

OUTLOOK ON AGRICULTURAL COMMODITY MARKETS

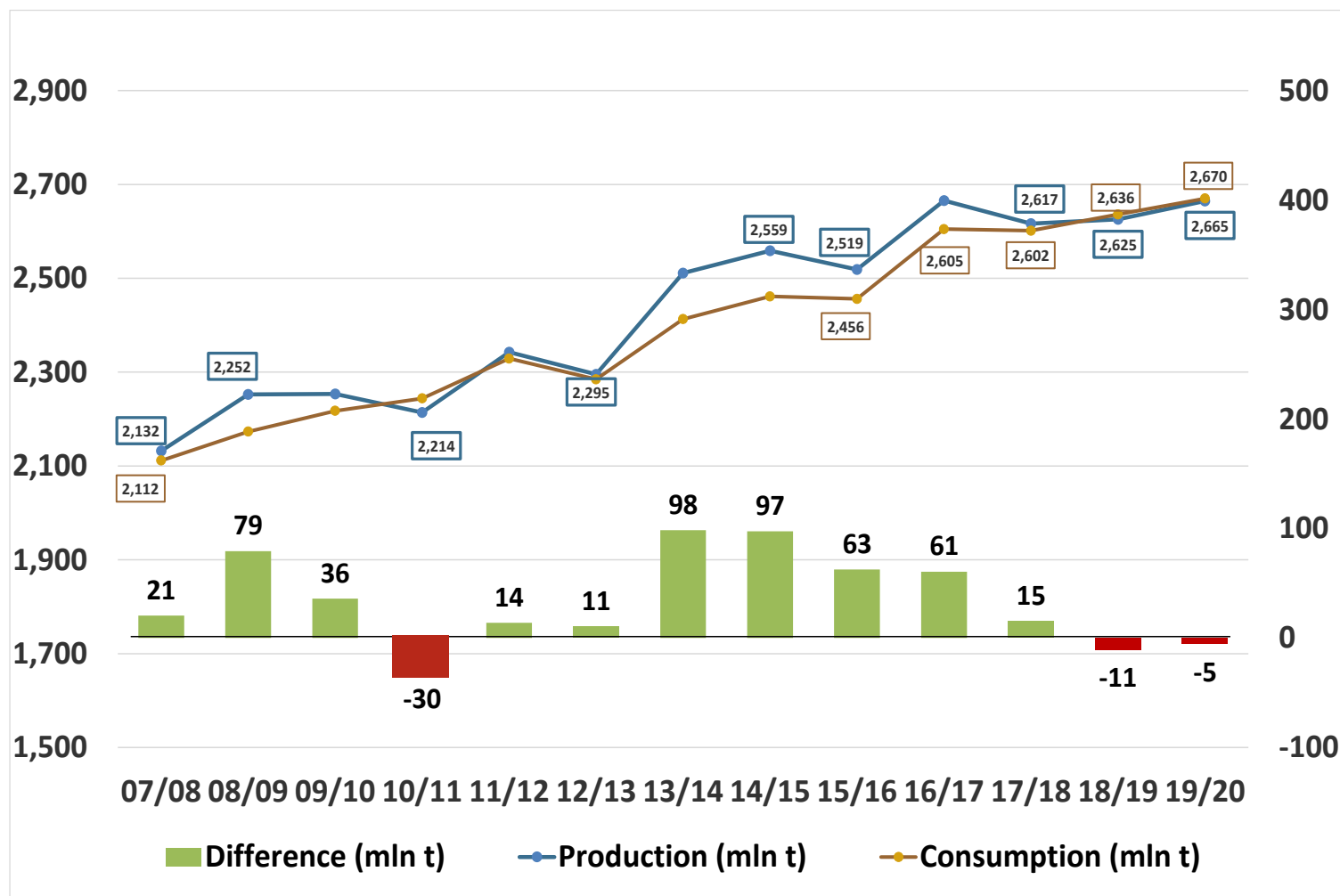
Oliver Balkhausen

ADM

Brussels, September 30, 2019

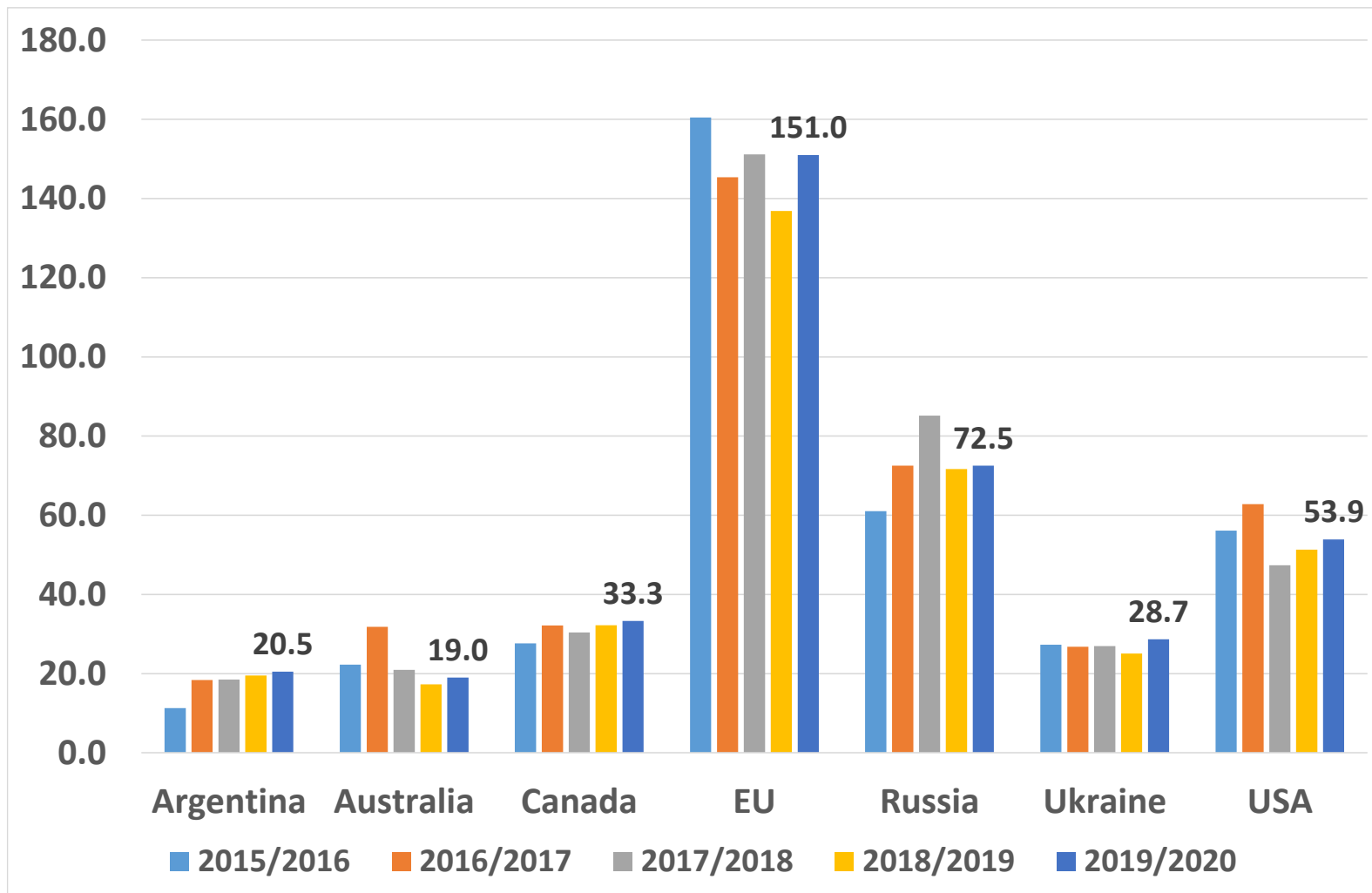


World: Grain Production and Use (mln t)



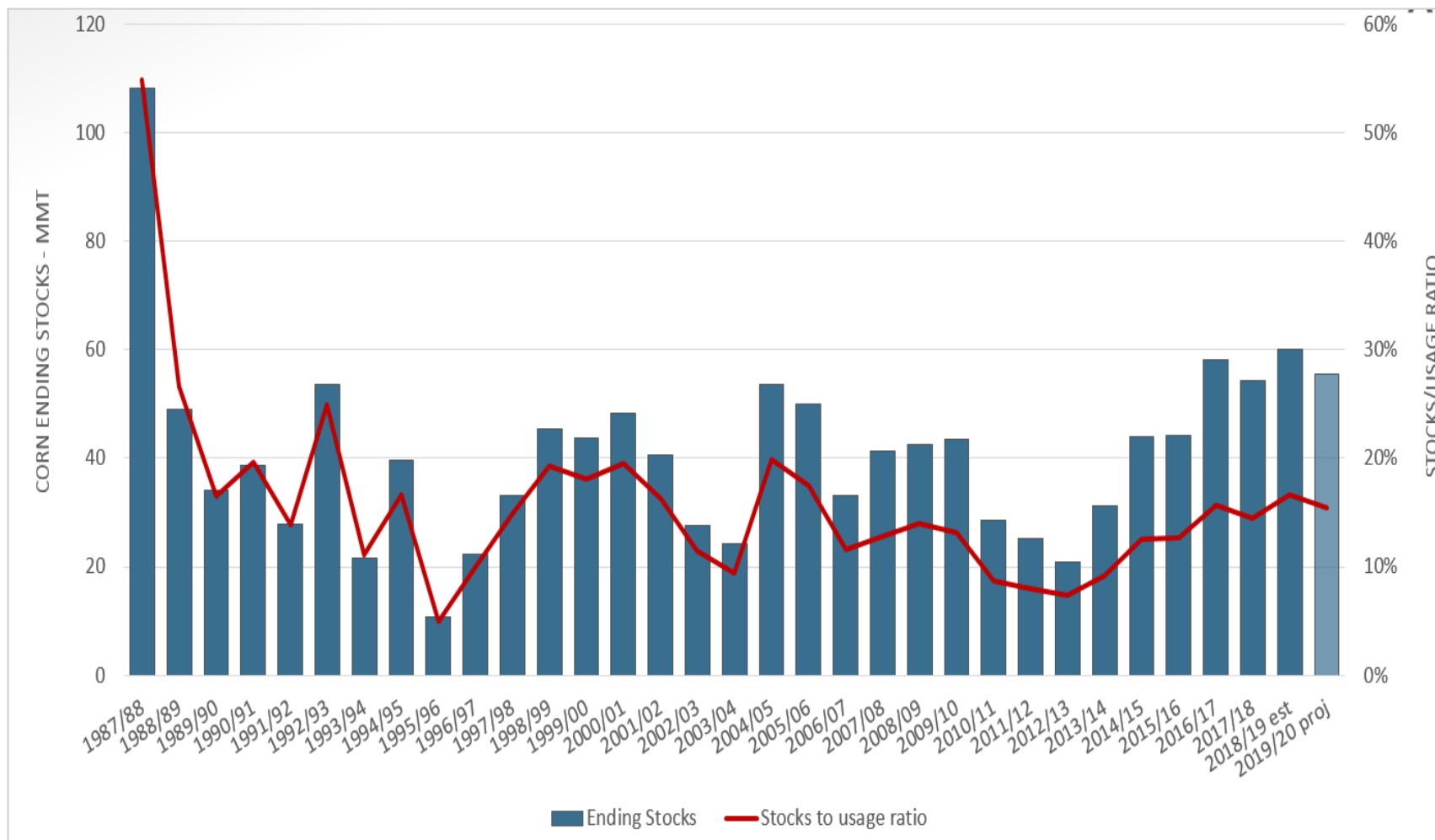
Source: USDA

Wheat Production in Major Exporting Countries (mln t)



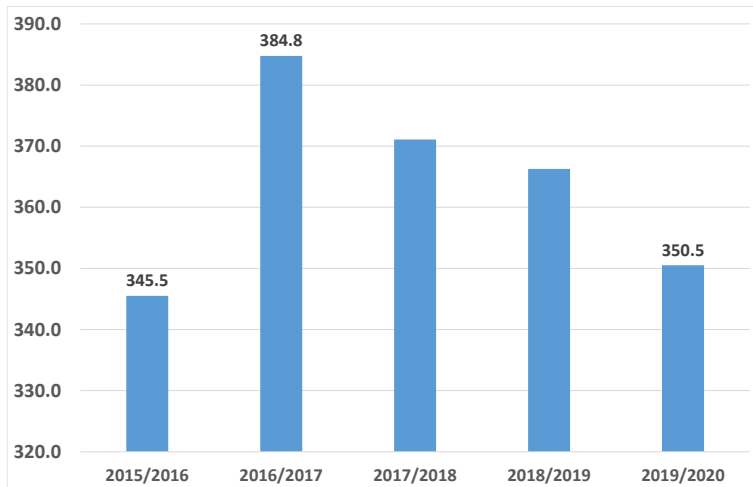
Source: USDA

USA: Corn Supply and Demand (in mln t)

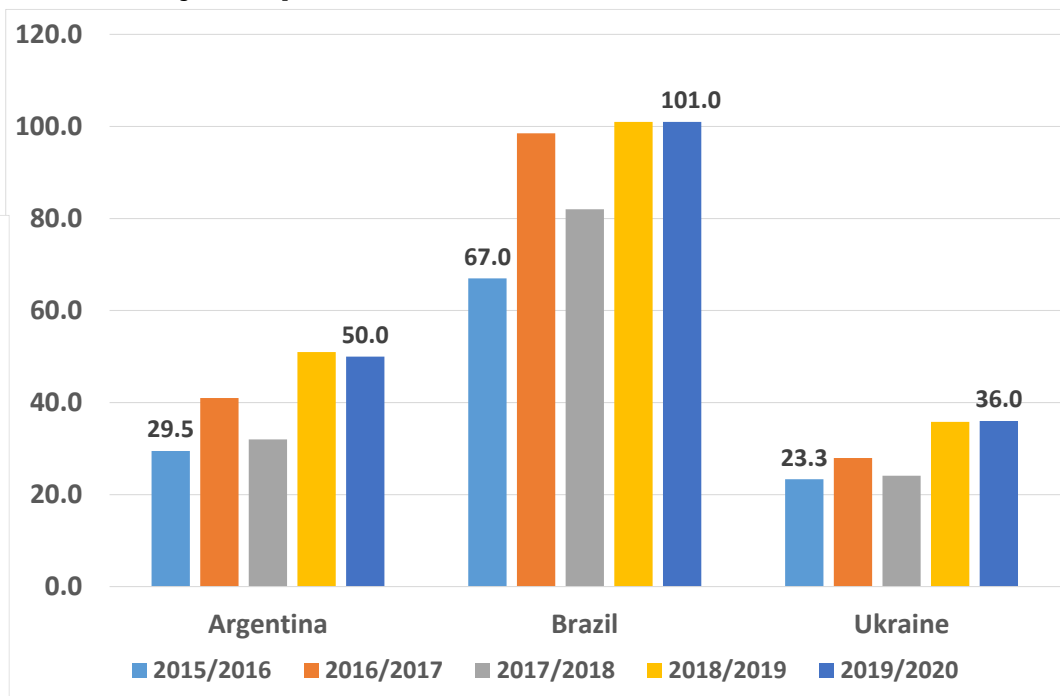


Corn Production in Major Exporting Countries (in mln t)

USA

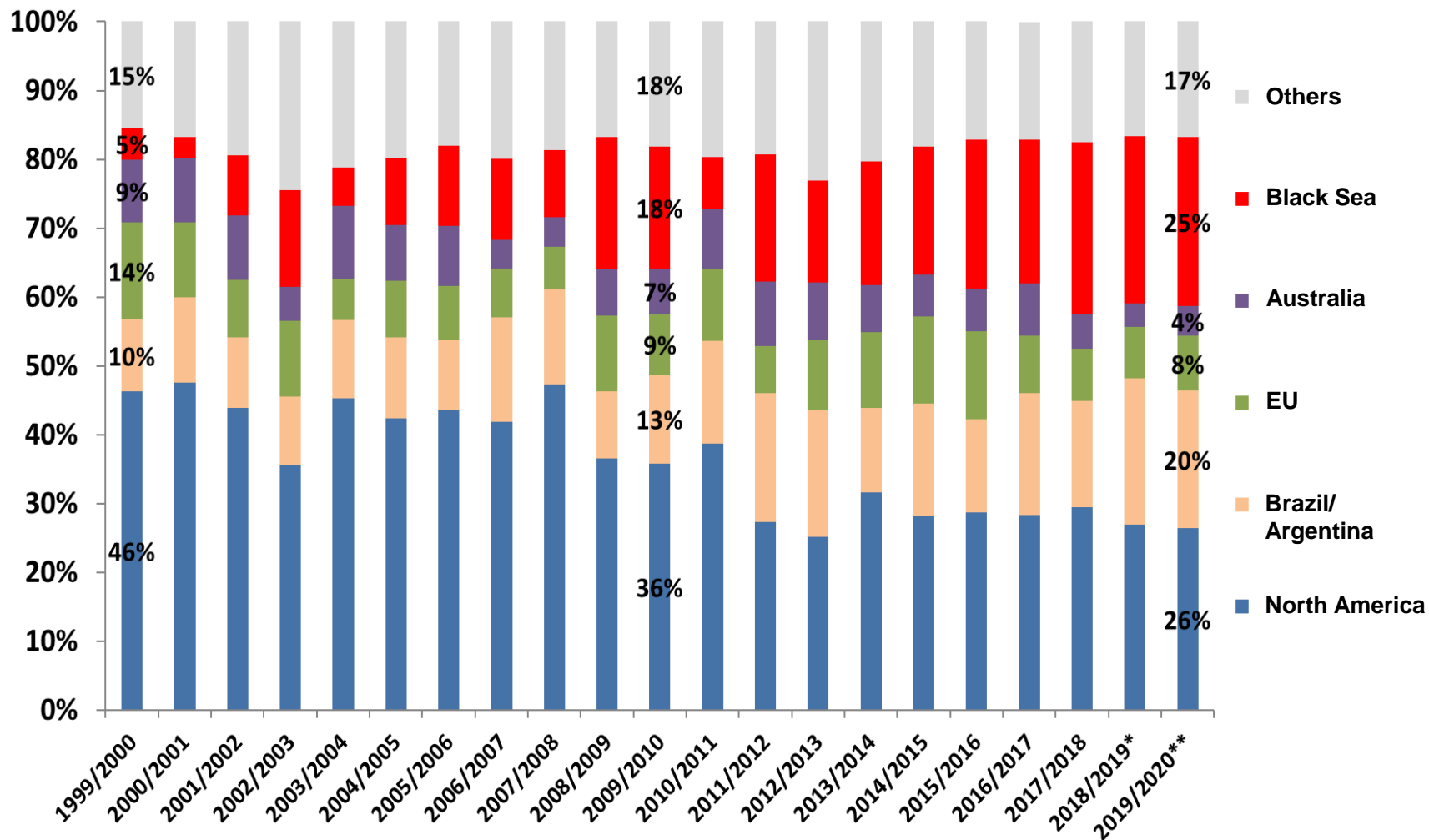


Other major exporters



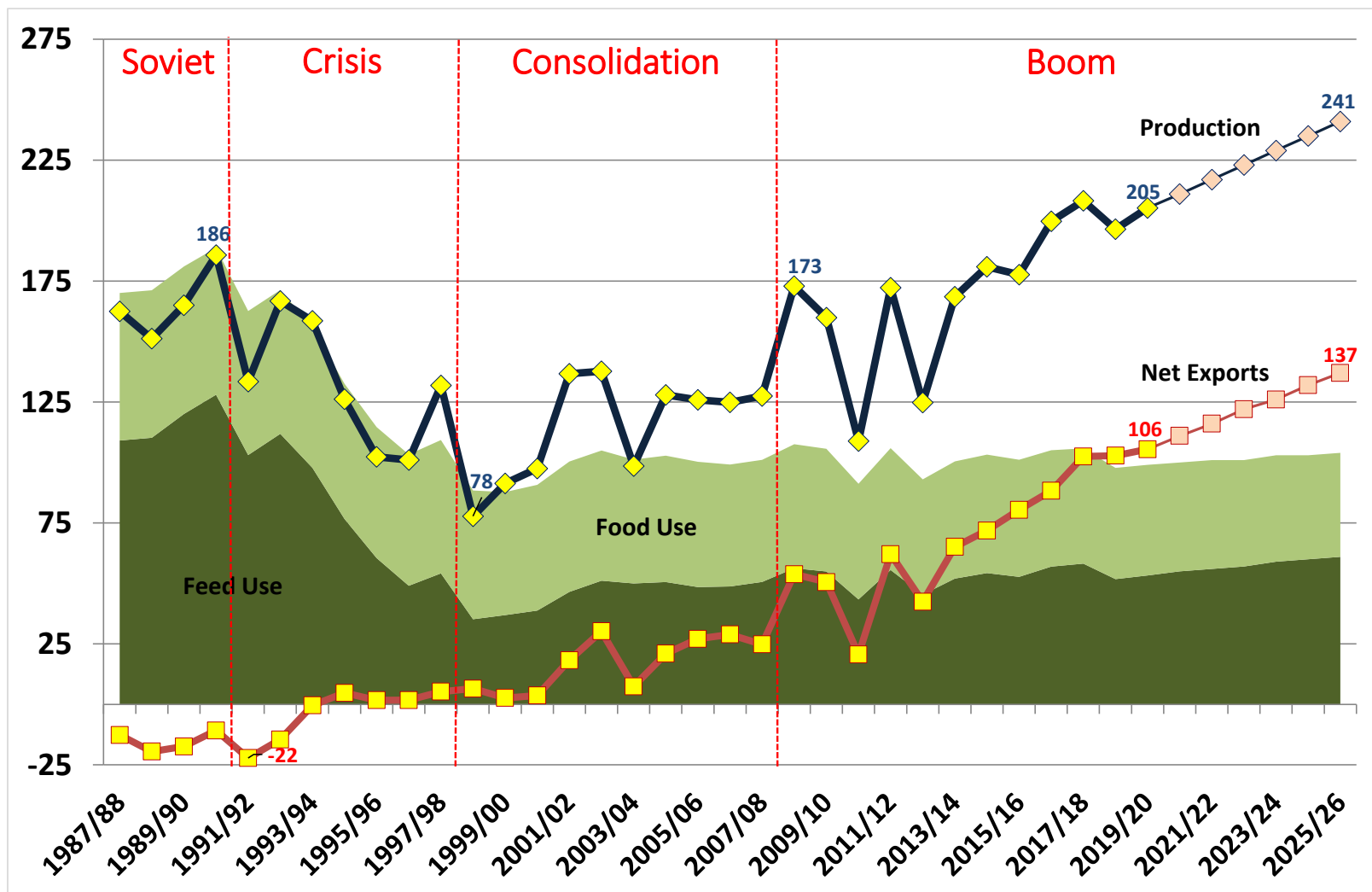
Source: USDA

Share in global Grain Exports (in %)

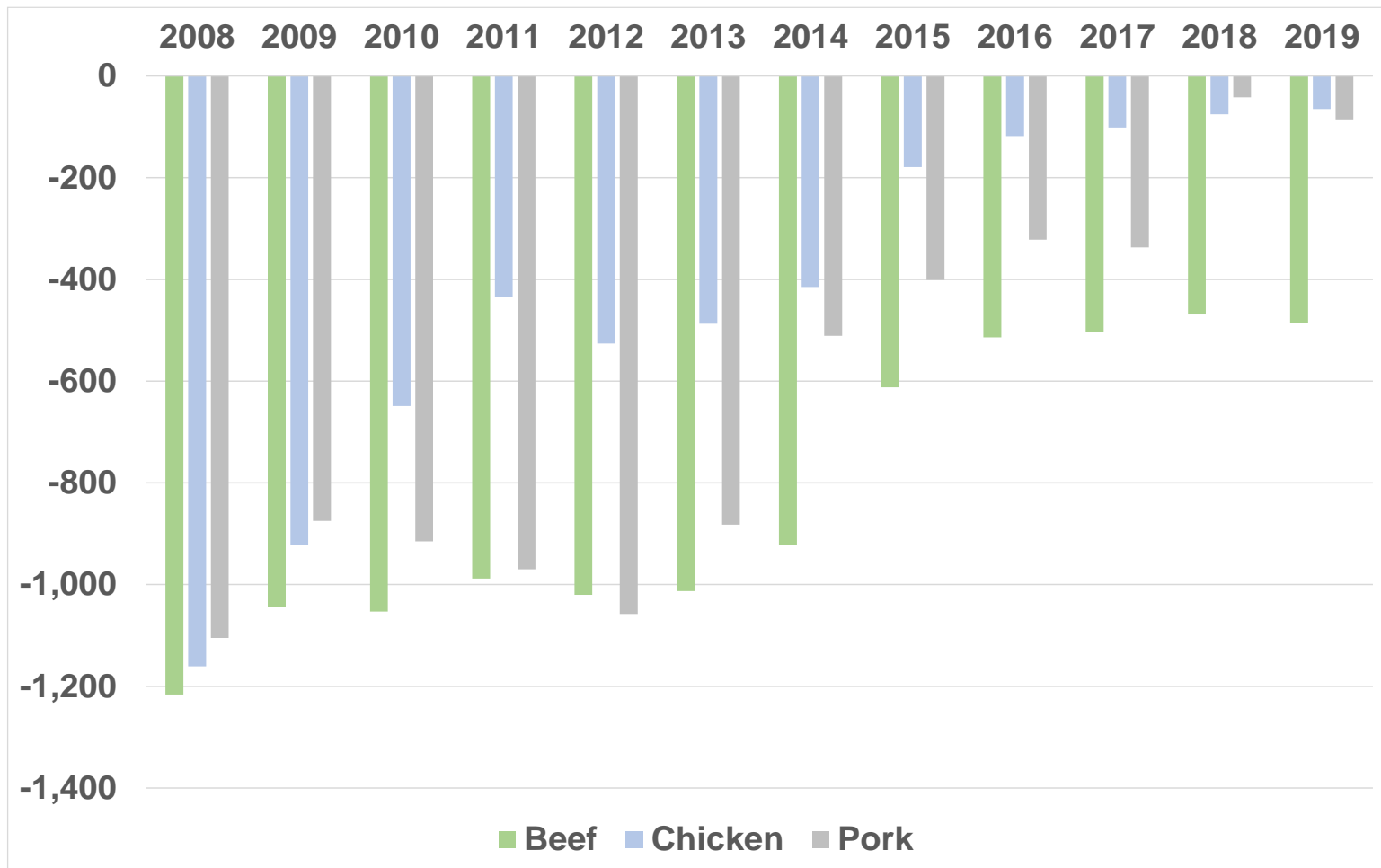


Source: USDA

Russia Ukraine Kazakhstan : Grain Supply and Demand (mln t)

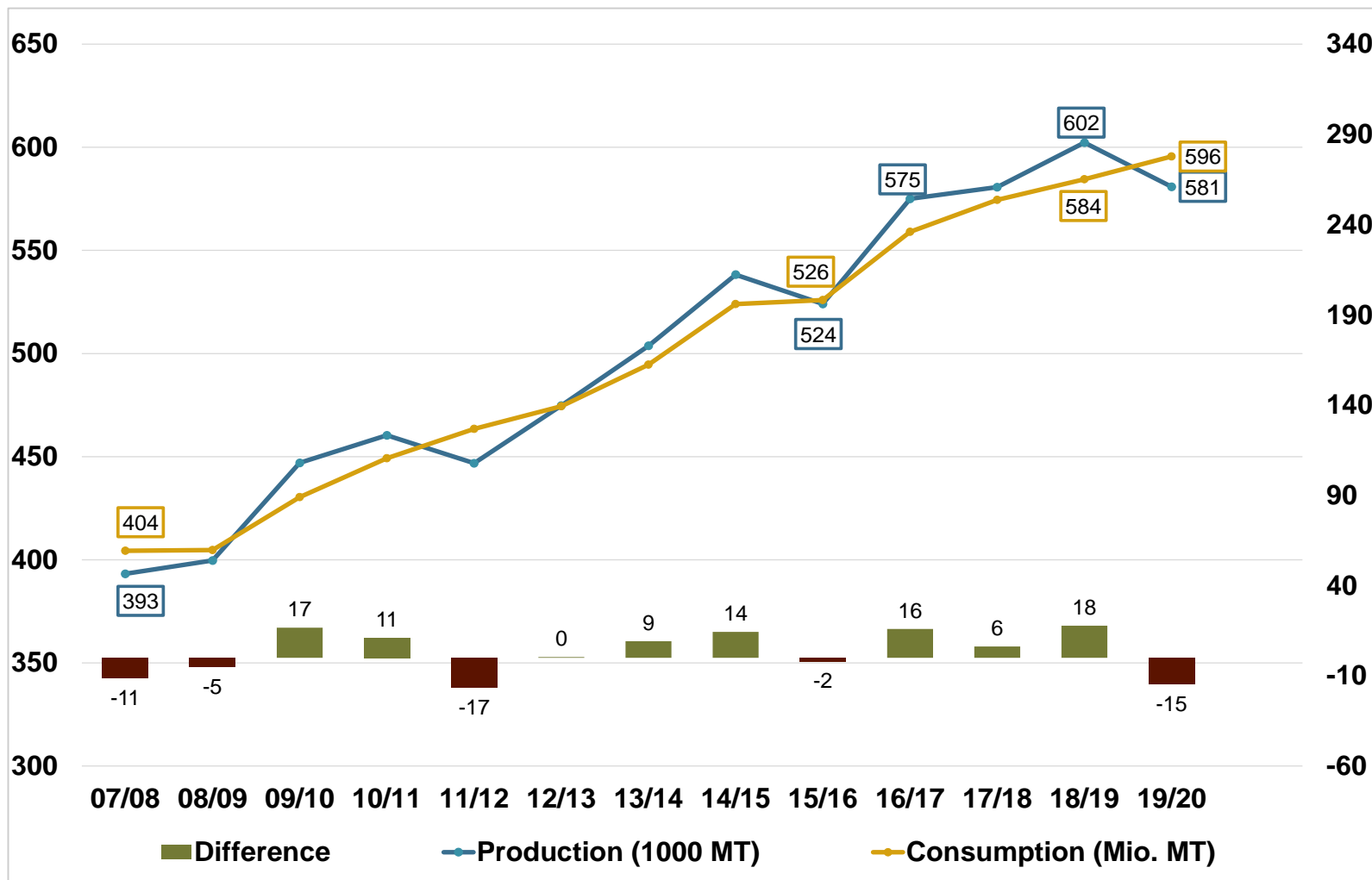


Russia: Net meat trade (1,000 t)



Source: IHS

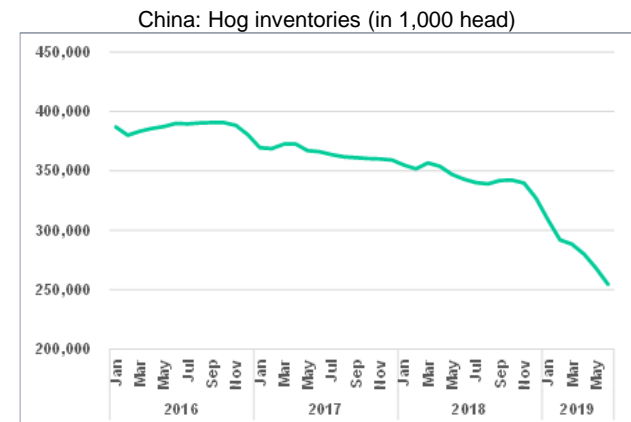
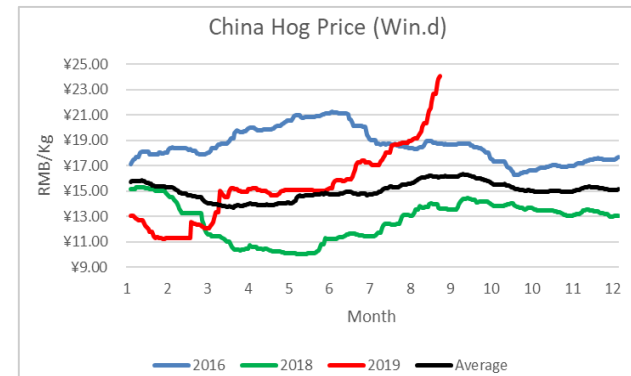
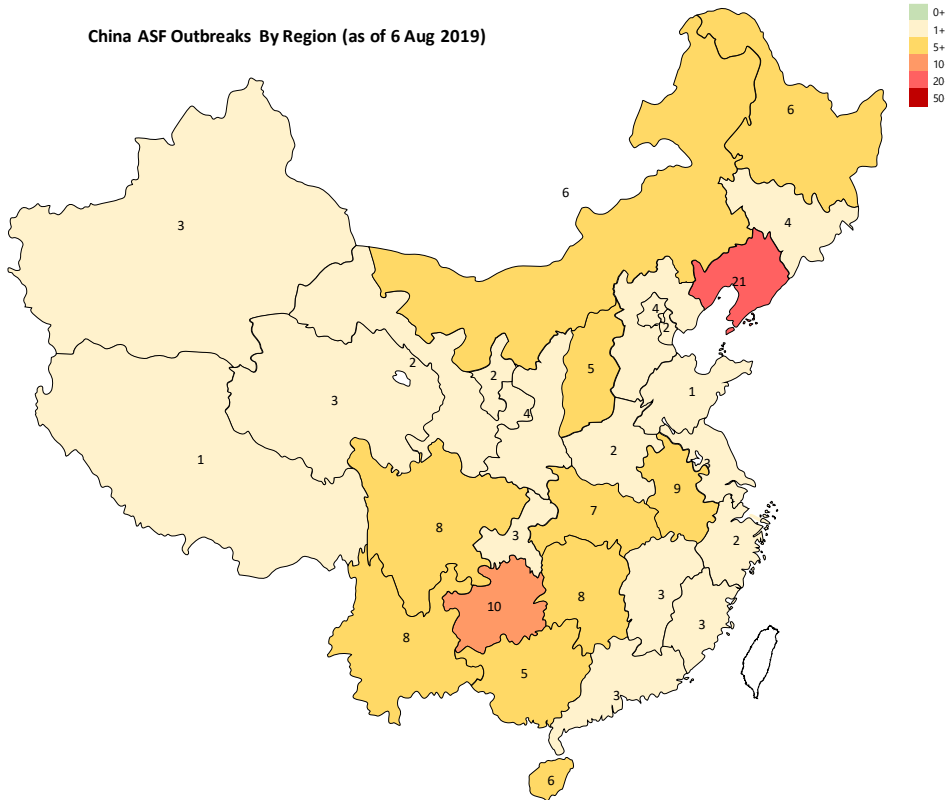
World: Oilseed Production and Use (mln t)



Source: USDA

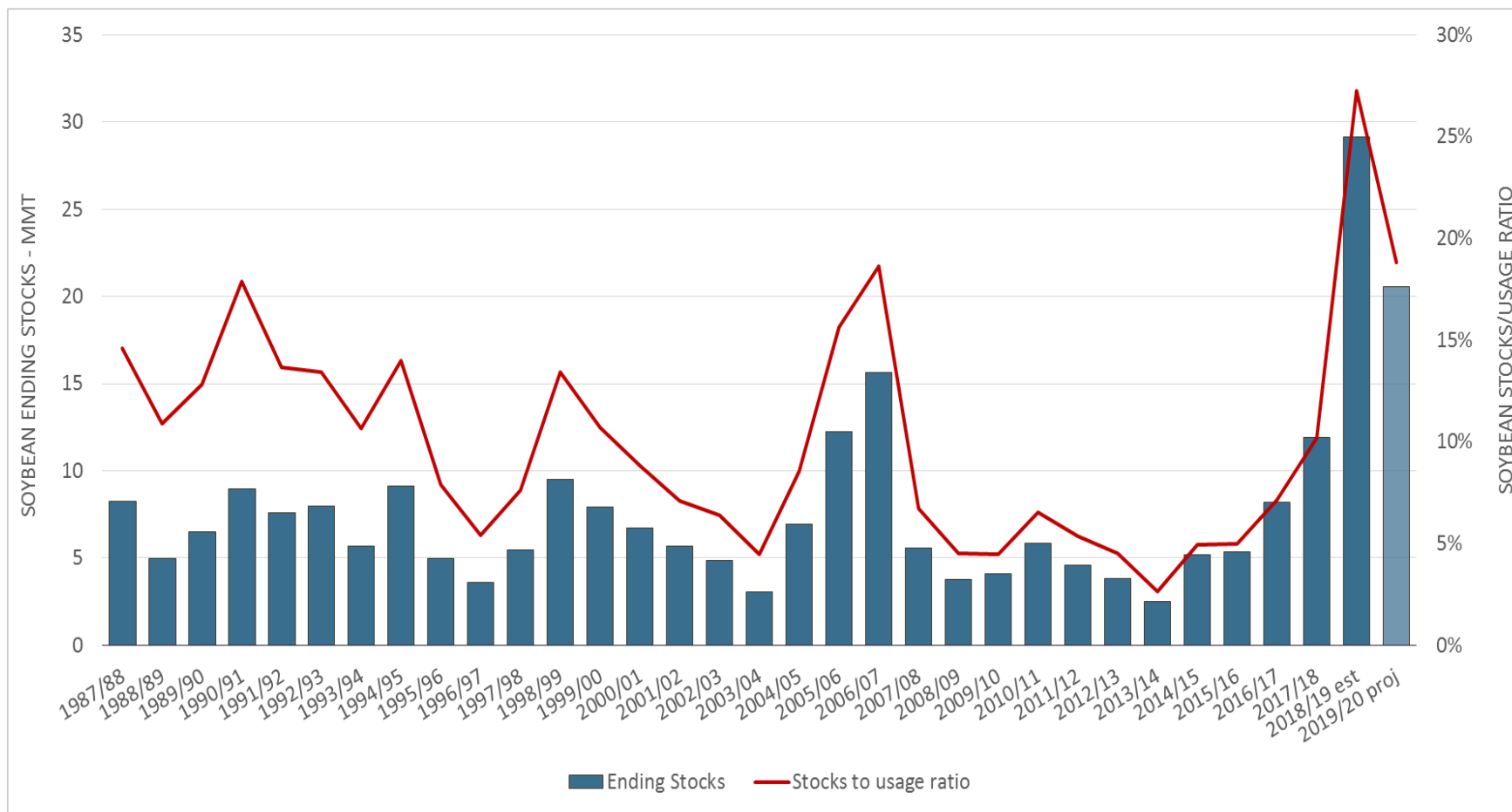
China: African Swine Fever

China ASF Outbreaks By Region (as of 6 Aug 2019)



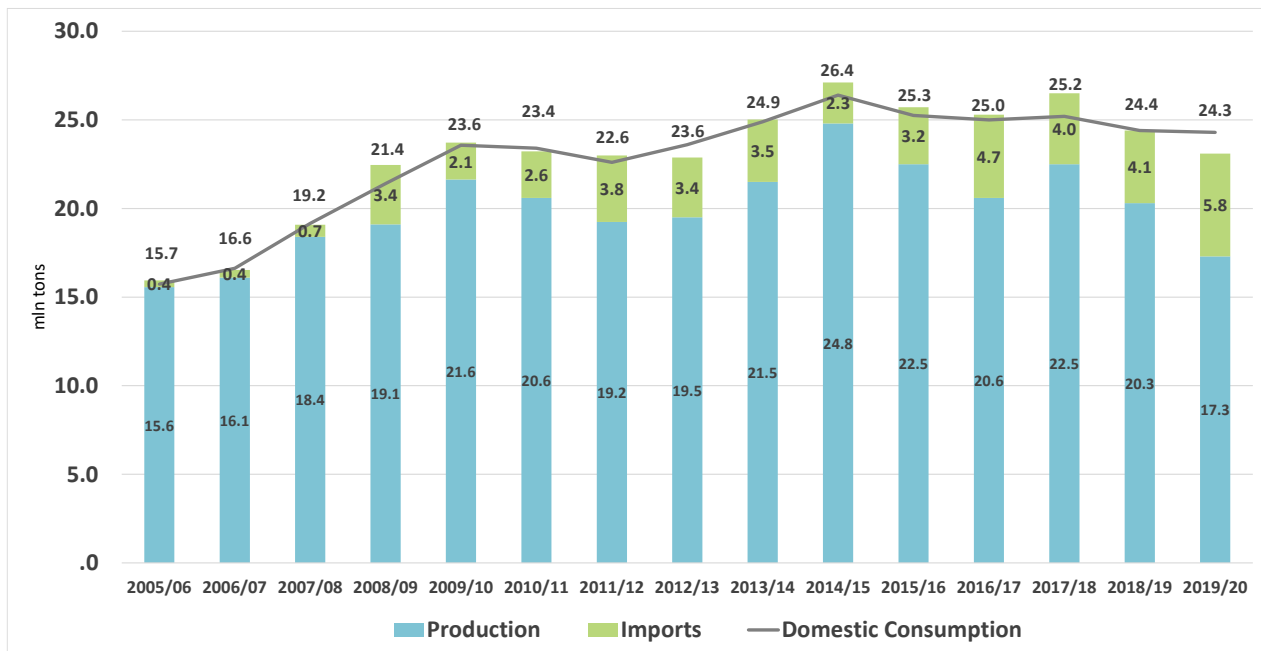
Source: OIE, MARA China, WIN.D

USA: Soybean Ending Stocks (in mln t)

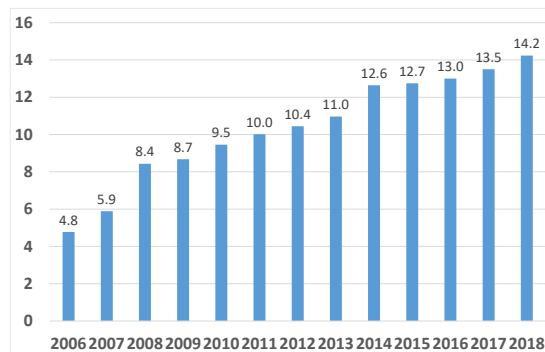


Source: USDA

EU: Rapeseed Supply and Demand (in mln t)



EU Biodiesel output (mln t)



Source: IHS, F.O. Licht, ADM

Summary and Outlook

■ Grains

- Global grain markets are well supplied.
- Due to probably good US corn yields, global grain prices are likely to remain subdued throughout much of the marketing year.
- One or two years with multiple crop failures throughout the world are needed to significantly change the current pattern.

■ Oilseed complex

- Both the trade war and ASF continue to weigh on the market (especially in the US).
- Strong oil share (meal demand low, while a high oil demand is facing only moderate supplies, which is especially true for rapeoil).
- EU rapeseed production should not reach previous levels anymore.

EU & GLOBAL GRAIN TRADE CHALLENGES

Jean-François Lepy
Soufflet Négoce
Brussels, September 30, 2019



EU Competitiveness in the grain value chain

- **Farm profitability worries**
 - Depressed world market prices environment under cost of production
- **Importance & impact of agricultural policy**
 - New Common Agricultural Policy :
what will be the effect on cost of production of greener objectives?
 - Trend of adding constraints from national policy of member states : Impacts on EU trade?
- **AgTech : New Breeding Techniques**
 - A key tool for further competitiveness & better market segmentation

EU Competitiveness in the grain value chain

- **Logistic is essential for our competitiveness**
 - Rising logistic costs on old infrastructure
 - Silos (unfit for traceability, non insecticide storage ...)
 - Rail freight (maintenance of rail tracks)
 - River logistics (dam maintenance)
 - Rising road transport costs : lack of drivers & environmental issues
 - Water level increasing variability in river system
 - High capex for low to very low return
- **Black Sea and South America have the opposite path**
 - Grain export capacity (port silos) in Ukraine from 35m to in 2014 to 70m to 2019

Market access

- **Exports : non-tariff barriers rising in a trade war context**
 - Fumigation for grain imports: methyl bromide requested in India
 - Phytosanitary pretext: Canadian canola exports to China,
 - Price dumping enquiry: Australian barley exports to China
 - Political ban: Canada products import ban in Saudi Arabia
- **Imports : essentially norm specification barrier on residue**
 - Argentinian corn forbidden in EU due to phenitroton ban

Market access

- **Algeria wheat import dilemma :**
 - Specifications excluding Black Sea wheat : EU 11.5 pro wheat priced at or above 12.5 pro wheat : price « distorsion » to the benefit of EU producer
 - But inefficient in price discovery : as Algeria pays a premium, EU 11.5 cannot go elsewhere than Algeria
- **Prior relaxing bug damage %, same analysis for Saudi Arabia wheat imports and Baltic wheat**
 - Will be interesting to watch the execution of the last tender accepting 0.5% bug damage and price relationship between German/Baltic 12.5 pro wheat and Black Sea 12.5 pro wheat

Sustainability : the new norm forward ?

- **EU customer request : will (is) become (ing) the norm**
 - No simple/cheap solution : is Digital Ag part of the solution ?
- **The case of protein imports**
 - Brazilian soybeans : Deforestation – Climate warming
- **Less of a concern for African & Middle East countries (yet)**

And the players

- **Structural change occurring in the trading sector**
 - From physical cash price to screen based price discovery
 - Importance of future markets
 - Concentrations of players = liquidity on cash market dropping
 - Example of CME Black Sea Wheat contract vs the « paper » FOB Panamax port 12.5 pro Russian Wheat physical market
 - Information is flat : same information everywhere at the same time
 - Diminishing risk appetite due to poor trading return
 - Setting up of large integrated supply chain from farm to end users/ consumers leaving no place