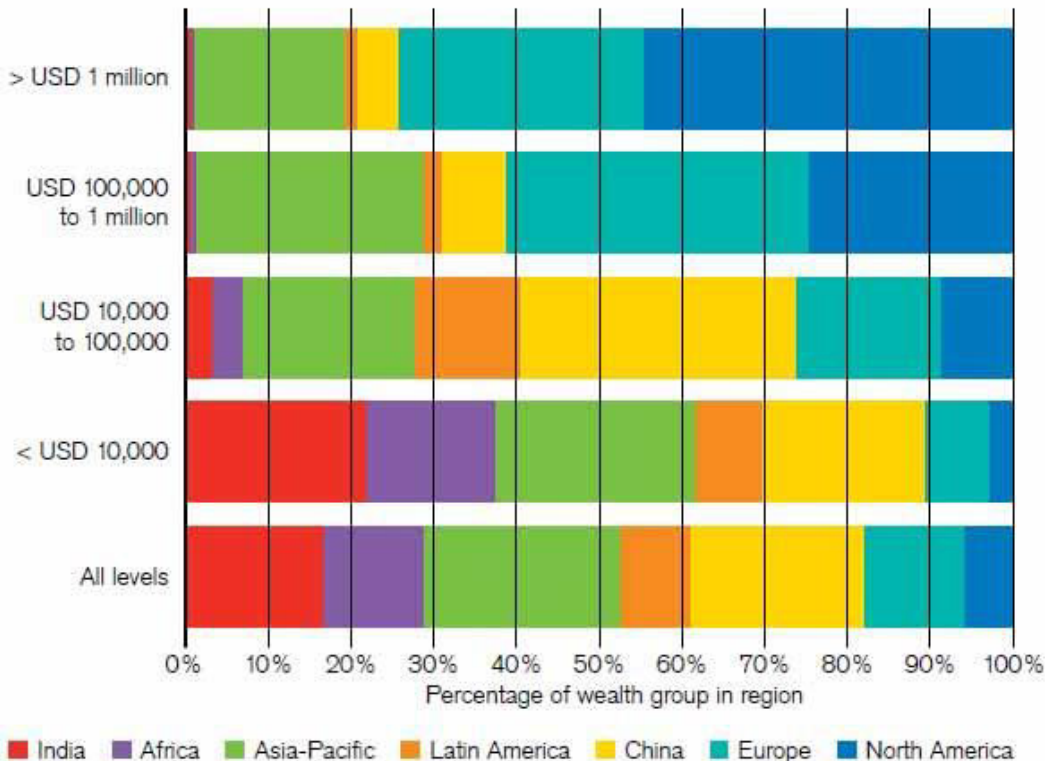
“The words of Adlai E. Stevenson II were more prophetic than we had thought: “in America, anybody can be president. That’s one of the risks you take.””

“In the financial markets, it’s not the news that matters, nor is it the reaction to the news. As we learned during Brexit, and again during the U.S. presidential elections, it’s the reaction to the reaction that matters’



Mid-range wealth – the world’s “middle class”

Figure 2
Regional membership of global wealth strata

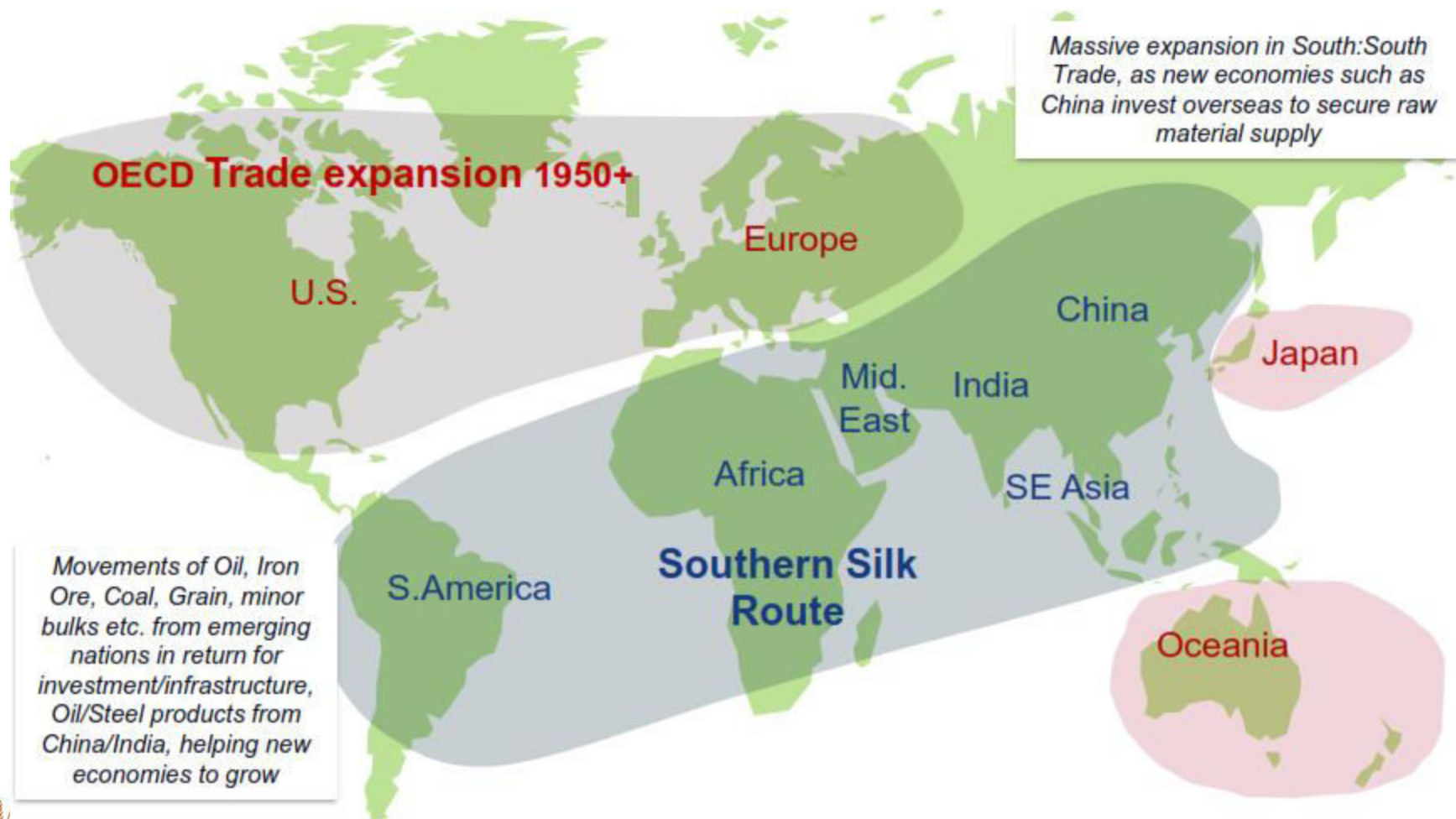


Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks,
Credit Suisse Global Wealth Databook 2016

USD 10,000 – 100,000

- High proportion of the world’s middle class
- 900 million persons
- Net worth = \$29 trillion
- Considerable economic clout
- India & Africa – under-represented
- India – 3.1% of this global “middle class”
- China’s share is disproportionately high (33%) – it has doubled since 2000

The new growth in demand: The Southern Silk Route

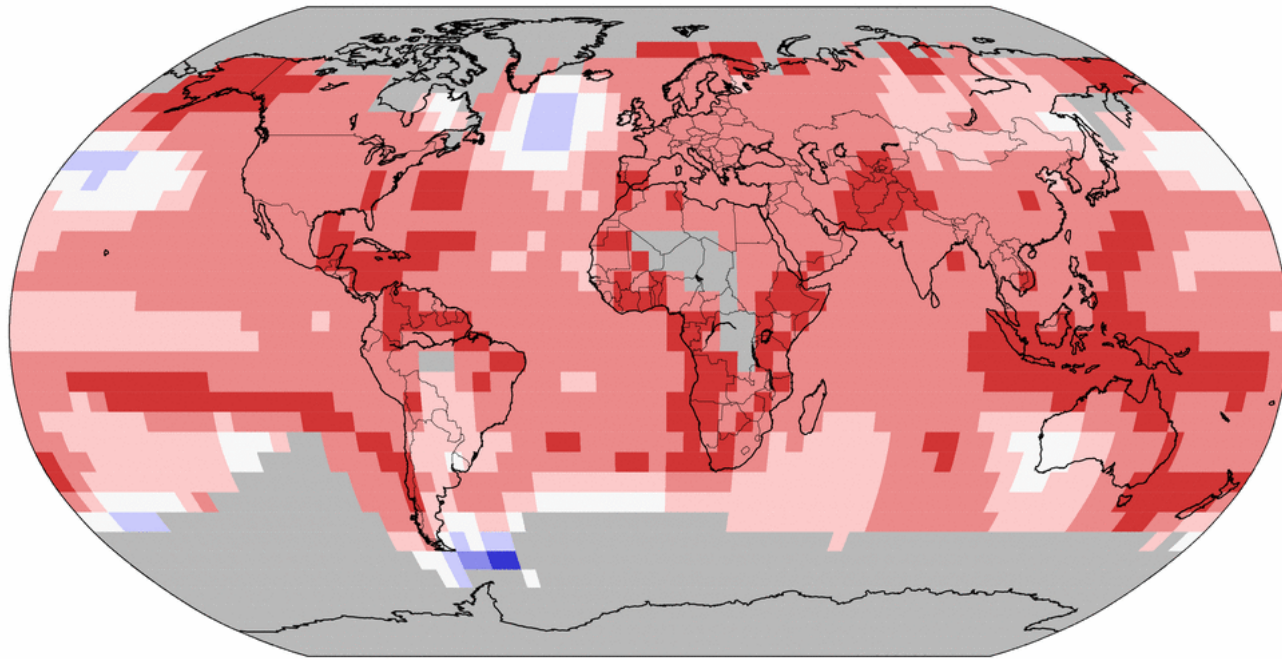


World weather and trends cannot be ignored – 3rd straight year

Land & Ocean Temperature Percentiles Jan–Dec 2016

NOAA's National Centers for Environmental Information

Data Source: GHCN–M version 3.3.0 & ERSST version 4.0.0





Record Coldest


Much Cooler than Average


Cooler than Average


Near Average


Warmer than Average

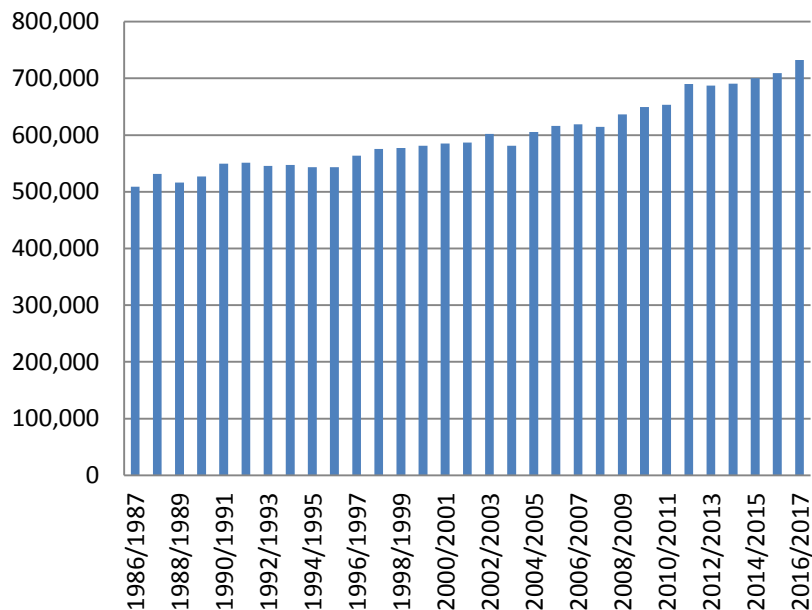

Much Warmer than Average


Record Warmest

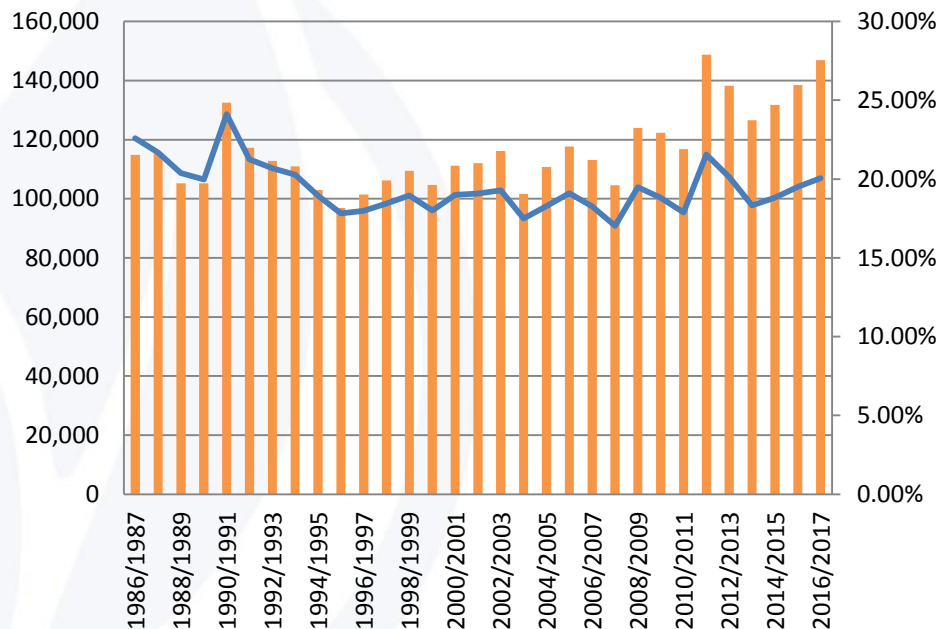


World wheat – “steady as she goes”

World wheat consumption (000MT)



World feed wheat demand

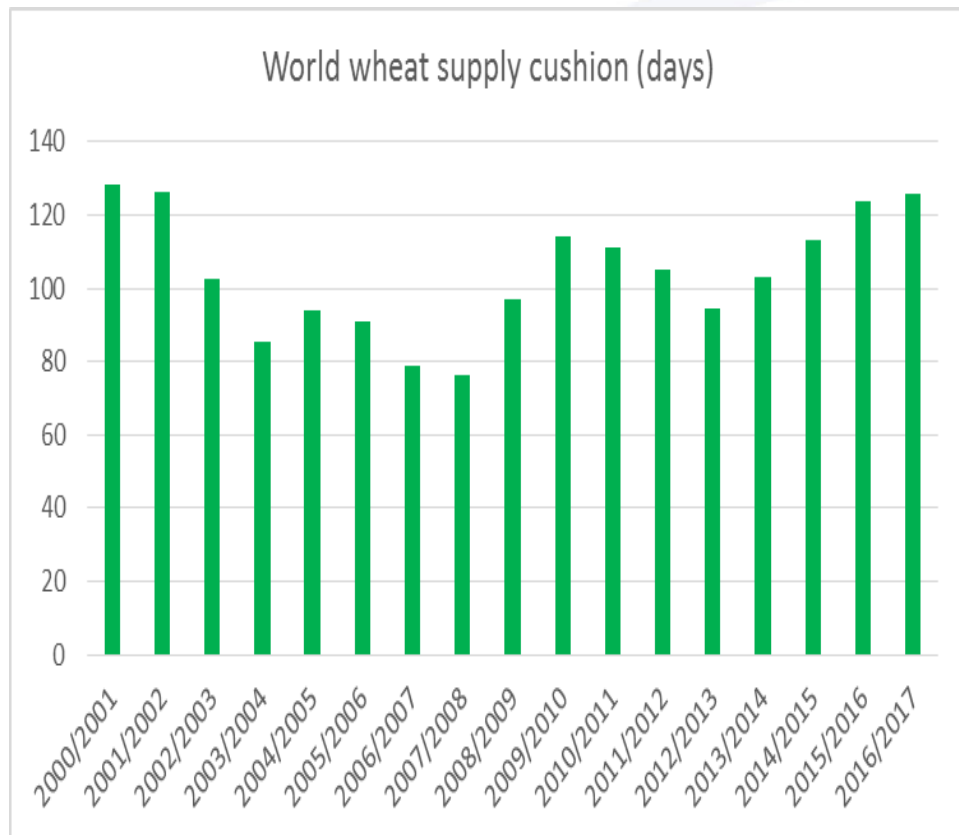


World wheat consumption – food demand growth averages 2% per year – the laggard compared to the proteins

World feed wheat consumption – on average accounts for 20% of world wheat consumption – will serve as a growth engine for wheat (advantage: feed alternative – non-biotech)



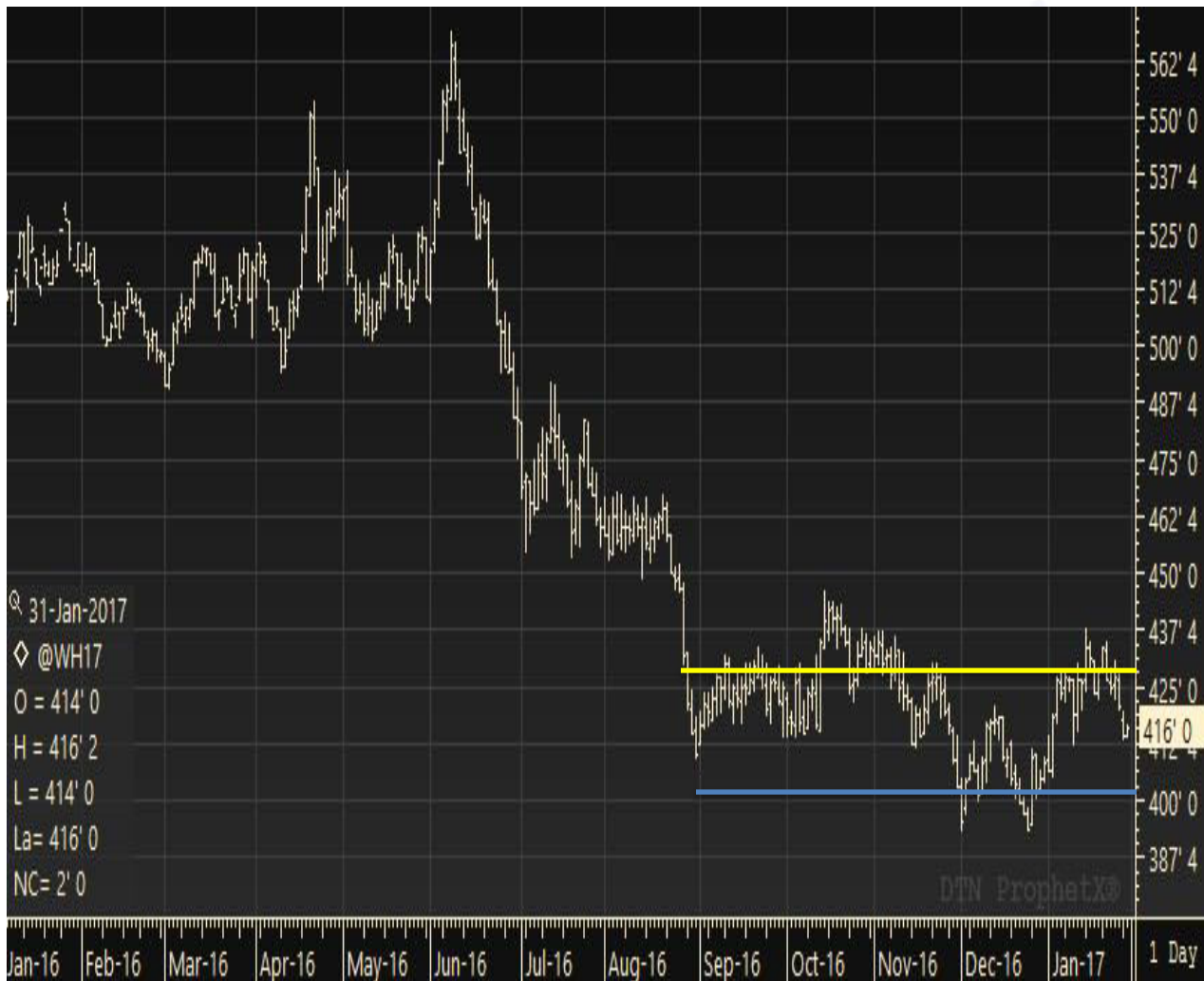
World wheat supply cushion and what to watch for 2017/18



- 2017/18 - the world will face burdensome stocks – a supply issue / production risk needs to occur in Black Sea FSU and Europe to materially change the world wheat dynamics
- Quality protein remains the theme – India, China both buyers for milling grade
- Indian wheat imports – 5MMT by March 2017 – continues?
- Russian wheat exports – despite larger export forecast, exports are running slightly behind last year's pace
- U.S. faces lowest winter wheat plantings – lowest since 1909
- The U.S. will be the world's wheat storage tank for the months and years to come



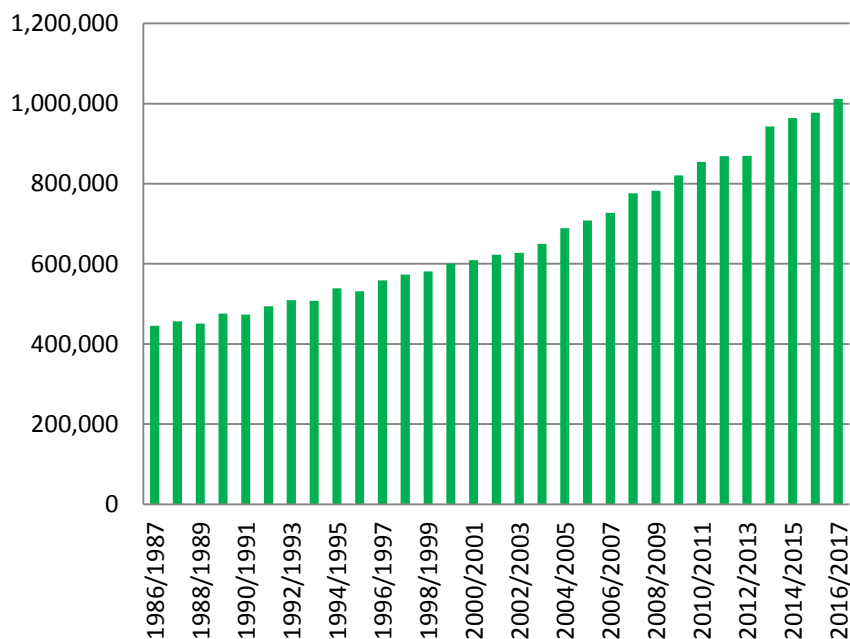
World wheat price outlook



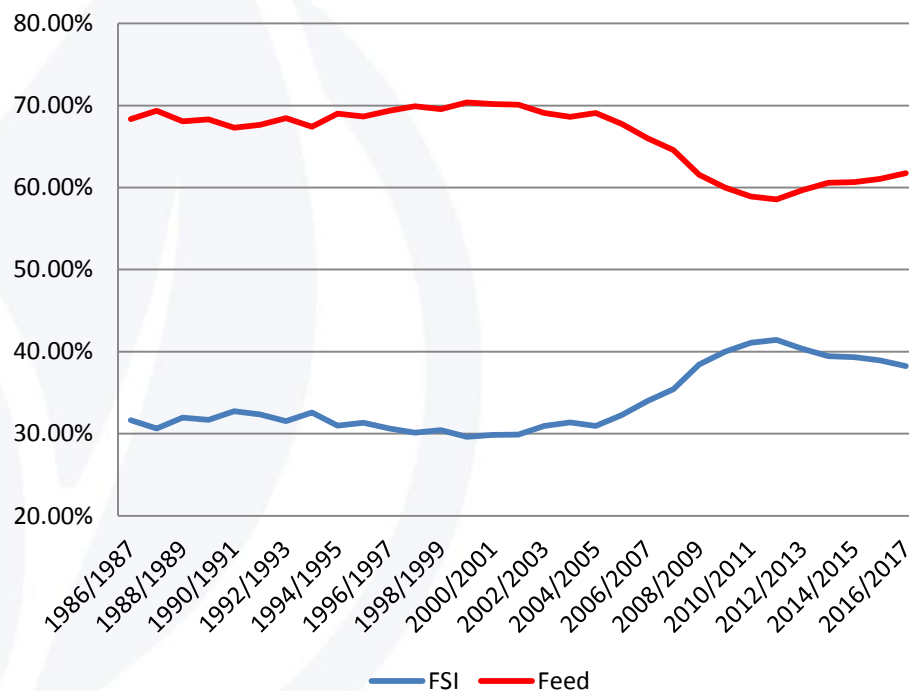
- Wheat remains range-bound
- No interest in being short 400 vs front month
- Relationship to KW and corn dictate Chicago
- With no weather threat in Europe or Black Sea FSU – lower end = 400 – 3490. Upper end = 436 – 450
- Weather threat? Risk = funds cover short

World corn – “feed to lead”

World corn consumption



World corn demand - fuel vs feed



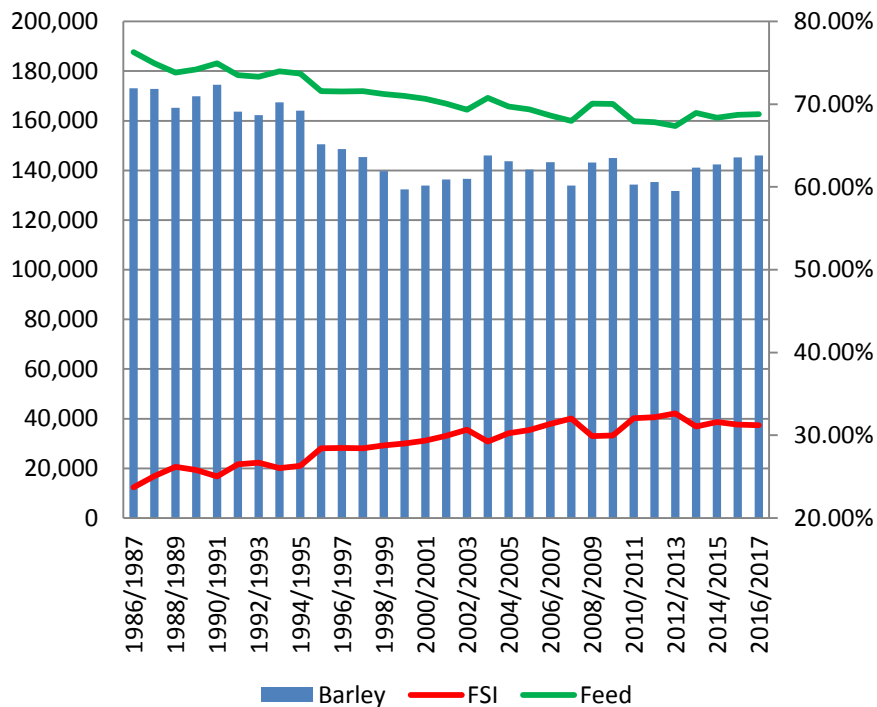
World corn consumption – **up 127%** or 566MMT in the past three decades

Biofuels – ethanol boom is done & dusted. Demand will now shift back to feed – and it is feed that provides a much more price inelastic demand profile



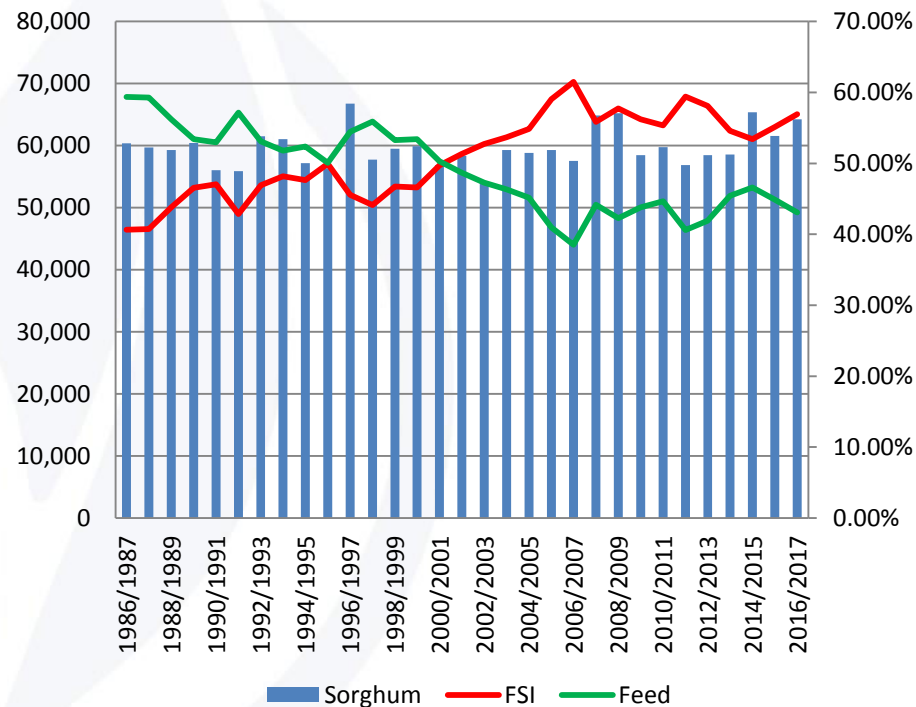
World minor grains – non-biotech backstop

World barley consumption



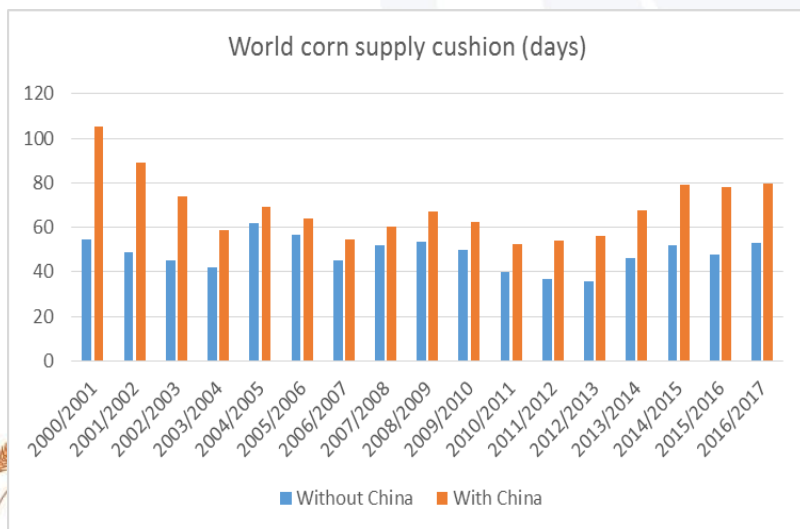
World barley consumption – **down 15.6%** or 27MMT in the past three decades

World sorghum consumption



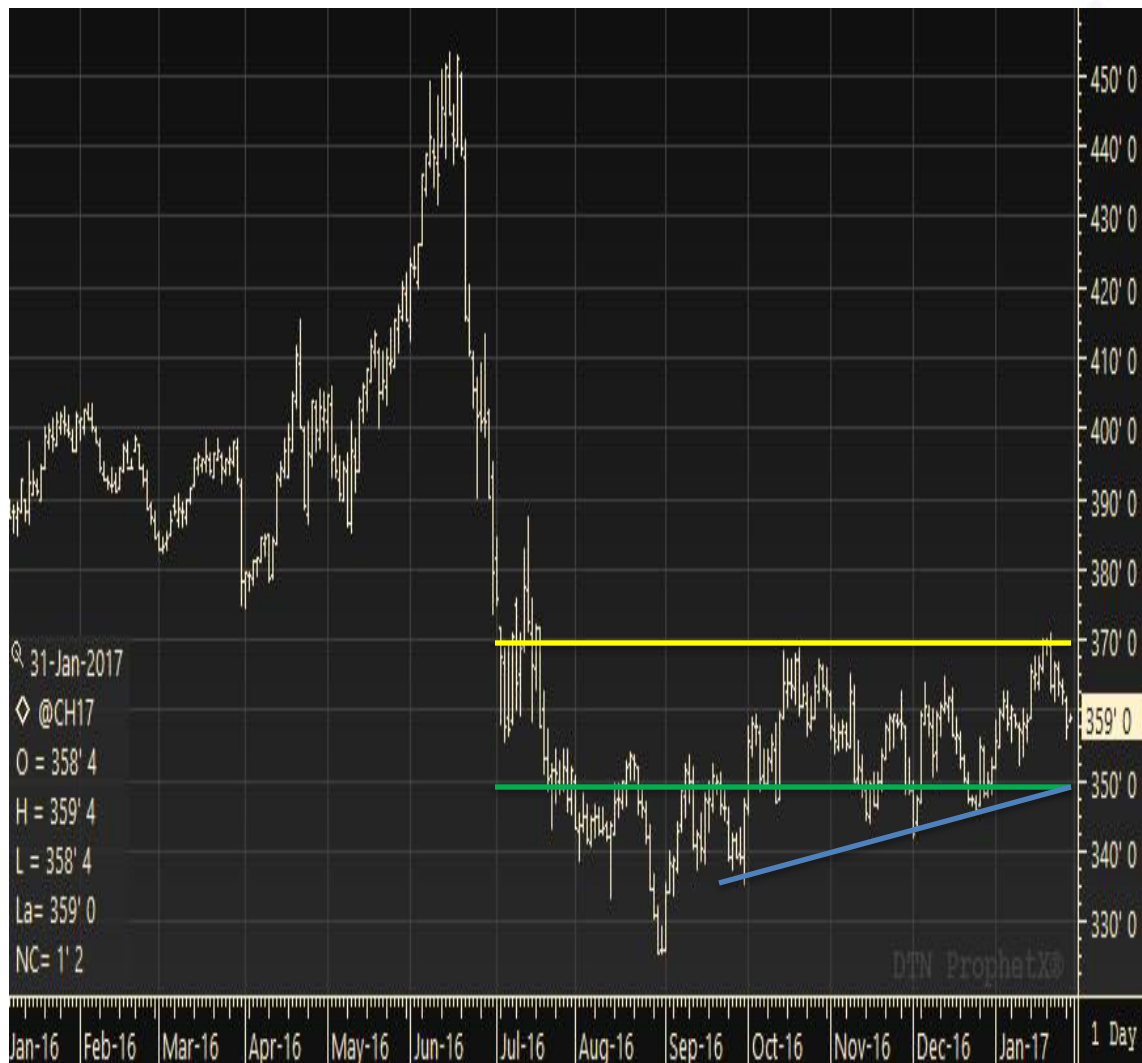
World sorghum consumption – **up 6.4%** or 3.9MMT in the past two decades. China the major feature over the past 2 years. Advantage: non-biotech food & feed alternative

World corn supply cushion and what to watch for 2017/18



- How much is the world willing to pay for the U.S. to be the world's corn storage tank / reserve?
- Argentina – what is it's final production number and what do plantings look like in the years to come due to no change in the soybean export tax until 2018
- Brasil – *safrinha* crop is the one that matters for world corn trade. Plantings are just starting. August 2017 forward Brasil is back in world corn grid
- U.S. RFS mandate & ethanol under a Trump Administration
- U.S. plantings – 2017/18
- China domestic policy – corn stocks

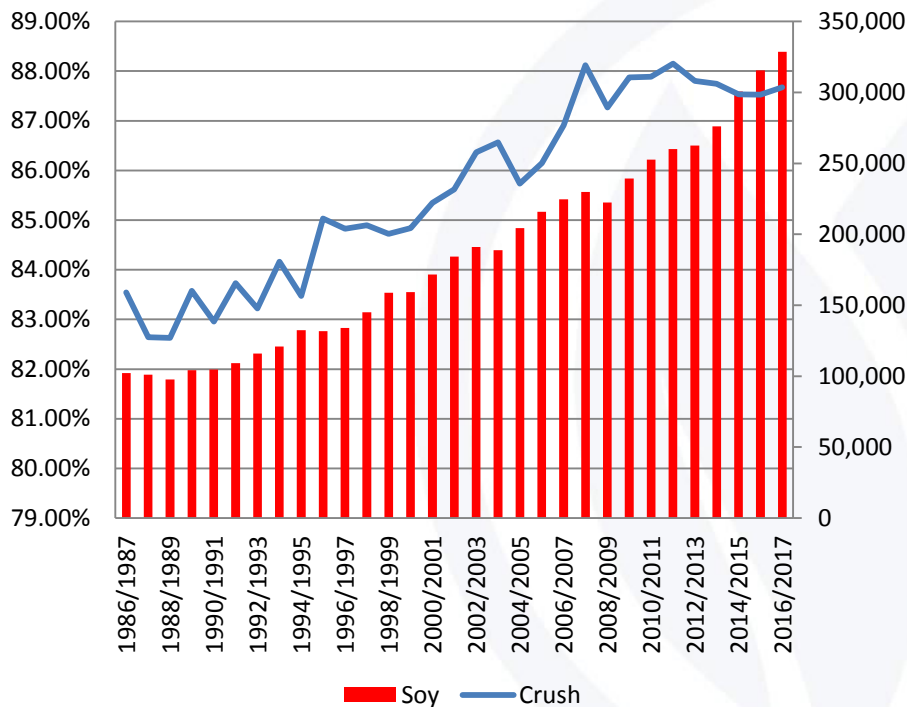
World corn price outlook – range-bound



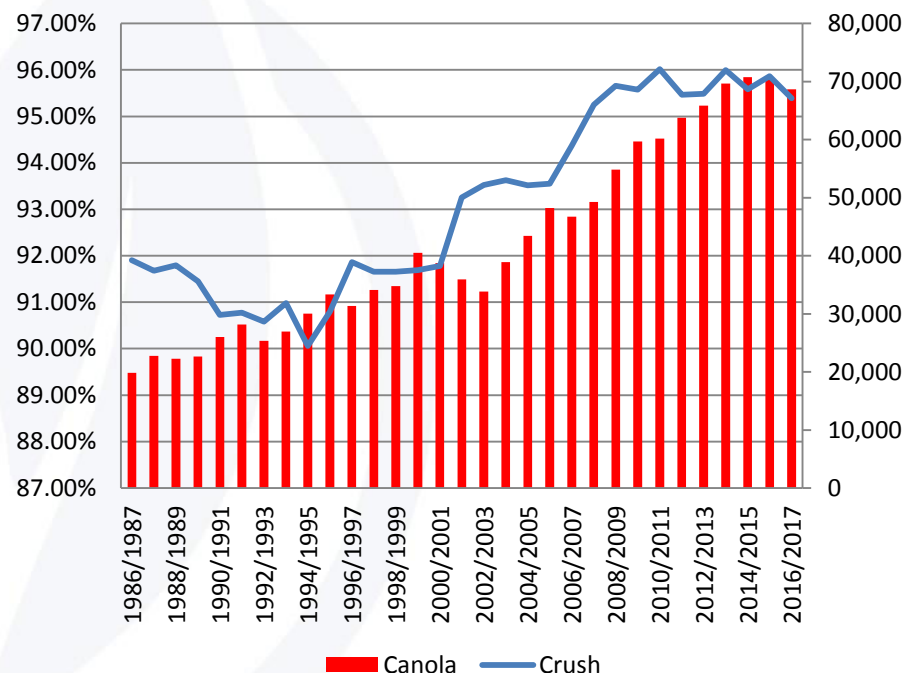
- Corn remains range-bound
- No interest in being short vs 350 vs front month
- Large overhead selling provided by world producer
- If a story develops – funds have plenty of buying power
- Feed wheat and other minor grains provide back stop supply for world buyers
- U.S. stocks – provide backstop, transparent market

World soybean & canola – “who rules the world”

World soybean consumption



World canola consumption



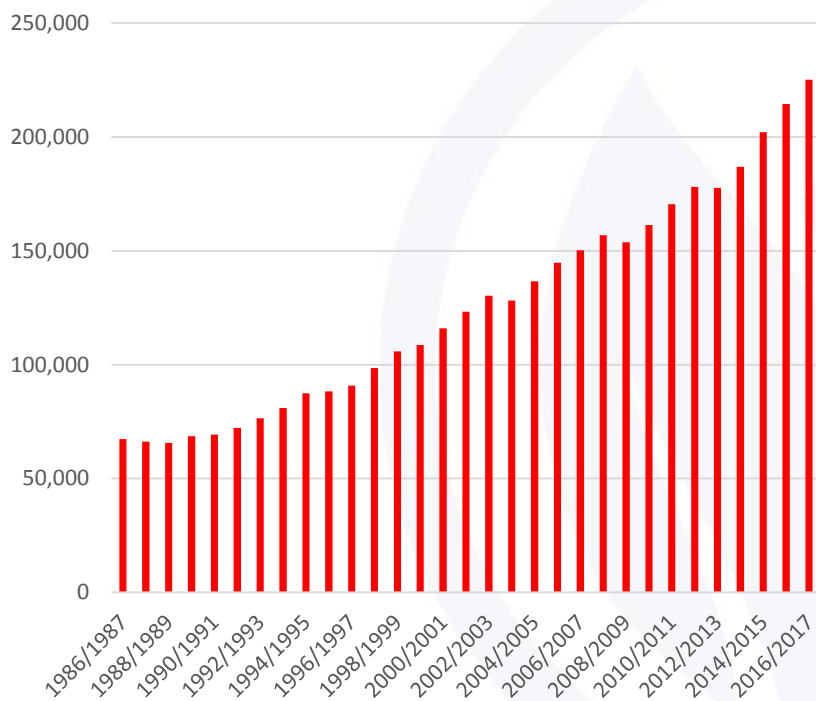
World soy consumption – **up 223.5%** or **228.2MMT** in the past two decades

World canola consumption – **up 246%** or **49MMT** in the past two decades. Emerged as a crop alternative: Australian production up from 83KMT to 3.7MMT this year. Canada from 3.7MMT to 18.5MMT



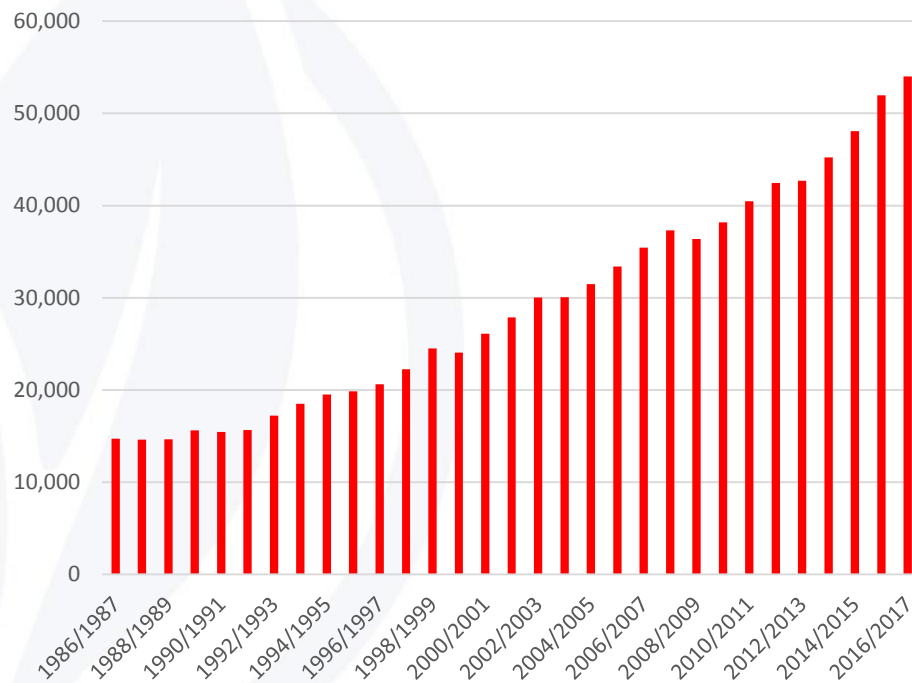
World soy product demand growth – equally impressive

World soymeal consumption



World soymeal consumption – **up 234%** or 158MMT in the past three decades

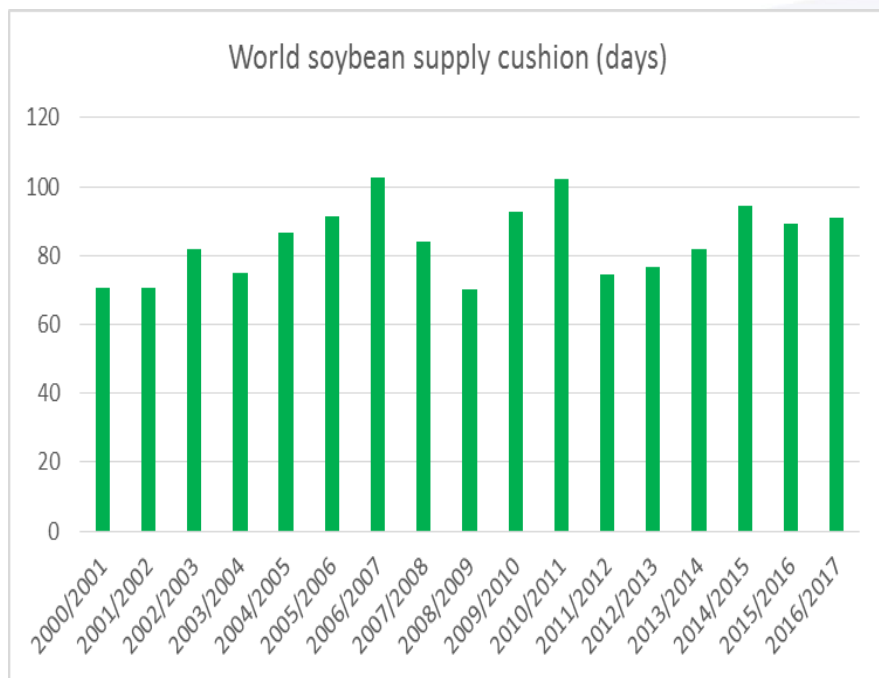
World soy oil consumption



World soy oil consumption – **up 267%** or 39.3MMT in the past three decades.



World soy supply cushion & the difference between now and LY



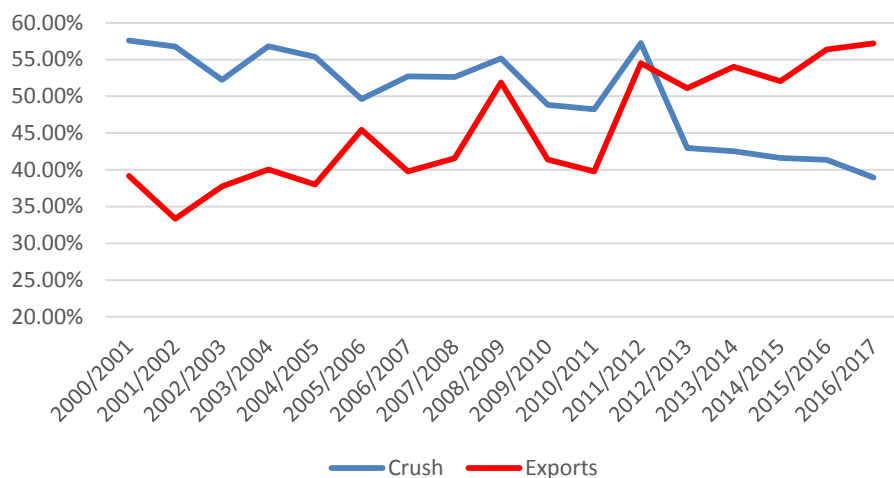
Current world soy supply cushion (January WASDE) = 91 days. Using my “worst case” scenario for South America – Argentina = 49MMT. Brazil = 102MMT. No change to demand. ConsiliAgra supply cushion = **80 days** – similar to 2013/14 and marginally higher than 2012/13

This year versus last year – factors

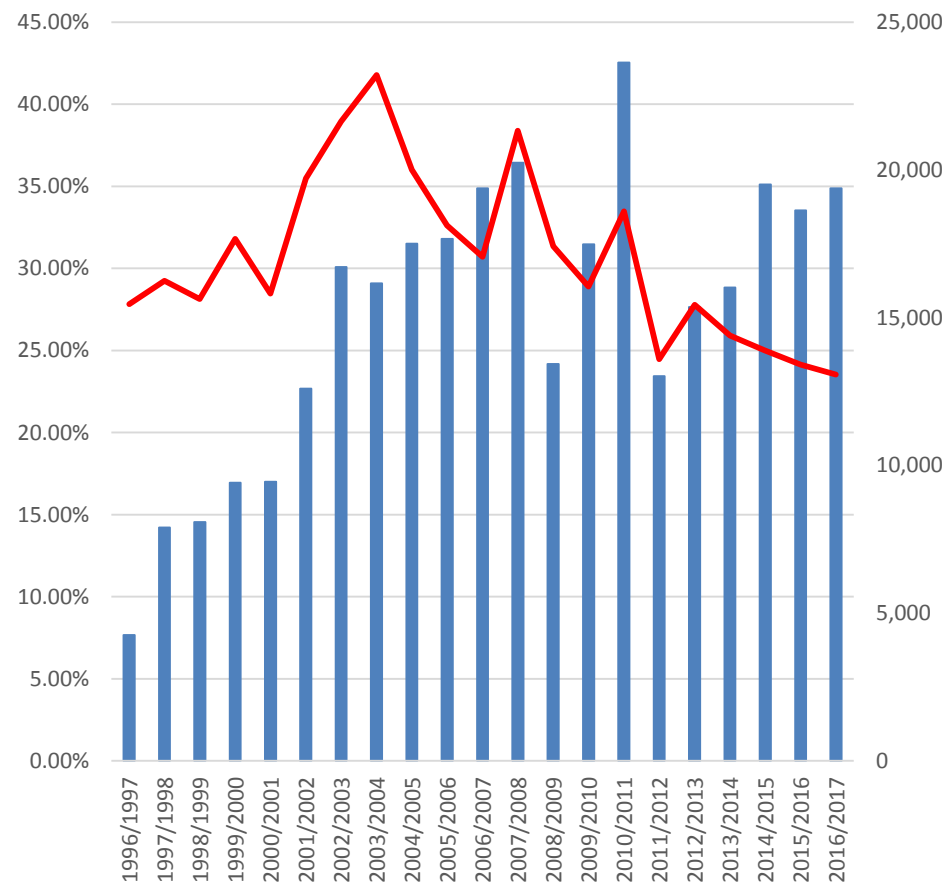
- Brazil soy crop potential
- Brazil FOB capacity
- World crush capacity has expanded
- Last year’s rally – soymeal led
- India returns as a soymeal exporter
- China expands its soymeal exports
- Argentine producer selling consistent
- World feed wheat consumption
- World canola meal demand
- U.S. DDG production – record
- Oil share – price relationship between soy oil and soymeal

Focus on Brasil – where does its soybeans go?

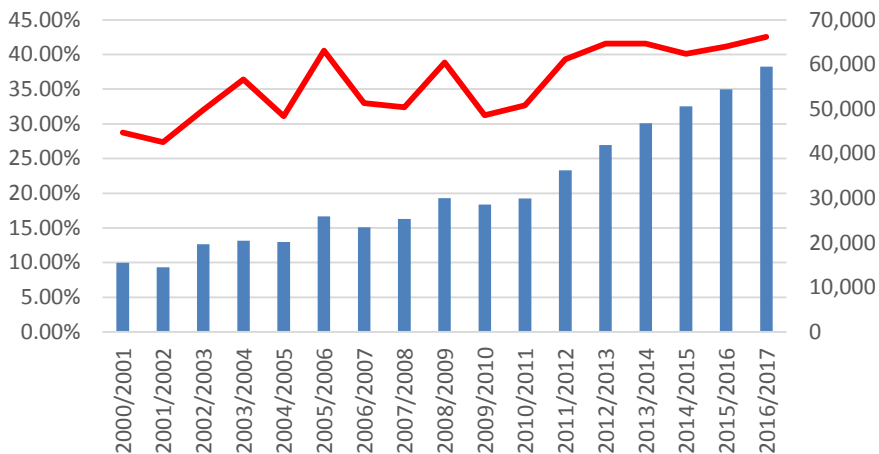
Brasil demand profile for its own soy production



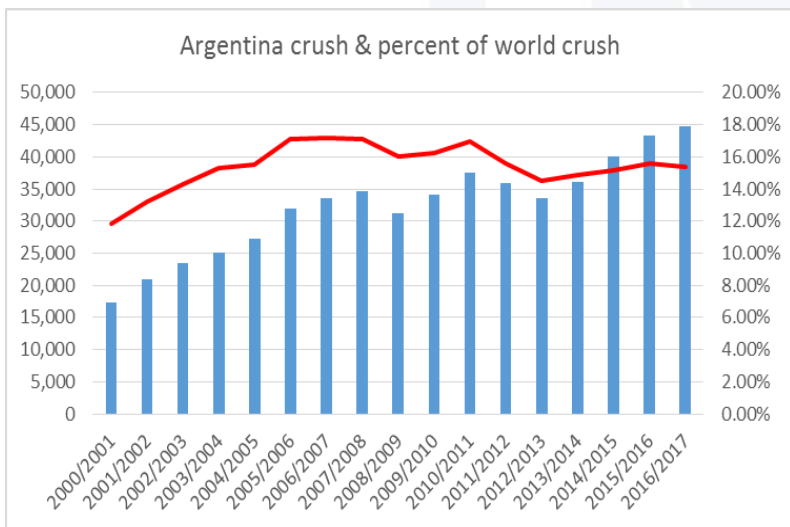
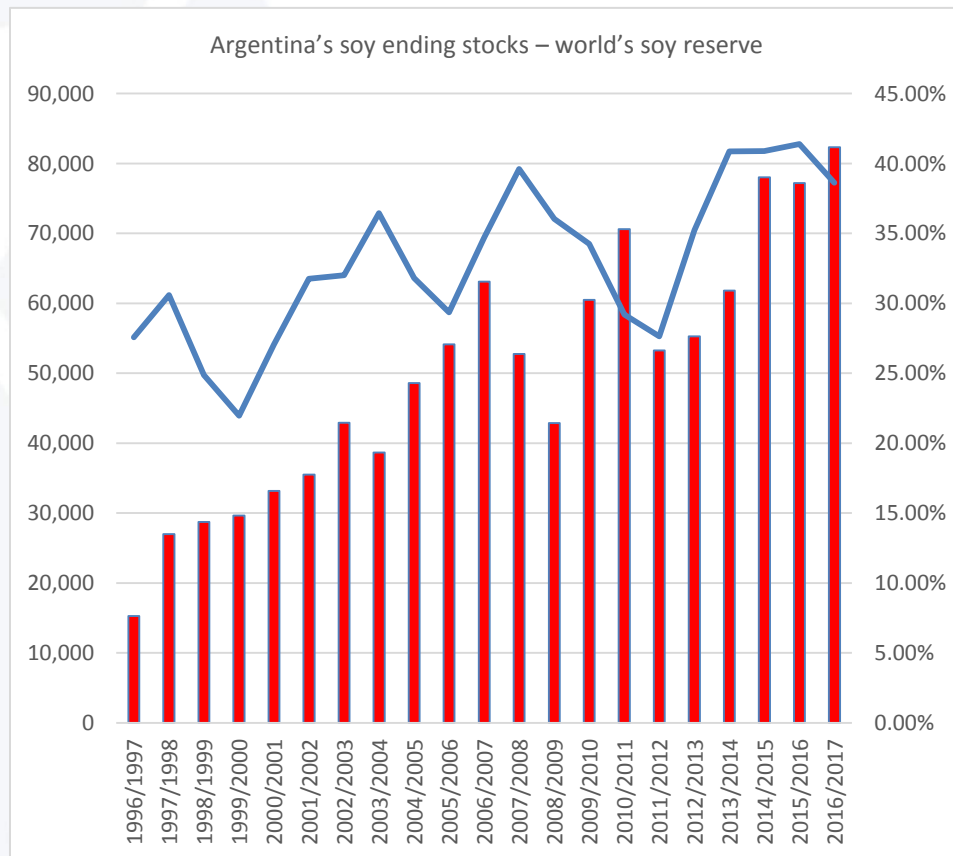
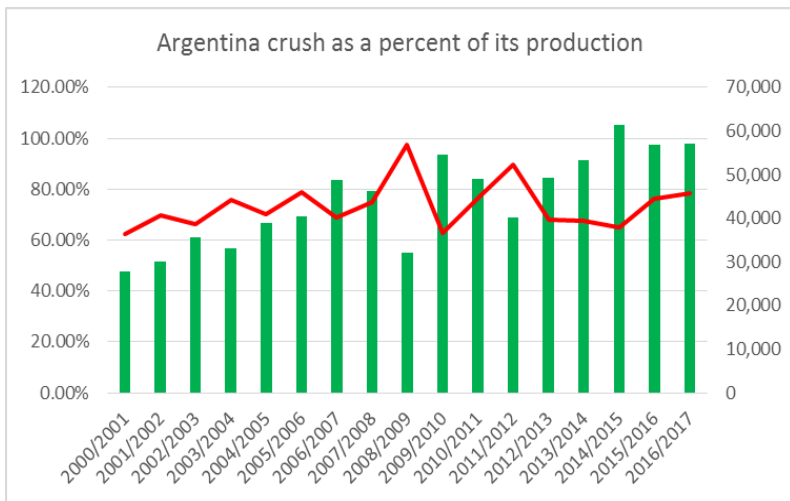
Brasil soy ending stocks - % of world stocks



Brasil soybean exports - % world soy trade



Focus on Argentina – what its producers do is key



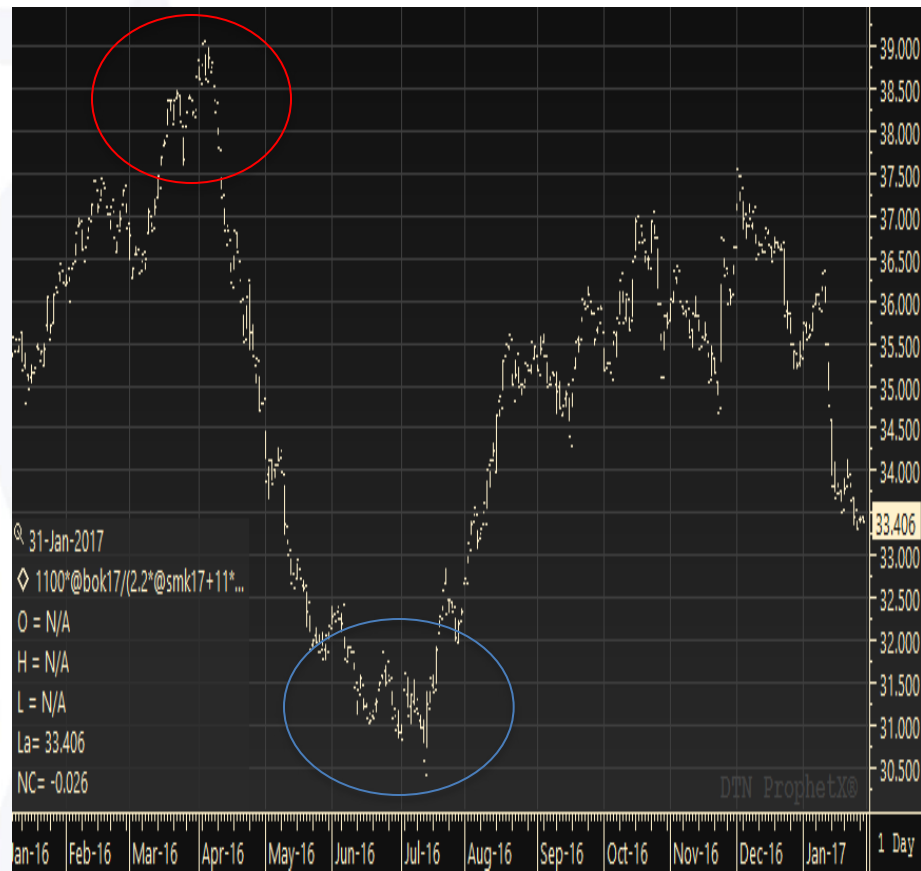
World soybean (SK17) price outlook



Chicago soy futures – will be influenced by (1) does the Brazilian farmer continue to sell its crop? (2) USD-Real exchange rate. (3) do funds add to their position and (4) headline risk – are there enough South American production threats to “feed” the funds?



World soymeal (SMK17) price & oil share outlook



Chicago soymeal futures – will be influenced by (1) does the Argentine farmer reward this up-leg? (2) board crush remain firm? (3) price relationship to soy oil – oil share. (4) does world soymeal demand shift back to the U.S. ?



World soy oil (BOK17) price outlook



Chicago soy oil futures – will be influenced by (1) does soy oil used in U.S. biodiesel decline with no \$1 / gallon blenders credit? (2) what does palm oil do – and the spread between Argentine BO? (3) other edible oils – sun & canola and (4) oil share – relationship to soymeal



Demand: growing demand to compete for world exportable supplies

Commodity	Country	Population (persons)	2006 demand (KMT)	2016 demand (KMT)	Growth	Imports - 2006 (KMT)	Imports – 2016	Per capita	
Soymeal	Sri Lanka	20.81 mil	122	225	84%	123	230	10.8 kg	
	Algeria	54.4 mil	622	1550	149%	--		28.5 kg	
	India	1.327 bil	1070	4970	364%	3	0	3.74 kg	
	Iran	80 mil	4650	8600	85%	817	1550	107.5 kg	
	Pakistan	192.8 mil	3100	5500	77.4%	350	650	28.5 kg	
	Bangladesh	162.9 mil	361	1304	261%	317	300	8 kg	
	Brasil	209.6 mil	10718	16600	55%			79.2 kg	
	Europe			33525	31692	-5.5%	22362	21150	
	China	1.382 bil	27630	66638	141%			48.2 kg	
	WORLD	7.462 bil	150468	225525	50%	52741	66457	30.2 kg	

Demand: growing demand to compete for world exportable supplies

Commodity	Country	Population (persons)	2006 demand (KMT)	2016 demand (KMT)	Growth	Per capita
Veg oil	Indonesia	258.3 mil	4994	12059	141%	46.7 kg
	China	1.387 bil	21173	35660	68.4%	25.7 kg
	India	1.267 bil	11195	22941	105%	18.1 kg
	Philippines	102.6 mil	878	1674	90.7%	16.3 kg
	Pakistan	192.8 mil	2802	4626	65.1%	24 kg
	Bangladesh	162.9 mil	1253	2504	100%	15.4 kg
	Vietnam	95.3 mil	598	1241	107.5%	13 kg
	Australia	23 mil	343	614	79%	26.7 kg
	Nigeria	186 mil	1820	2214	21.6%	11.9 kg
	U.S.	324 mil	11700	14988	28%	46.3 kg
WORLD		7.462 bil	123233	194358	57.7%	26 kg

World crush (& capacity) is expanding in key, growth countries

Commodity	Country	2006 crush (KMT)	2016 crush (KMT)	Growth
Soybean crush	Bangladesh	154	1250	711%
	Bolivia	1670	2250	35%
	China	35970	86500	140.5%
	Egypt	1150	2400	109%
	India	6500	9000	38.6%
	Mexico	3800	4650	22.45
	Pakistan	30	1750	58.3%
	Russia	750	4250	467%
	Thailand	1406	2200	56.5%
	Turkey	430	1000	132.6%
	Vietnam	--	1400	MASSIVE
	World		195423	290341



About ConsiliAgra

ConsiliAgra is a global brokerage & consulting 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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