

GLOBAL RISK MANAGEMENT

Commodity Market Update



September 2019

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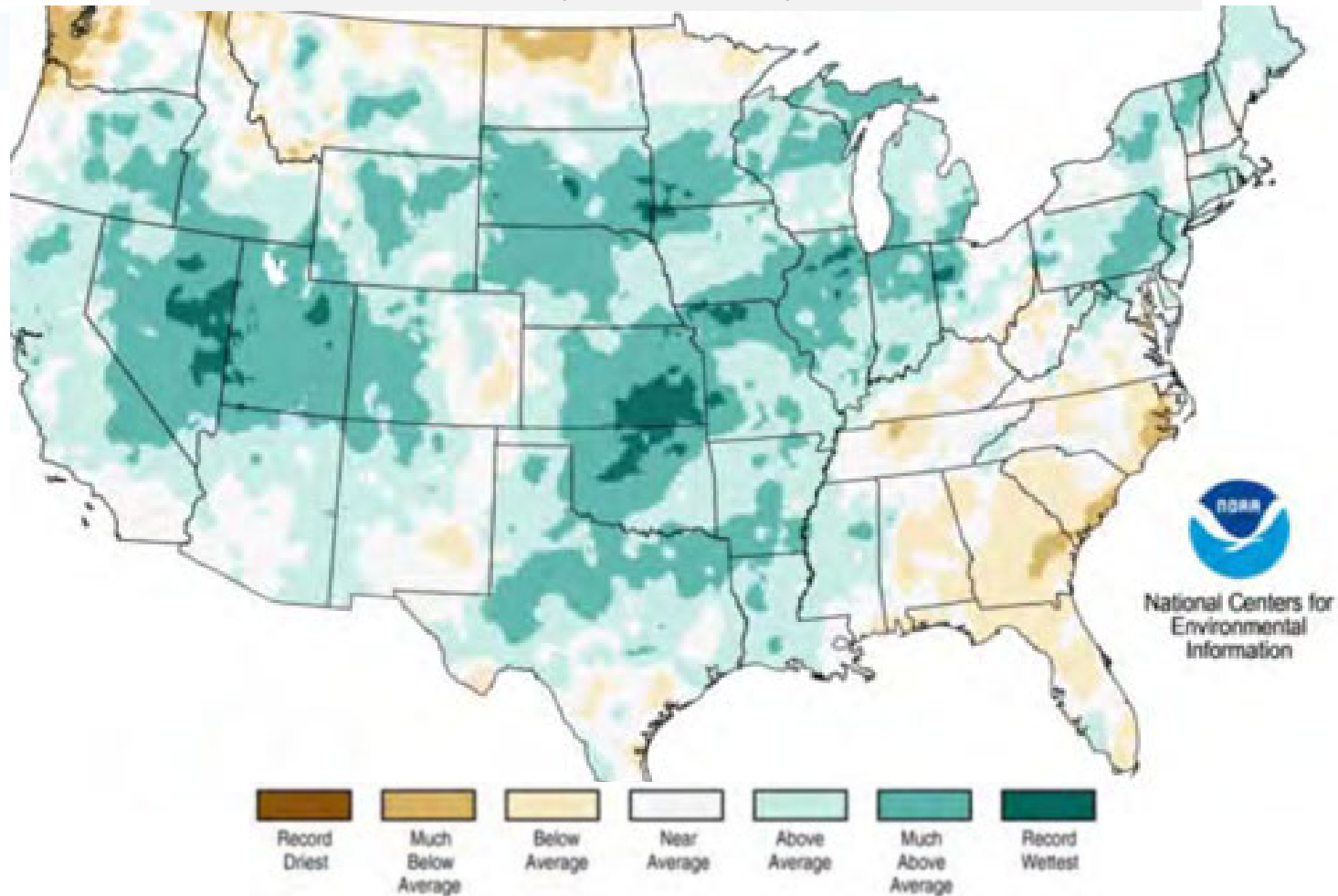


2019 Commodity Market Headlines

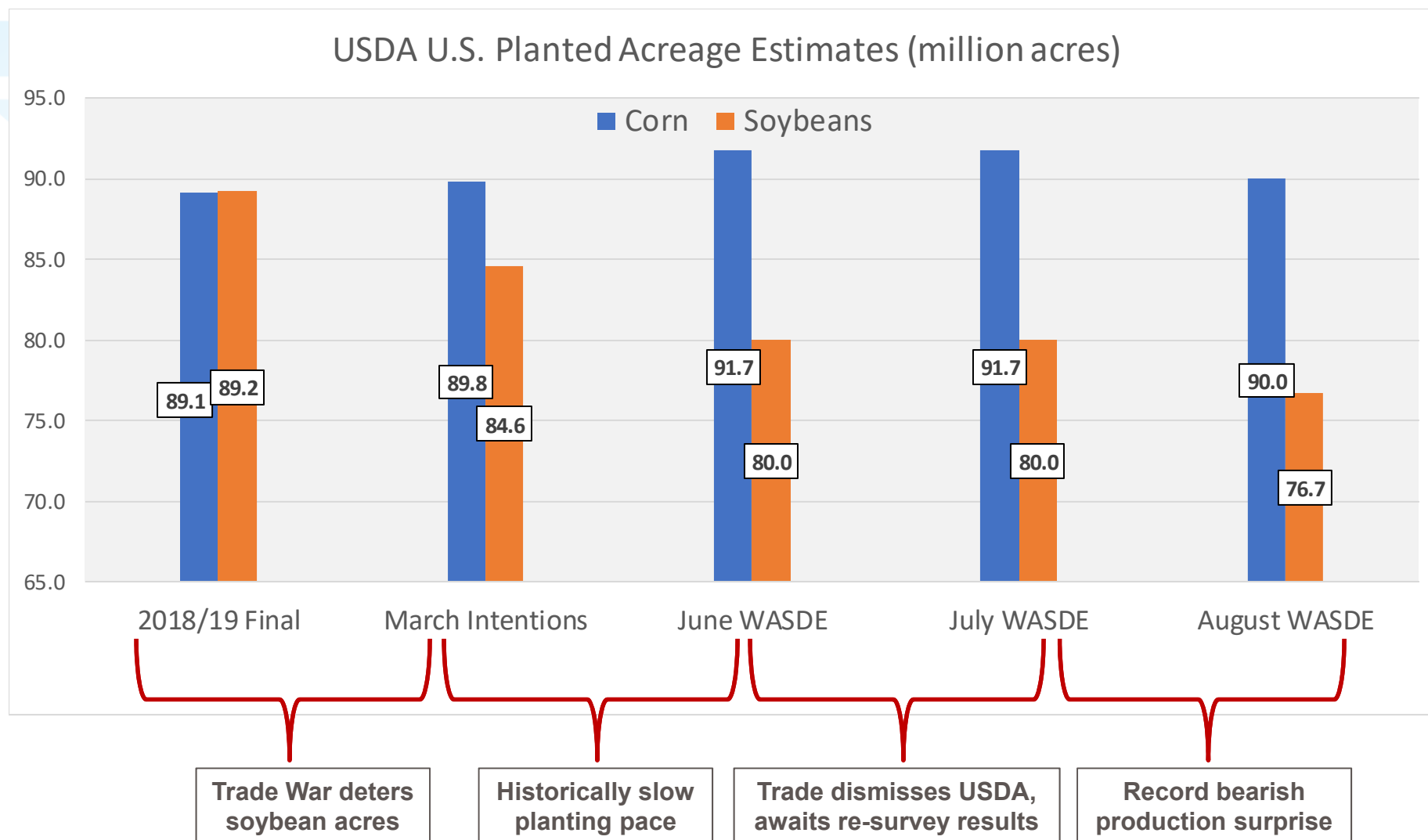
- ❑ Continued large global supplies of grains & oilseeds
- ❑ Huge/record South American production
- ❑ U.S. spring flooding, planting delays
- ❑ U.S. and China Trade War
- ❑ African Swine Fever
- ❑ Global economic concern
- ❑ Currency Volatility
- ❑ Speculative fund positioning

The Spring of 2019 was Historically Wet

Total Precipitation Percentiles Mar – May 2019
(1895 – 2019)



The Great Acreage Debate of 2019





U.S. Corn, Wheat and Soybean Demand

New Crop (19/20) Commitments

U.S. Corn sales of 5.5 MMT vs. 10.4 MMT last year, **-47%** (USDA **-2%**)

U.S. Wheat sales of 11.1 MMT vs. 9.0 MMT last year, **+23%** (USDA **+4%**)

U.S. Soybean sales of 5.6 MMT vs. 13.2 MMT last year, **-58%** (USDA **+4%**)

Demand Headwinds into 2020

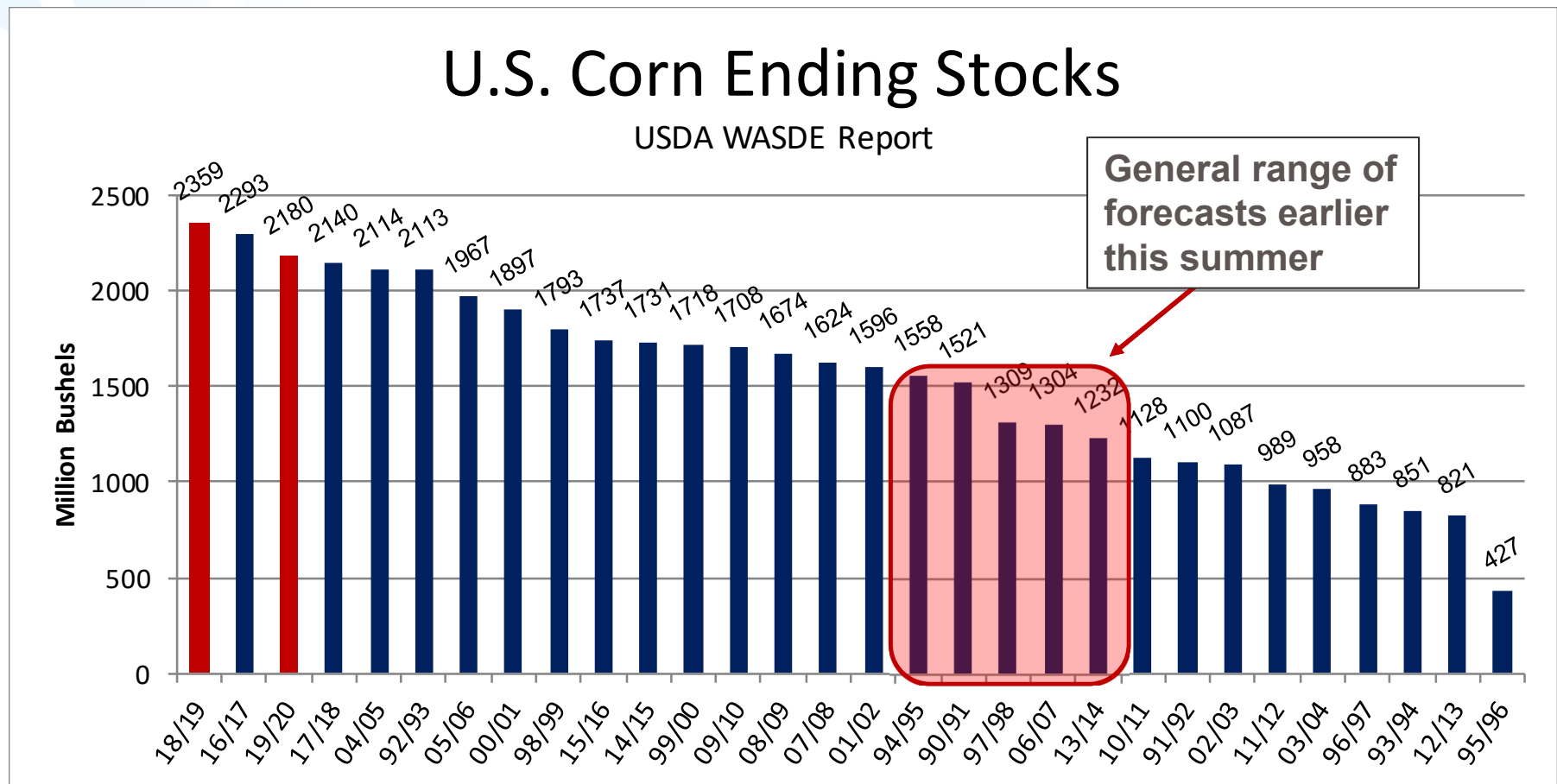
- Flatlined ethanol demand
- Trade War deal before 2020 unlikely
- ASF continues to spread
- Big wheat crops in the EU and FSU
- High 19/20 SAM corn/bean crop potential
- \$USD strength



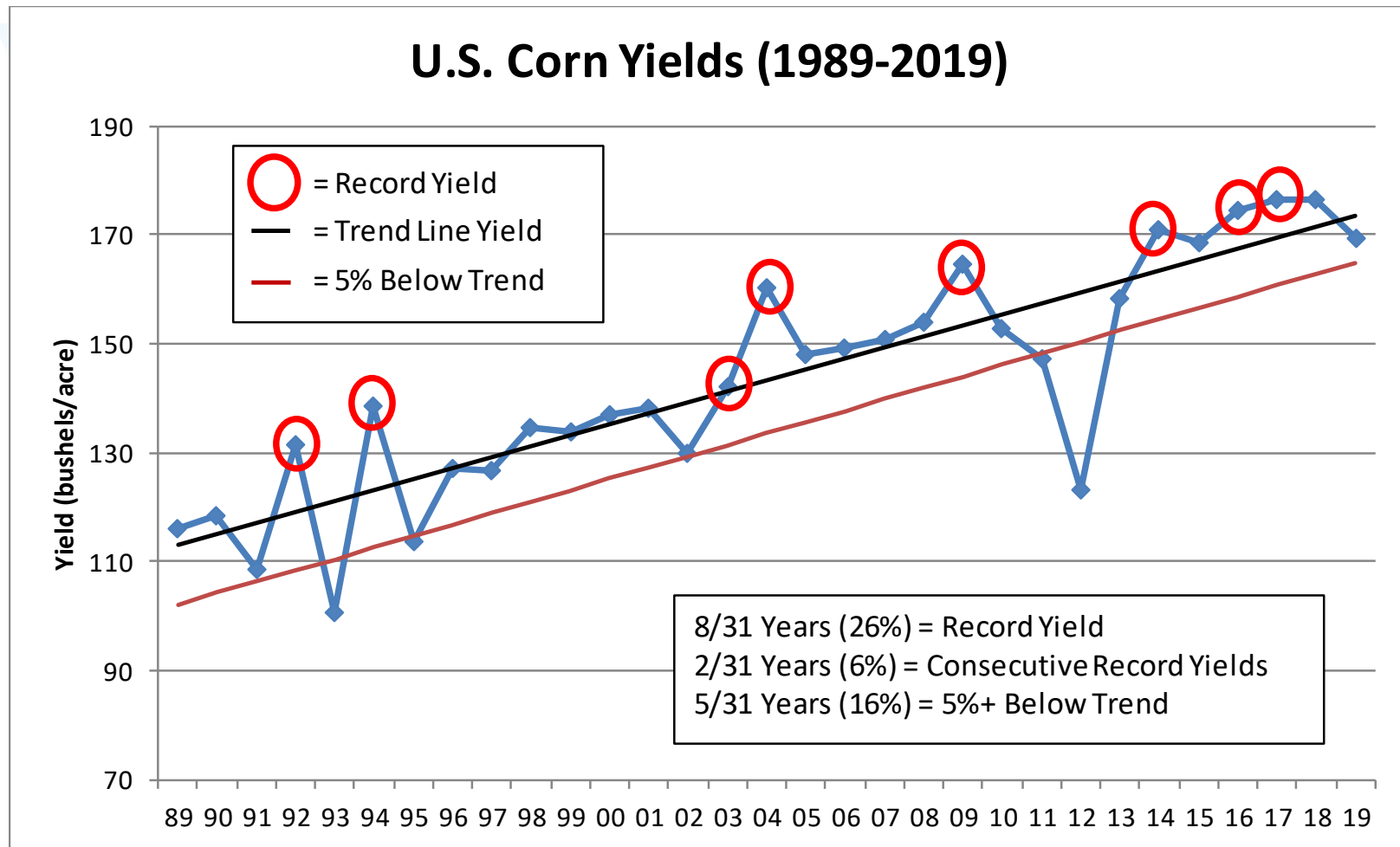
CORN MARKET



U.S. Corn Supply: projected ending stocks above 2 billion are below last year but still historically large

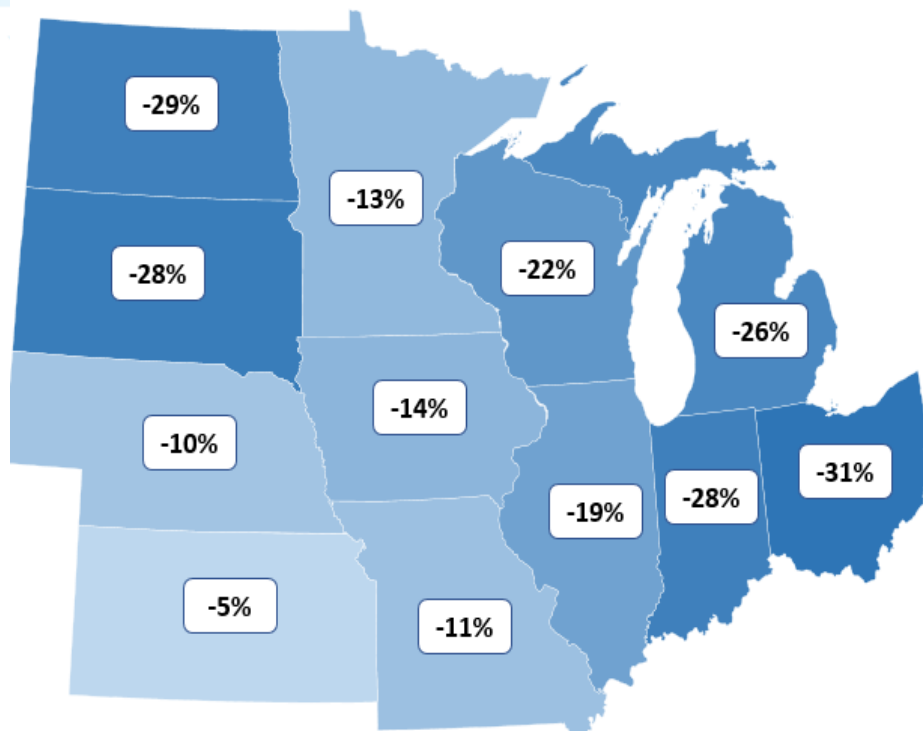


U.S. Corn Yields Slightly Below Trend

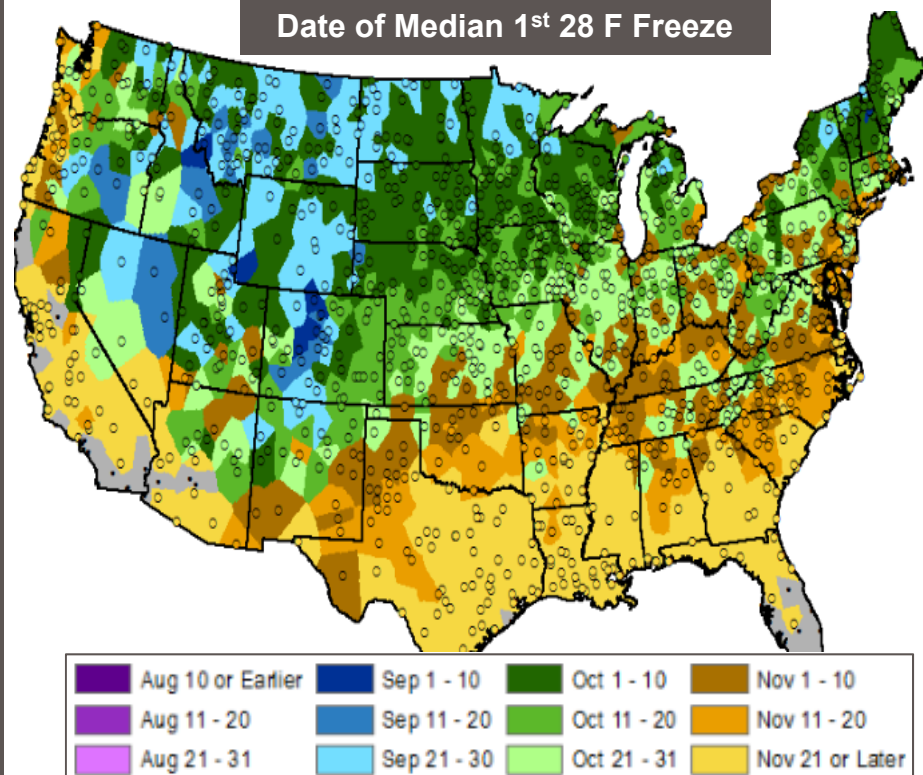


Frost Watch - A Race to Maturity

Corn Dough Progress vs. 5 Year Average (as of late August)



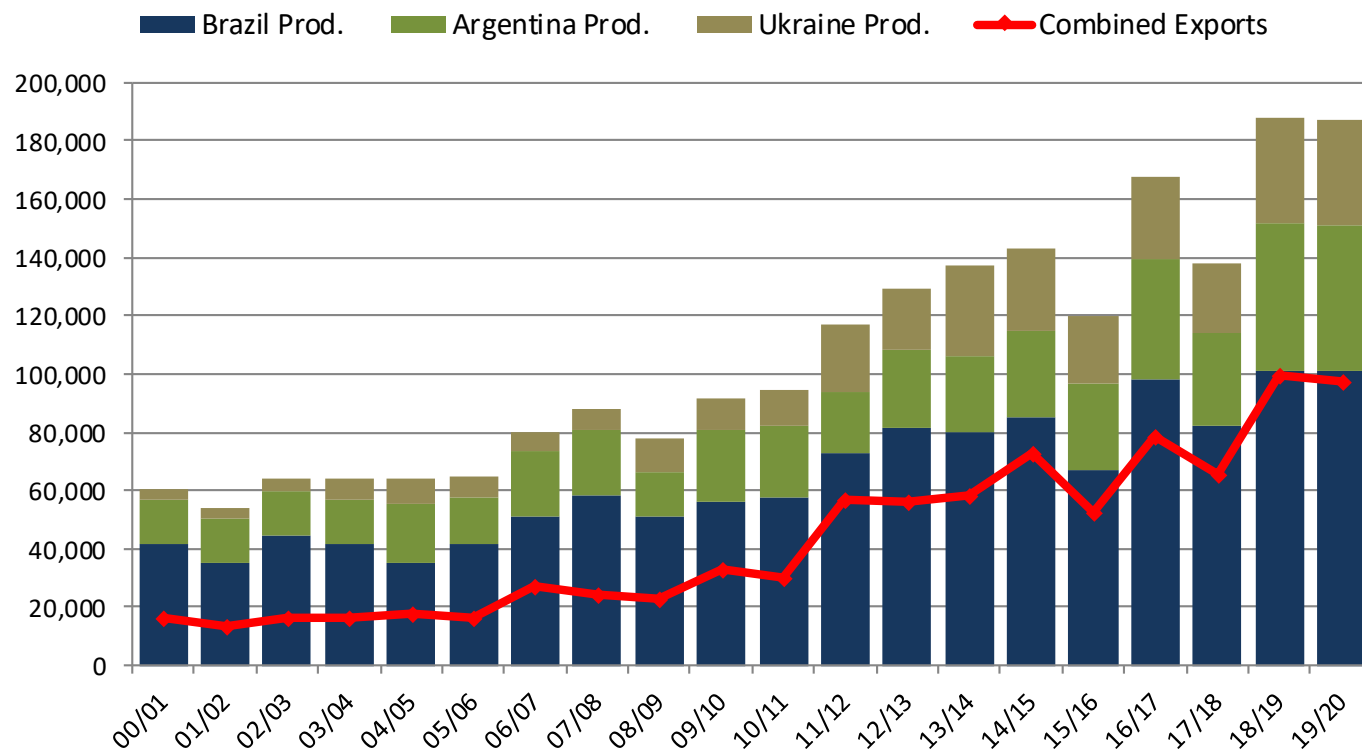
Date of Median 1st 28 F Freeze



- Late planting has put plant development well behind average
- Biggest risks are in the Dakotas and the Eastern Corn Belt
- NOAA's current September forecast does not have a major freeze

Global Corn Exports: record crops for all 3 of the U.S.'s major export competitors

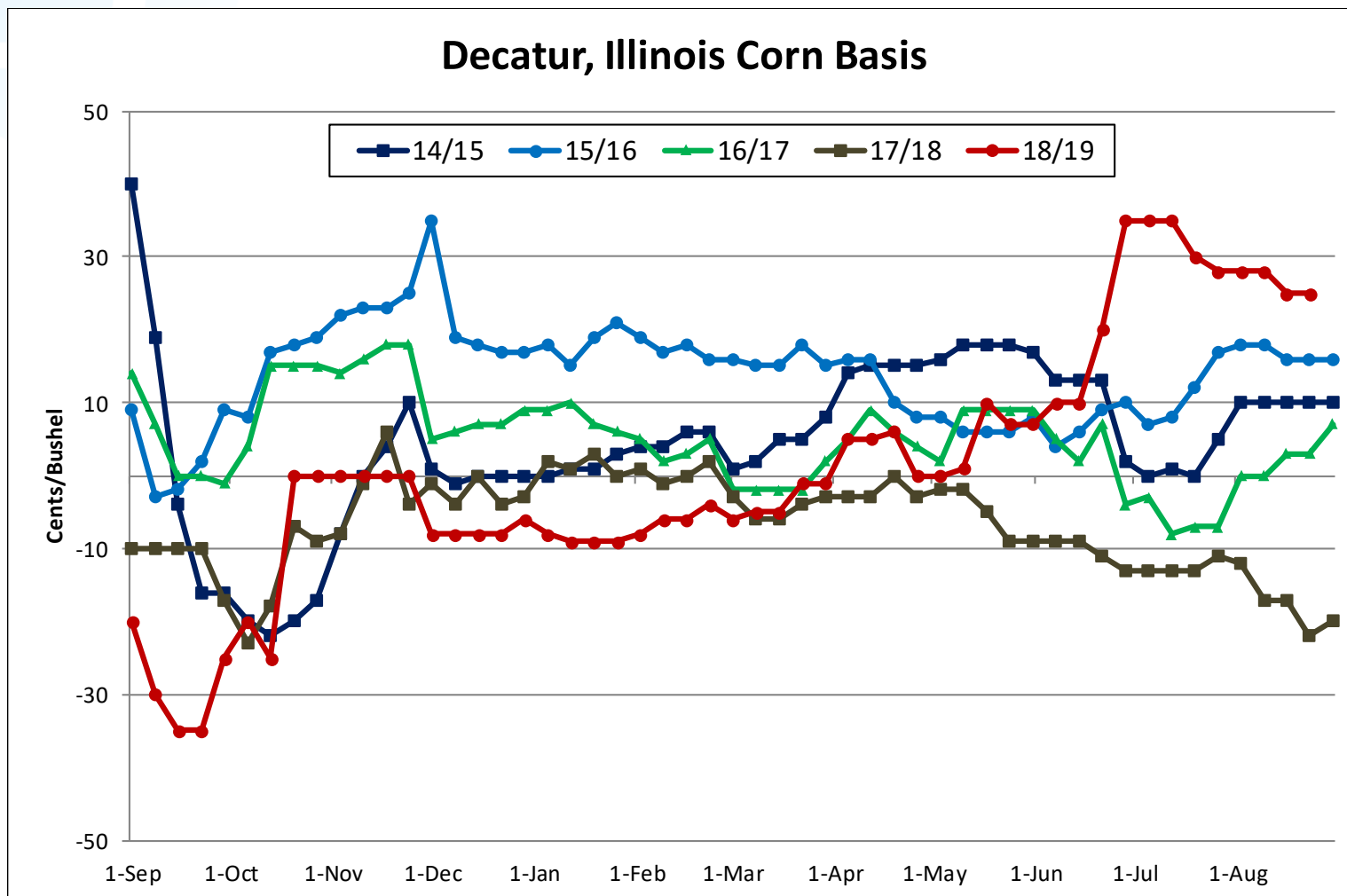
Major Corn Exporters: production & exports



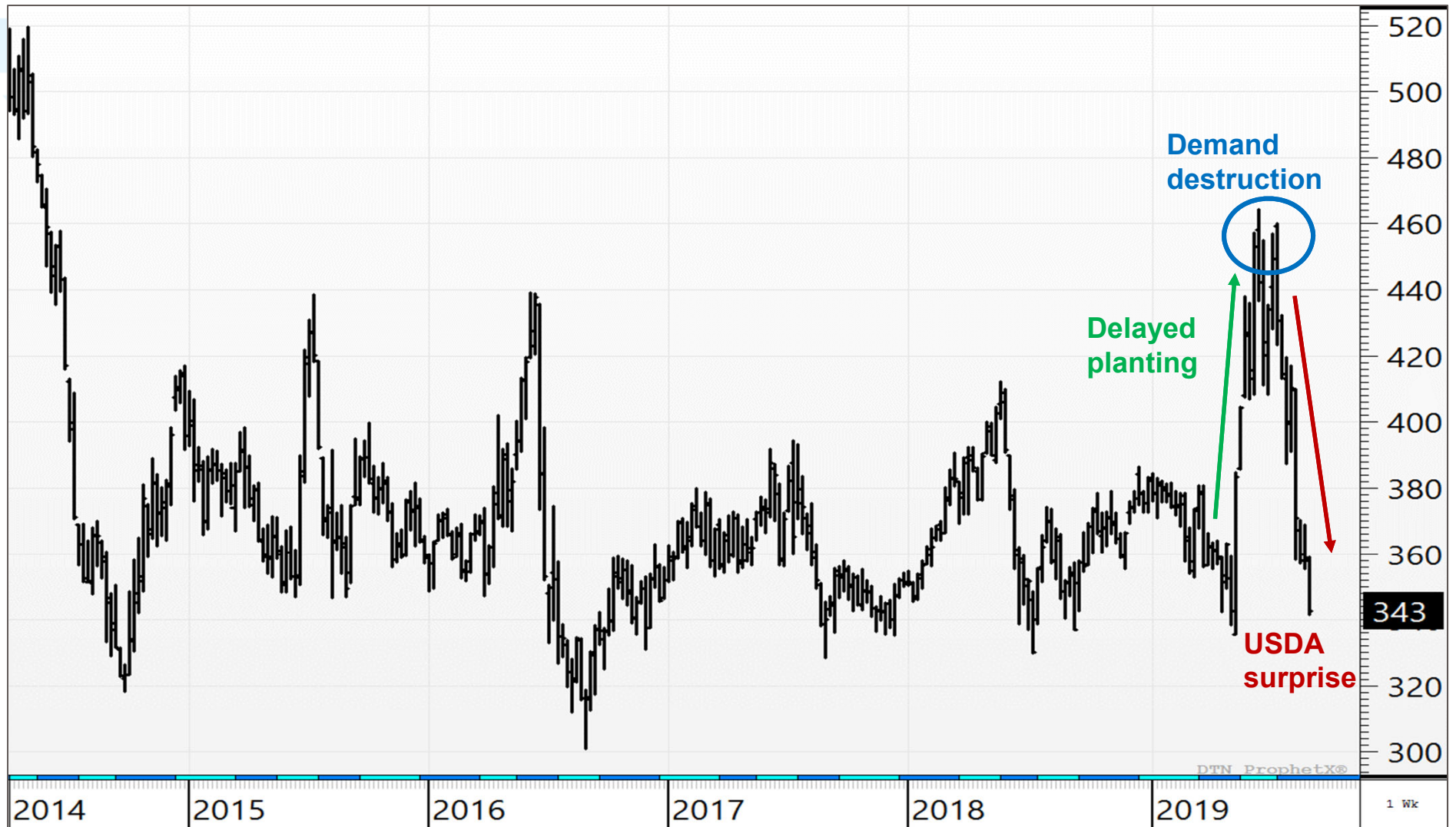
FOB Export Values, spot (\$USD/MT)

U.S. (Gulf)	\$160
Brazil	\$155
Argentina	\$143
Ukraine	\$182

Cash Corn Prices: the threat of shorter crops in the East has rallied corn basis to new highs



Weekly Corn Prices: continuing to fall post August USDA report shock





Corn Market Forward Outlook

Bearish Scenario (▼)

- USDA's production forecast validated at harvest
- Demand struggles continue
- Higher acres/good early S. American conditions

Bullish Scenario (▲)

- Major freeze, surprising acreage revision
- Tight fisted farmer
- Major ethanol mandate change

Outlook: barring a major harvest surprise, look for prices to shed some of the remaining risk premium they have left as we get closer to harvest

- Further demand cuts could partially offset yield/acreage reductions
- Cash corn prices will stay firm, especially in the ECB

WHITE CORN MARKET

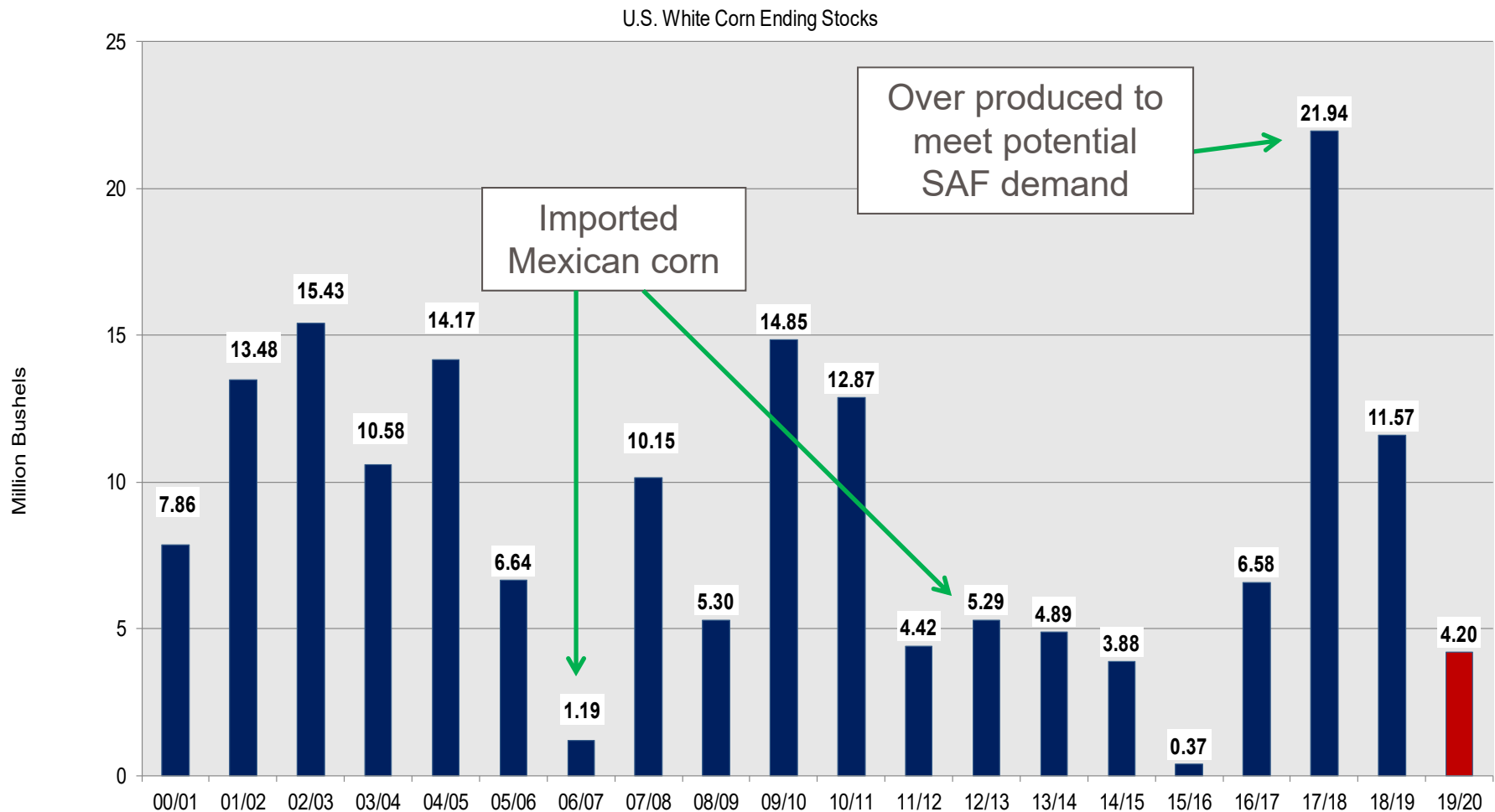




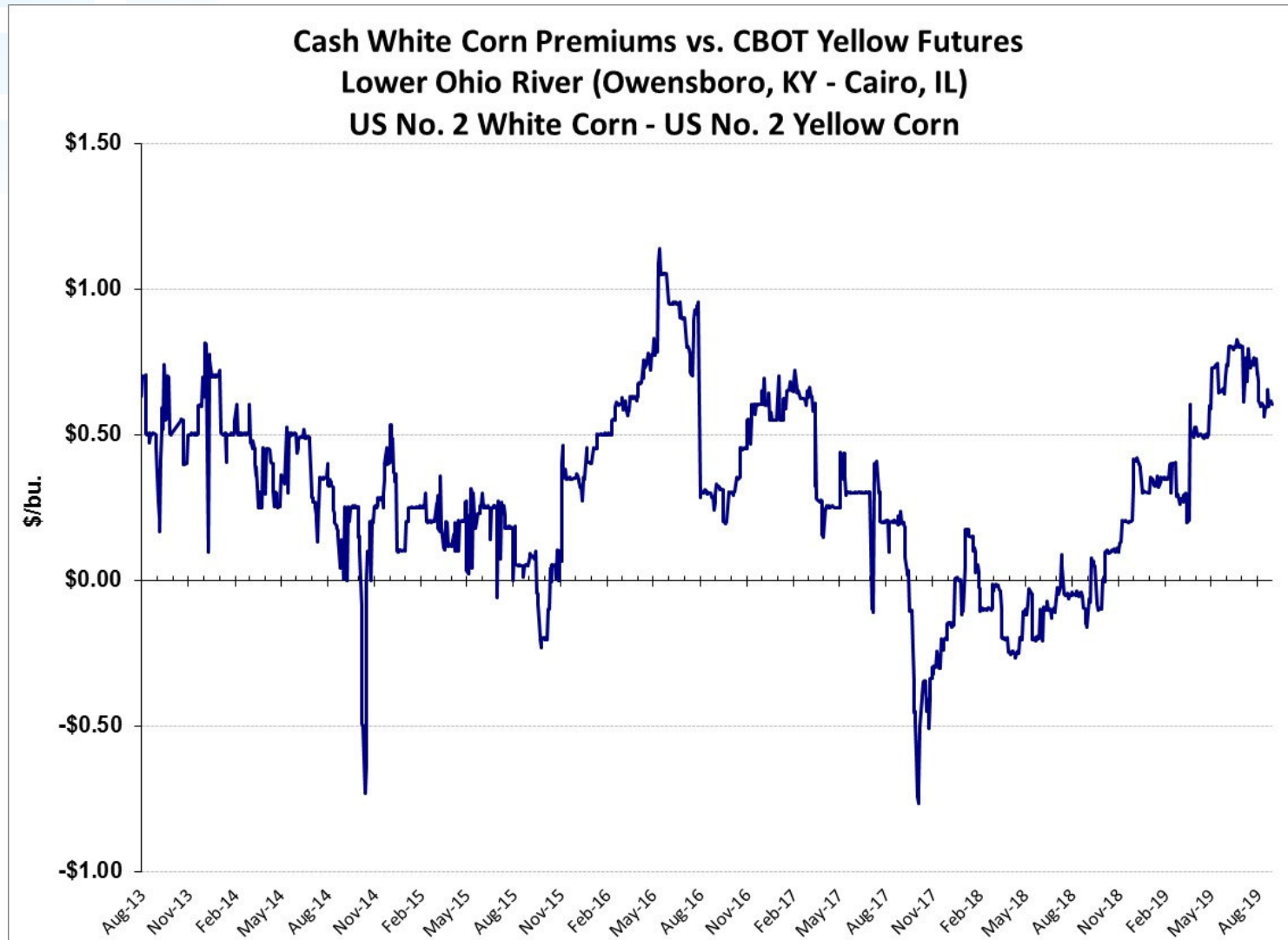
Global White Corn Market

- ❑ 3 year high in WC premiums during U.S. planting
- ❑ U.S. planted area up but harvested area down
- ❑ Delayed planting presents yield and quality concerns
- ❑ Stable food demand, exports down 8% - 10%, and lower feed/industrial usage
- ❑ **Mexico Market:** another solid crop due to favorable growing conditions
 - Record demand (feed) tightens stock levels
 - Per capita corn consumption has declined
- ❑ **South Africa Market:** drought conditions led to lower 19/20 crop
 - Strong exports to neighboring countries
 - Supplies are high enough to meet export + feed demand

U.S. White Corn Ending Stocks: below trend yields and only a moderate reduction to demand drops stocks to a 4 year low



White Corn Premiums Over Yellow Futures

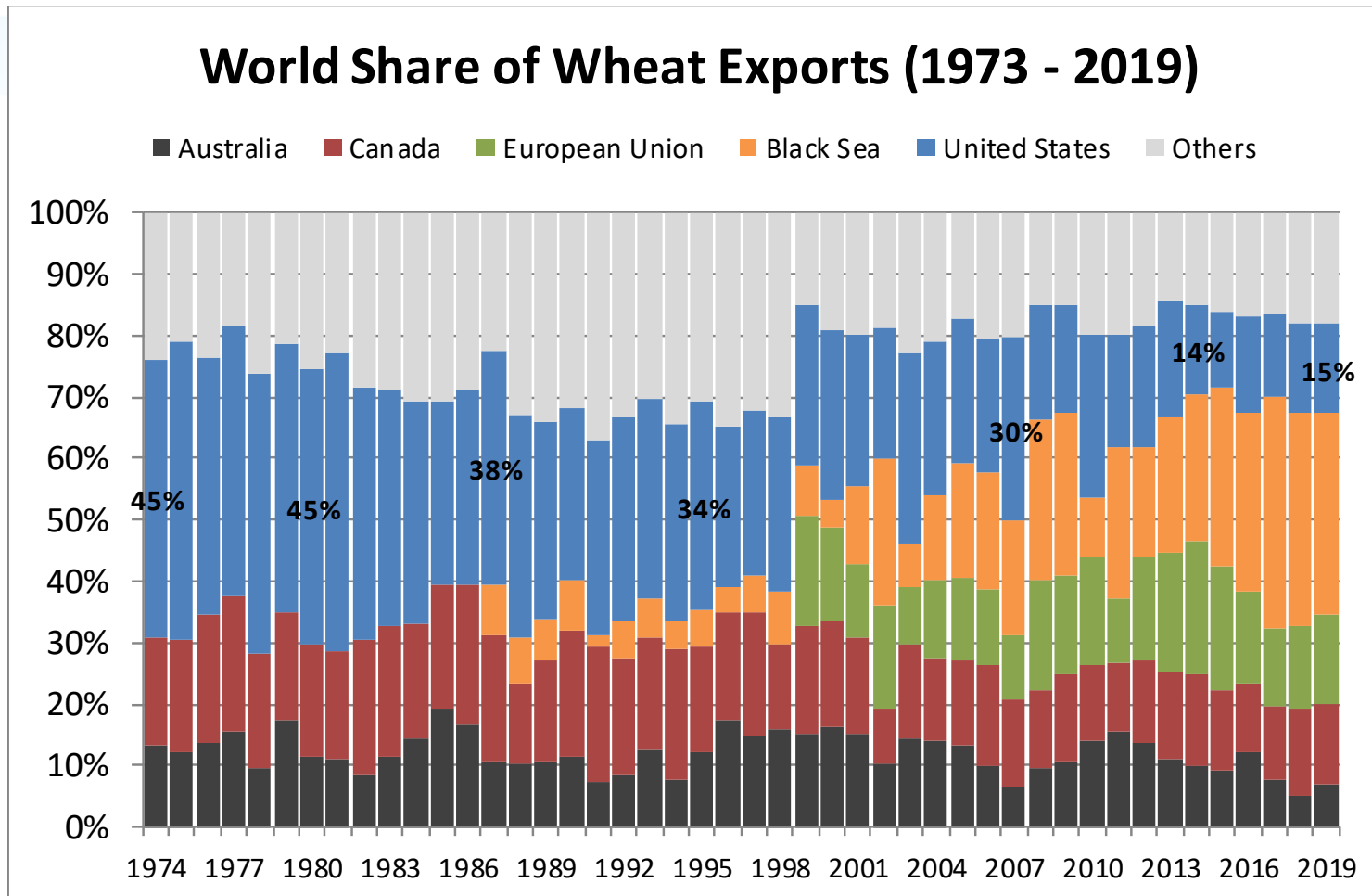




WHEAT & FLOUR MARKET



Global Wheat Exports: Russia's emergence as a major producer and exporter has cut into U.S. export share



Record Global Wheat Production in 2019

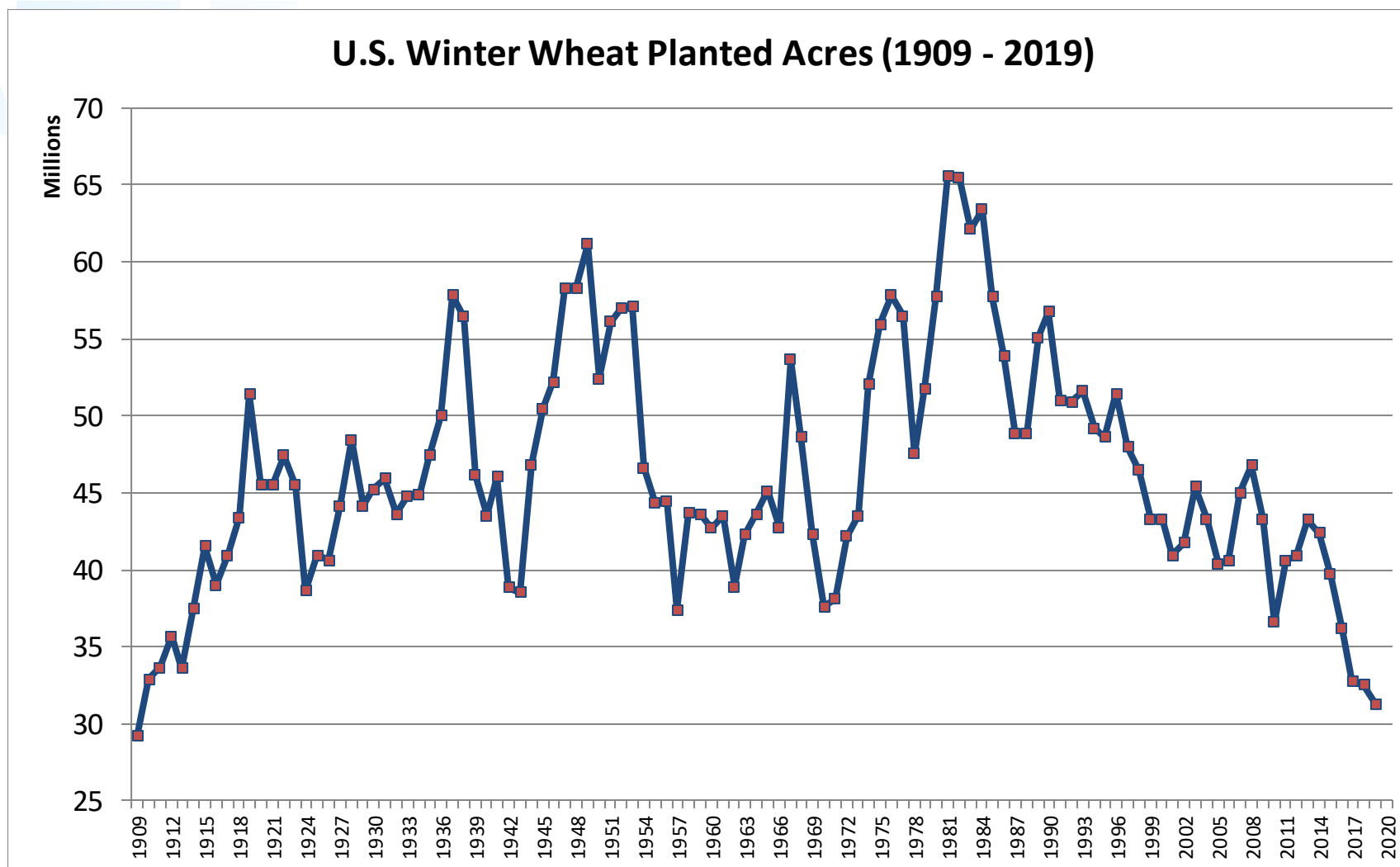
World Wheat Production

Country or Region	2018/2019 estimate	2019/2020 forecast	Change from July 11	Change from 2018/2019
----- Million Tons -----				
World	730.5	768.1	-3.4	37.5
United States	51.3	53.9	1.6	2.6
Foreign	679.3	714.2	-5.0	34.9
Argentina	19.5	20.5	0.5	1.0
Canada	31.8	33.3	--	1.5
Australia	17.3	21.0	--	3.7
European Union	136.9	150.0	-1.3	13.1
Turkey	19.0	19.0	-2.0	--
Russia	71.7	73.0	-1.2	1.3
Ukraine	25.1	29.2	0.2	4.1
Kazakhstan	13.9	13.0	-1.0	-0.9
China	131.4	132.0	--	0.6
India	99.9	101.2	--	1.3
Northwest Africa	12.3	9.9	--	-2.5

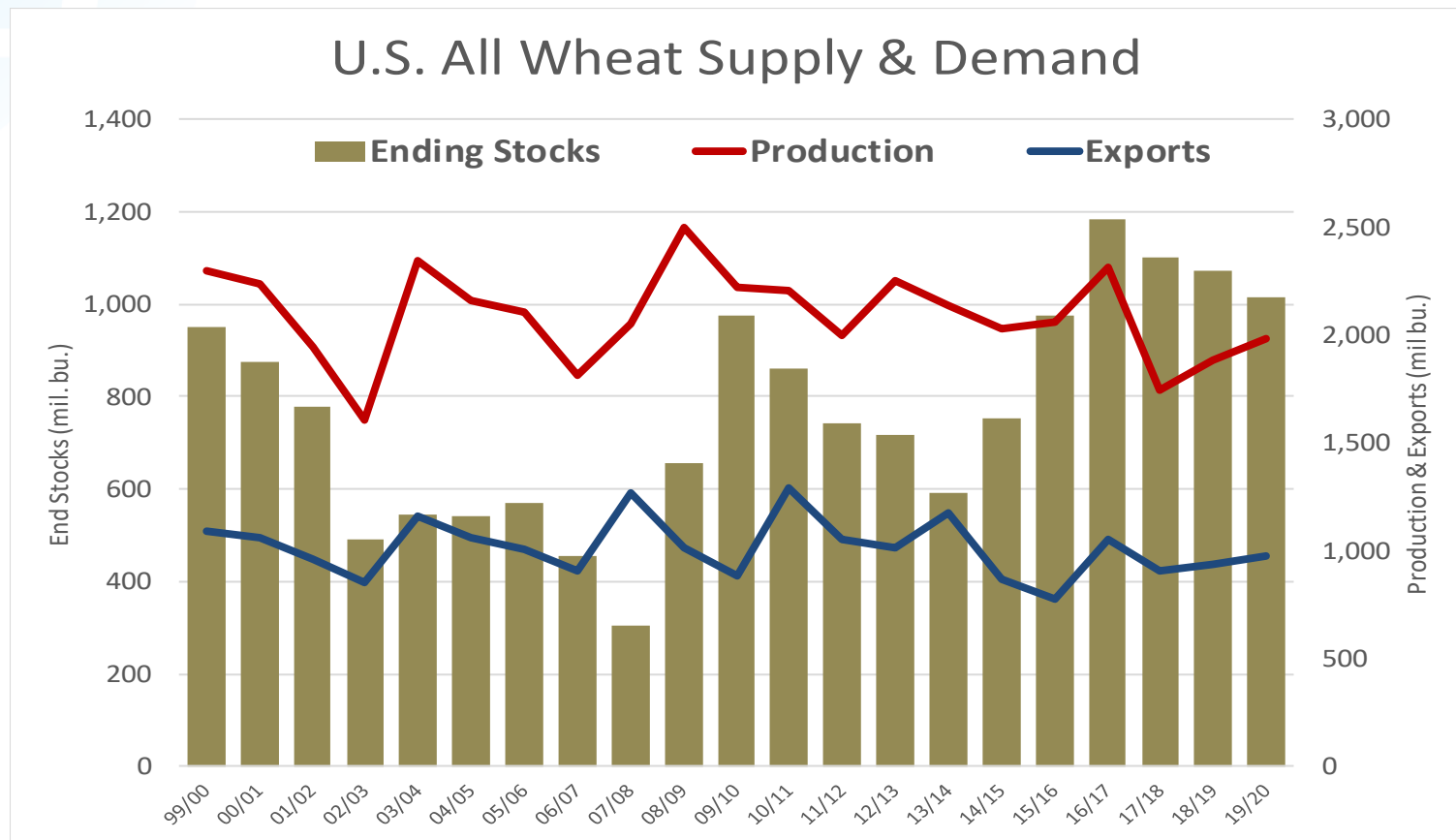
-- No change.



Lowest Winter Wheat Acreage in over 100 Years

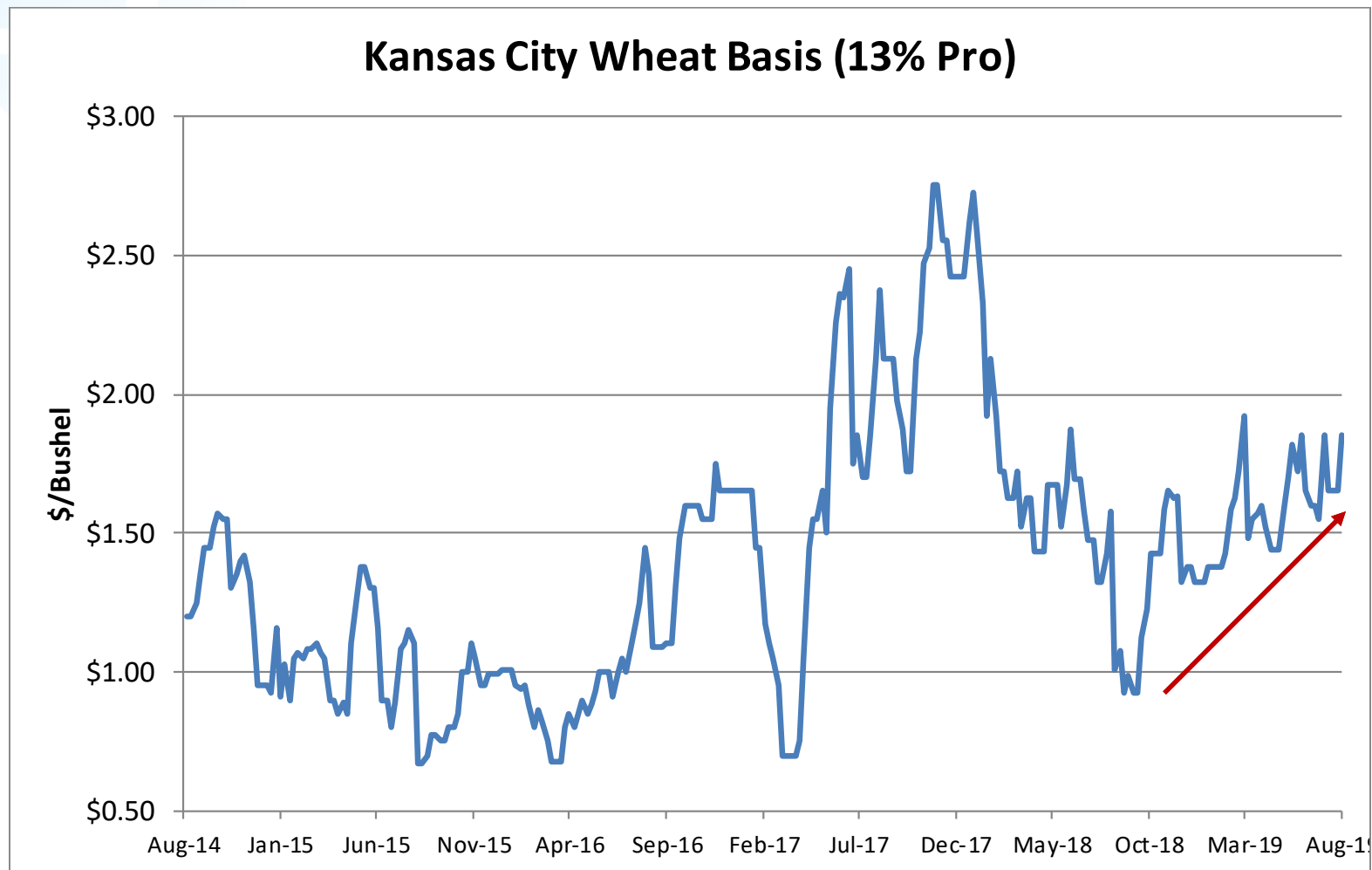


2019-20 U.S. Wheat S/D: good yields and lower exports have offset the lower acreage base

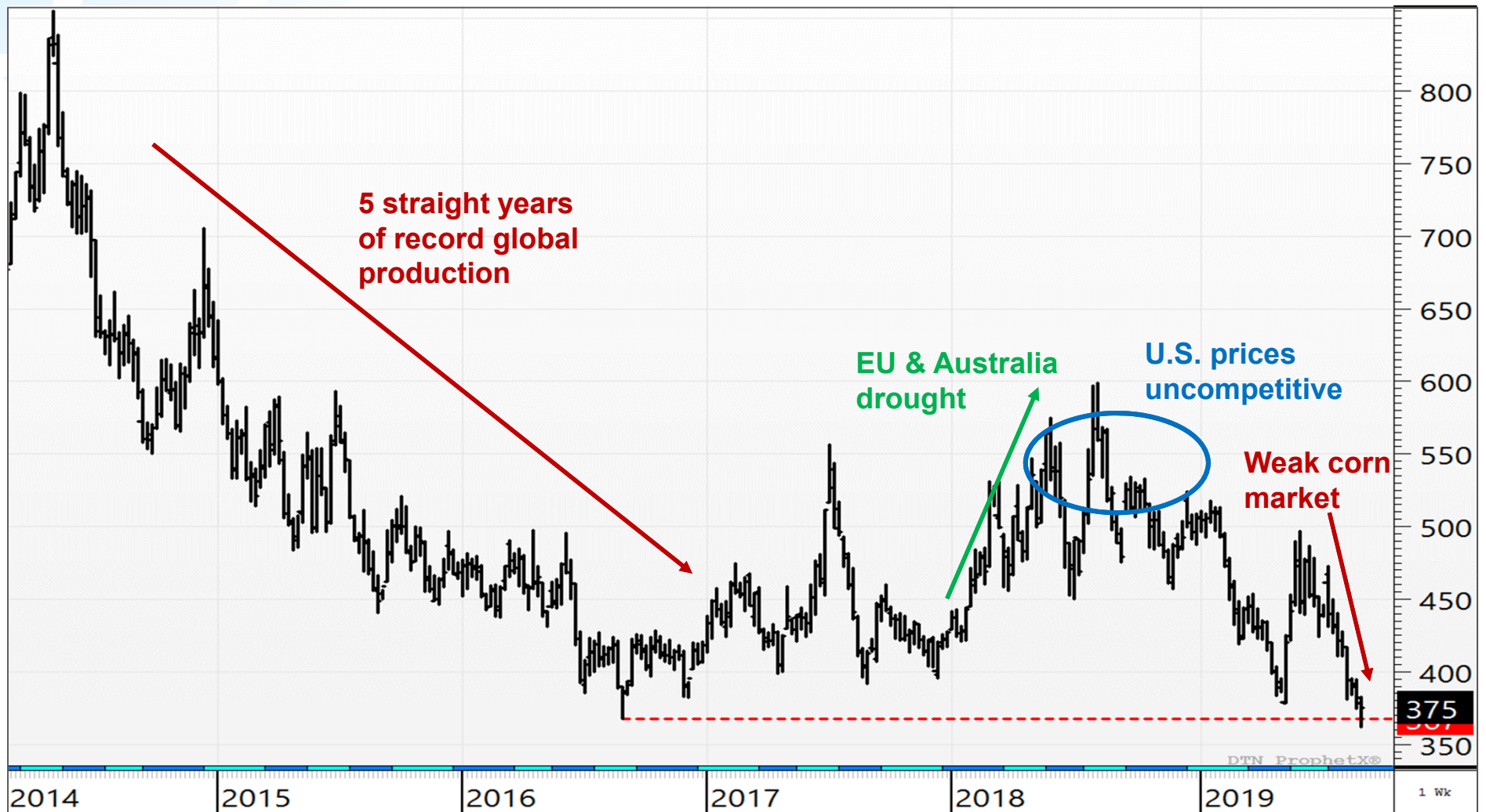


- Hard Red Spring wheat stocks are forecasted to be at a 32 year high
- Hard Red Winter wheat stocks down on the year but well above average

Winter Wheat Basis: supported by a lower protein crop.
Adequate spring wheat supplies for blending should limit rallies



Weekly KC Wheat Prices: hit 13+ year lows this past week





Wheat Market Forward Outlook

Bearish Scenario (▼)

- Favorable spring wheat harvest
- \$USD strength, slower exports
- U.S. corn stocks near current forecast
- Steady to higher acres in EU/FSU

Bullish Scenario (▲)

- Corn harvest issues
- Lower 2020 winter wheat area
- Further delays to the spring wheat harvest
- S. Hemisphere growing problem

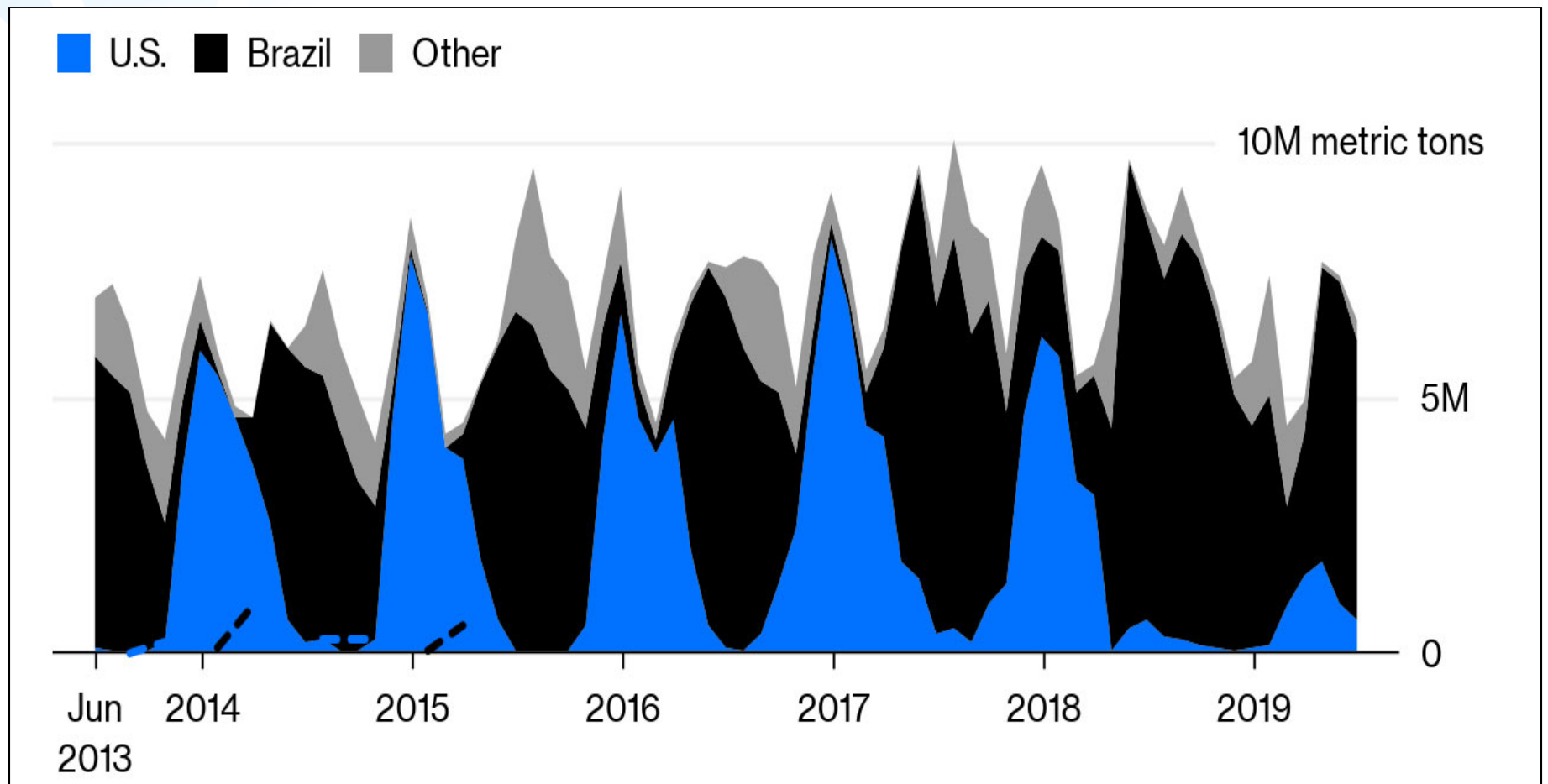
Outlook: with prices at or near decade plus lows, downside from here feels limited with the market now in “oversold territory”. With record global production expected and adequate U.S. stocks, look for forward carry to come out of the market as we move through time.

- Wheat basis should stay supported with the lower protein crop
- HRW will struggle to attract acreage at current price levels

VEGETABLE OILS MARKET



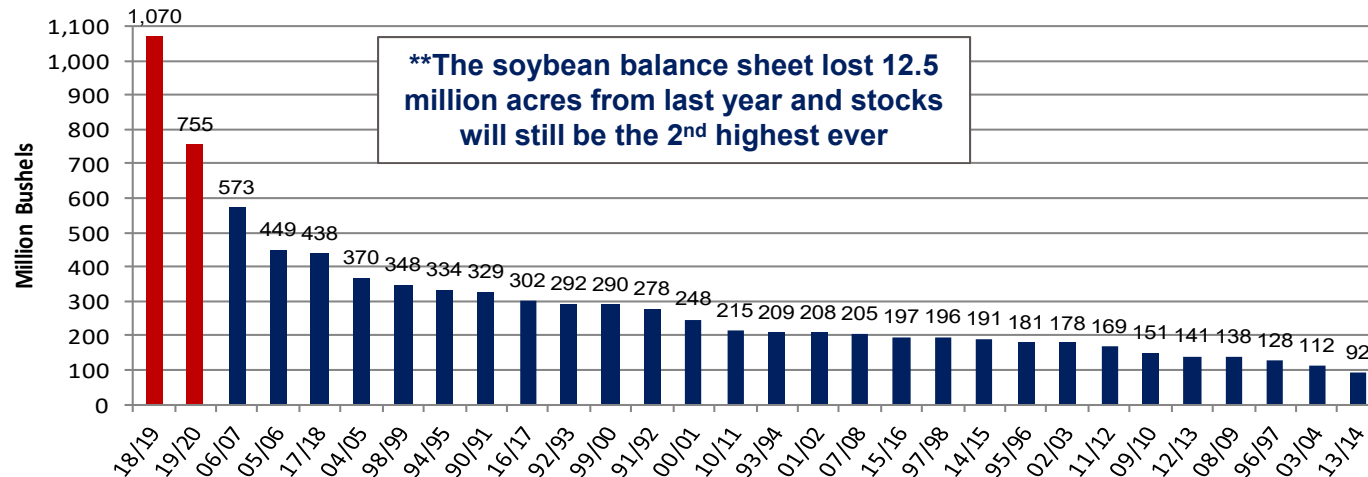
Soybean Exports to China: South America has been able to satisfy China's soybean import needs as the Trade War drags on





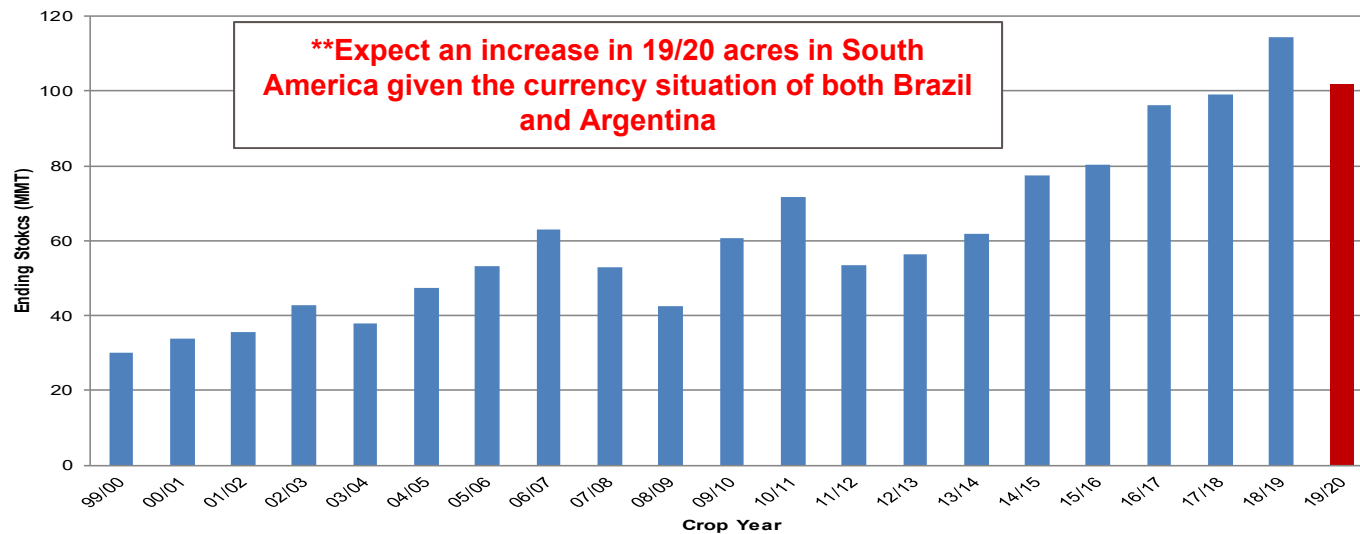
U.S. Soybean Ending Stocks

USDA WASDE Report



World Ending Stocks - Soybeans

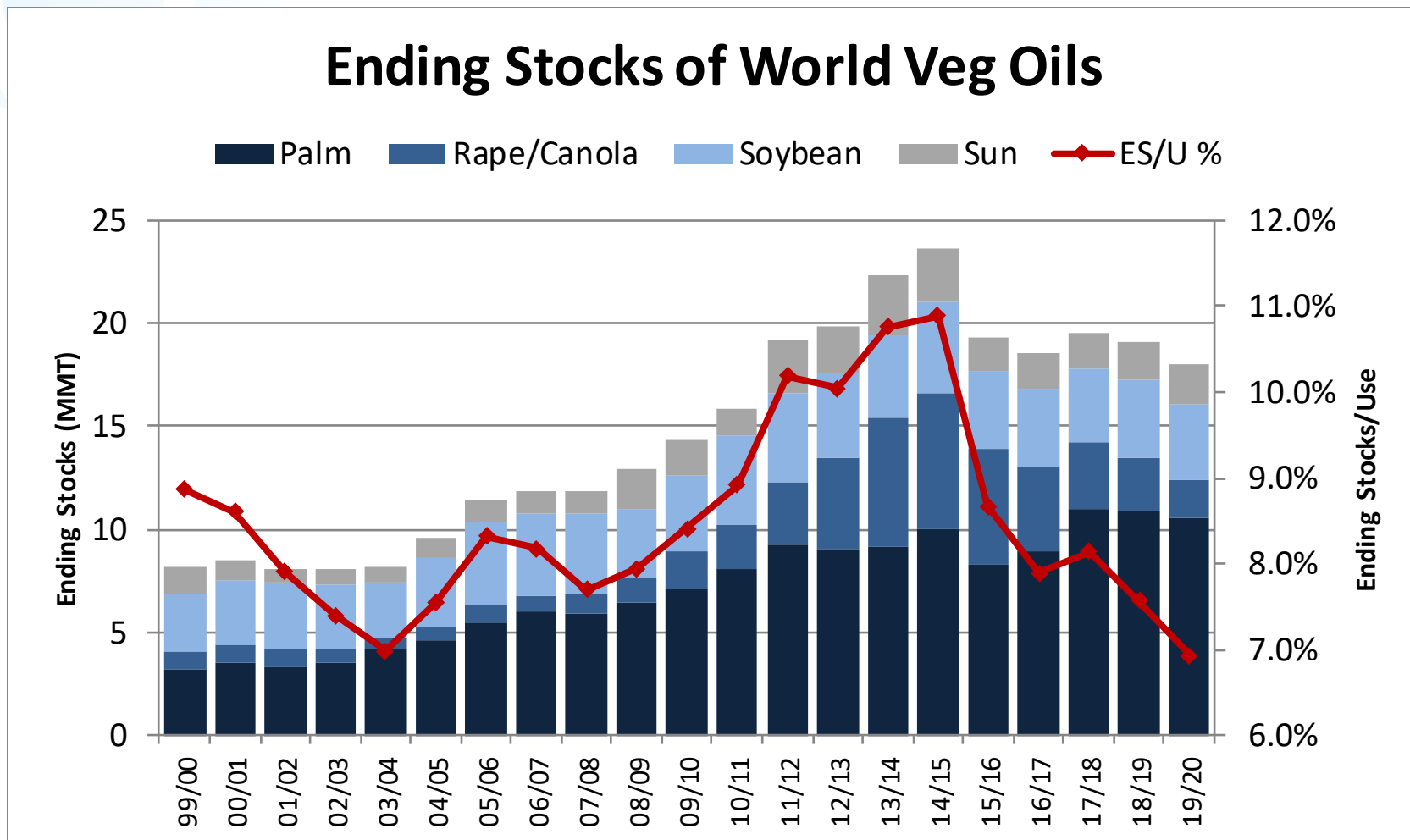
USDA - Foreign Agriculture Service



African Swine Fever: continuing to spread with now 149 reported outbreaks across 32 Chinese provinces and spreading



Global Vegetable Oil Supplies: a slowdown in oilseed crush and very strong demand for biodiesel production tightens oil supplies

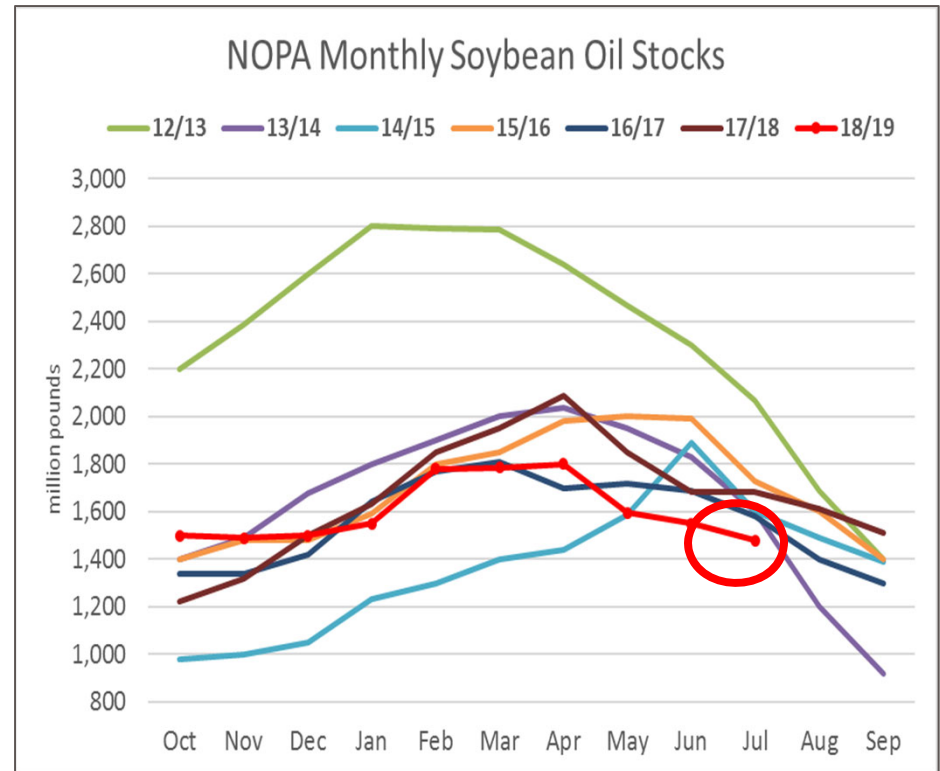
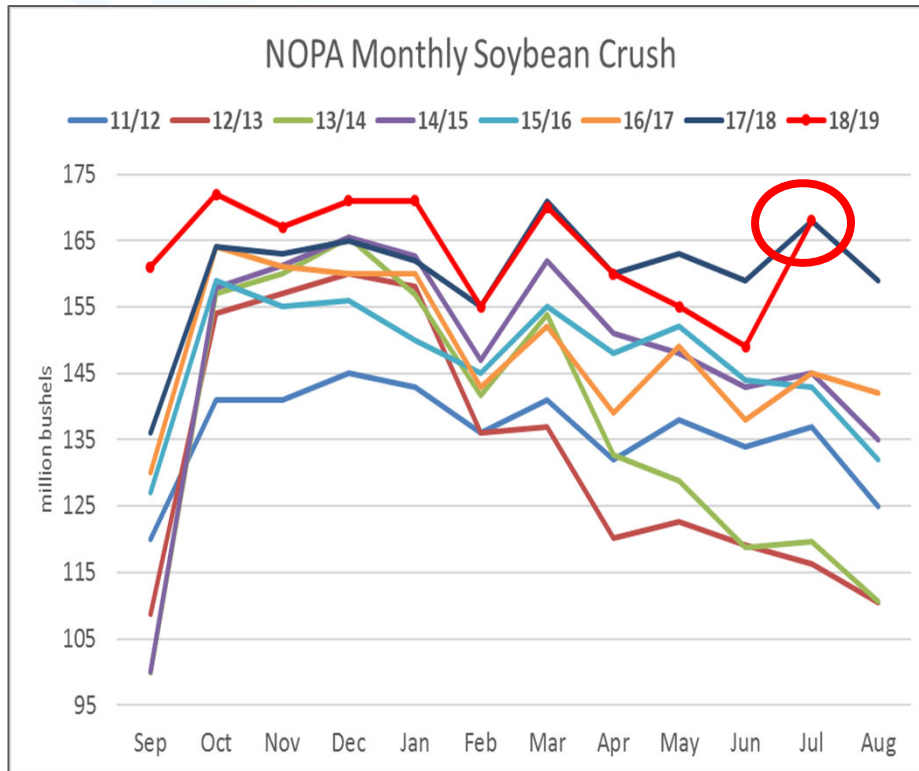


Data: USDA



GLOBAL RISK MANAGEMENT

U.S. Soybean Oil Supplies: despite soybean crush running at record levels for the better part of the year, soybean oil stocks are at their lowest level since 2004



Soy Complex Price Relationships: strong demand for soybean oil in biodiesel production and weakened soymeal demand as a result of ASF is supportive to soybean oil's share of product value

Assumptions:

Board Crush

0.88

Oil Yield

11.62

Soybean

% Prod. Value

Futures

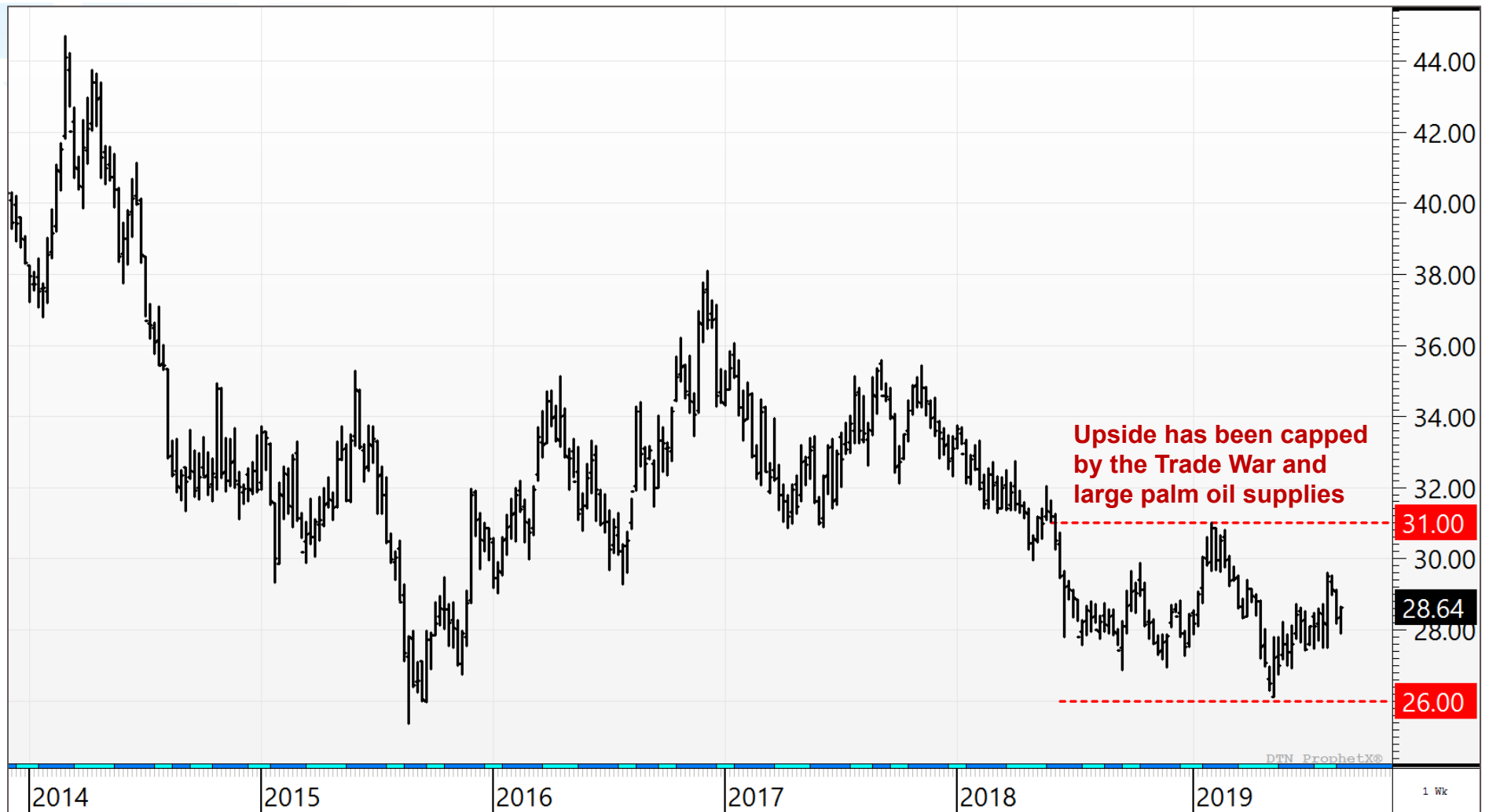
	28	29	30	31	32	33	34	35	36
7.00	18.99	19.67	20.34	21.02	21.70	22.38	23.06	23.73	24.41
7.50	20.19	20.91	21.64	22.36	23.08	23.80	24.52	25.24	25.96
8.00	21.40	22.16	22.93	23.69	24.45	25.22	25.98	26.75	27.51
8.50	22.60	23.41	24.22	25.02	25.83	26.64	27.45	28.25	29.06
9.00	23.81	24.66	25.51	26.36	27.21	28.06	28.91	29.76	30.61
9.50	25.01	25.91	26.80	27.69	28.59	29.48	30.37	31.27	32.16
10.00	26.22	27.15	28.09	29.03	29.96	30.90	31.83	32.77	33.71
10.50	27.42	28.40	29.38	30.36	31.34	32.32	33.30	34.28	35.26
11.00	28.63	29.65	30.67	31.69	32.72	33.74	34.76	35.78	36.81
11.50	29.83	30.90	31.96	33.03	34.09	35.16	36.22	37.29	38.35

Current Market

SX19 8.69

BOV19 28.64

Weekly Soybean Oil Prices: struggling to trade independently of the weak soybean market





Soybean Oil Market Forward Outlook

Bearish Scenario (▼)

- Trade War drags on well into 2020
- U.S. soybean stocks remain large
- Higher acres/good early S. American conditions
- Crush margins stay strong

Bullish Scenario (▲)

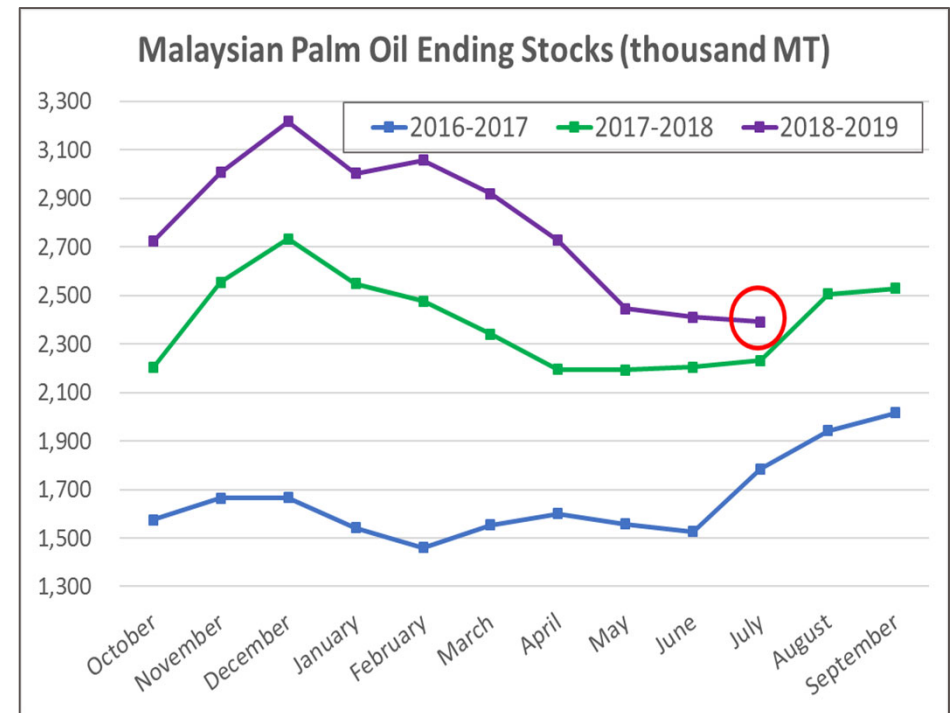
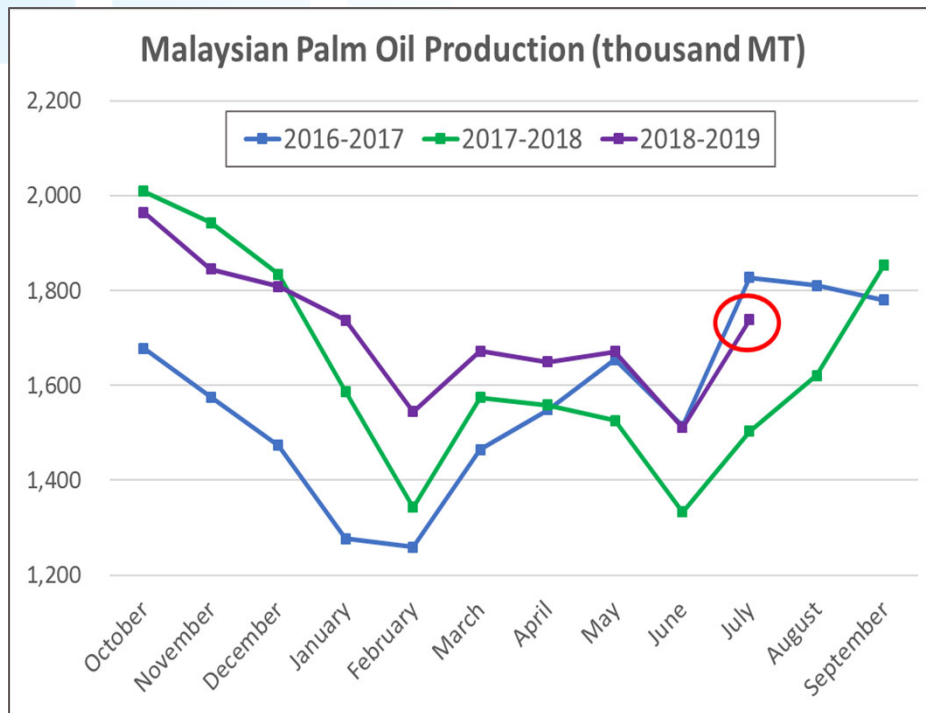
- Trade War resolution
- Increases to the BioD mandate
- S. American crop problem
- ASF continues to spread

Outlook: soybean oil has the fundamentals to move higher, but rallies will struggle to maintain strength without the support of soybeans. Look for the July lows to hold for the short term.

- Oilshare to stay supported
- Possibly lower 2020 U.S. soybean acres again



Palm Oil Supply & Demand



- Production is seasonally increasing. Q3 and Q4 is peak production
- Month to month production gains versus last year continue to widen
- Exports increased 7% last month and were 24% higher than 2018
- Stocks are at a 1 year low, falling for a 5th straight month

Weekly Palm Oil Prices: longer term cyclical trends signal that the old lows will prove as firm support levels moving forward



A stylized globe is centered in the background, composed of several overlapping semi-circular segments in various shades of blue. The globe is set against a solid, vibrant blue background that fills the entire frame.

Managing your business's risk
to fluctuating commodity prices

Best in Class Commodity Risk Management

- ☐ Have a Risk Policy
 - Position limits, defined roles
 - Alignment on risk tolerance
- ☐ Develop a unified Risk Management Strategy
- ☐ Avoid key decision making during peak volatility
 - Markets are emotional
- ☐ Know your risk – define your ***Even Position***
 - Keep purchases and sales in balance





Thank You!!

If you have any additional questions or requests for information please contact me at psparks@grmcorp.com

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