

INTL · FCStone[®]

Commodities · Global Payments · Foreign Exchange · Securities



SLOVENIA AG CONFERENCE

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23rd November 2017

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Agenda

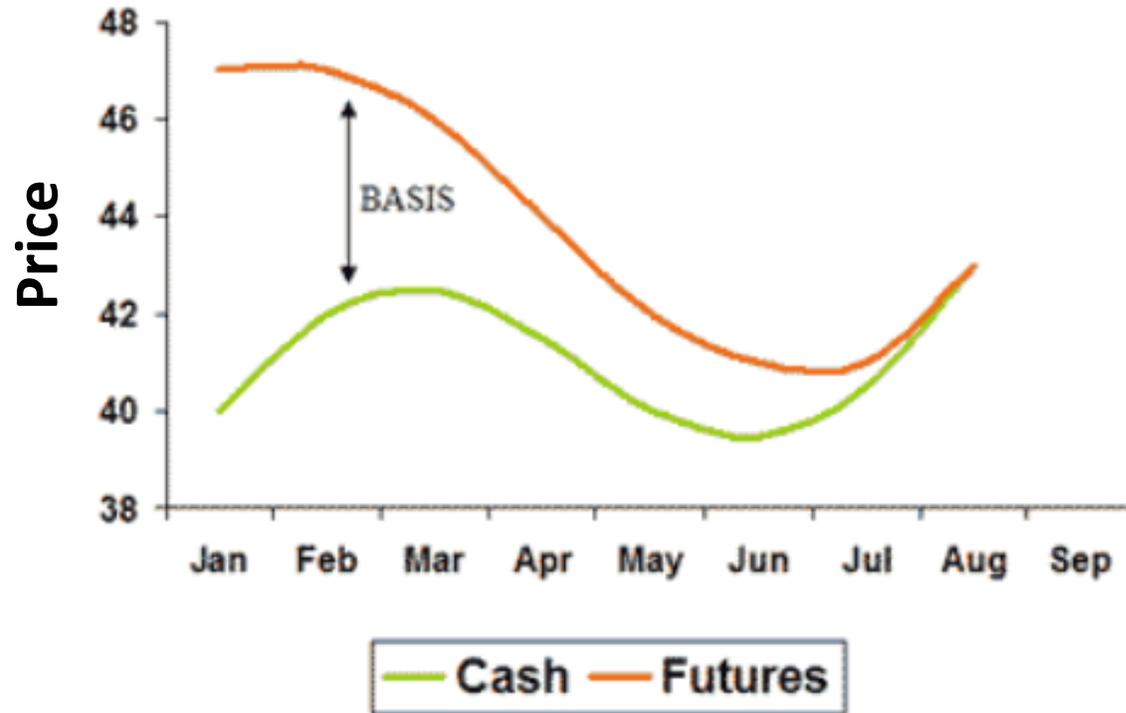
- A market overview of where we are.
 - Markets : Global, European, Local
- A market view of where we are going, when to Buy/Sell.
 - What to watch going forward.

Where we are?

A Key Feature of 2017/18 Market !

Normal Markets

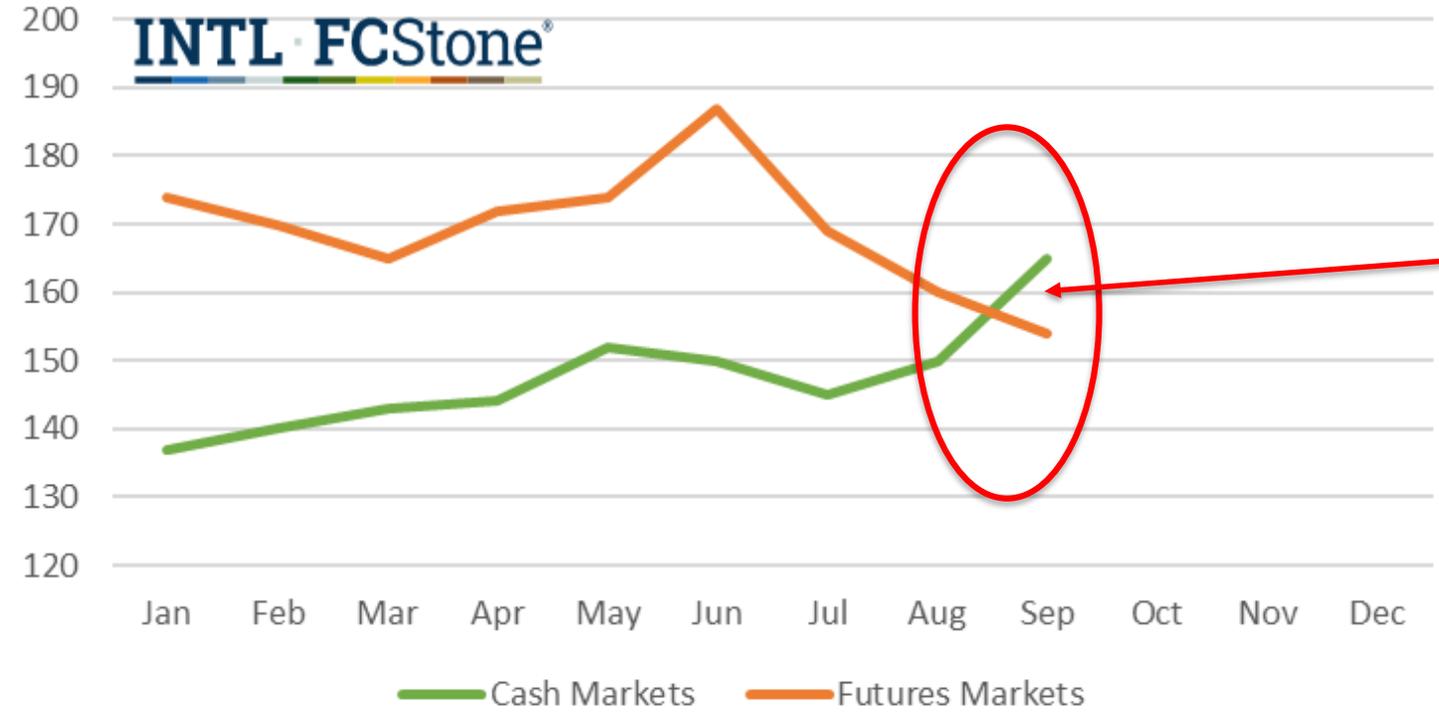
Cash Price vs. Futures Price



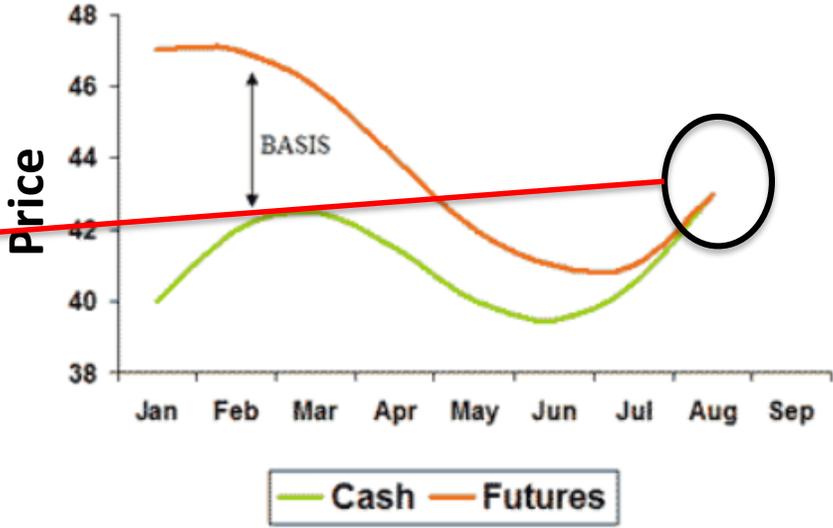
vs. Current Markets

Current Wheat Markets

Current Cash Prices vs. Futures Prices



Cash Price vs. Futures Price



WHY ??

WHY ??

- Before we look at Europe lets look at what is happening globally?

Global Markets



EU Wheat	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	160	145	151	4.1%
Exports	35	27	29	4.4%
Ending Stocks	16	10	12	11.8%

2017/2018 Wheat Production



US Wheat	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	56	63	47	-24.6%
Exports	21	29	27	-5.2%
Ending Stocks	27	32	25	-20.8%



Russia Wheat	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	61	73	83	14.4%
Exports	26	28	33	18.7%
Ending Stocks	6	11	17	60.0%



World Total:
751.98 MMT

Ukraine Wheat	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	27	27	26.5	-1.1%
Exports	17	18	16.5	-8.9%
Ending Stocks	3	1.78	2	1.4%

Global Wheat MMT

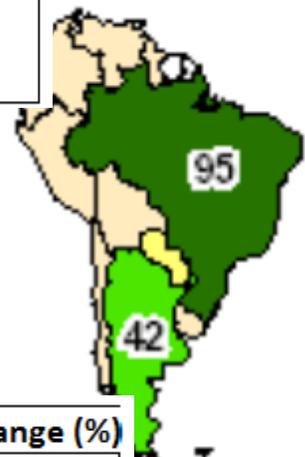
EU Maize	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	59	61.1	59.6	-2.5%
Imports	14	14.8	16.0	8.1%
Ending Stocks	7	7	6	-8.7%



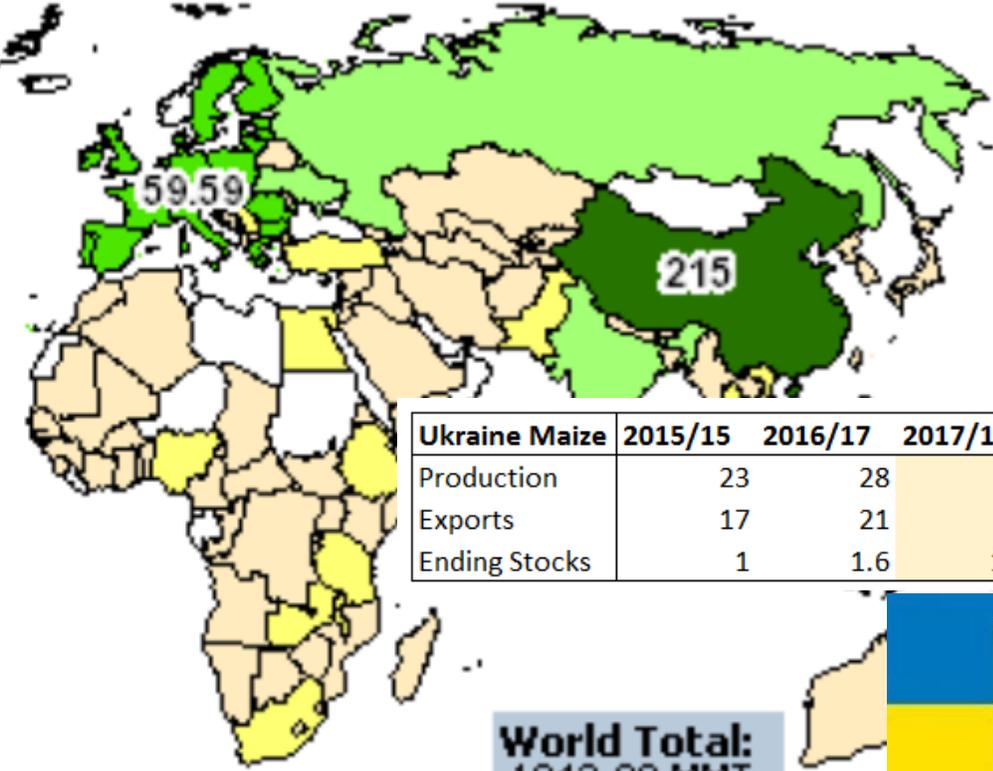
2017/2018 Corn Production



US Maize	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	346	385	370	-3.8%
Exports	48	58	49	-16.0%
Ending Stocks	44	58	63	8.4%



Brazil Maize	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	67	99	95	47.0%
Exports	14	36	34	157.2%
Ending Stocks	7	9	9	36.9%



Ukraine Maize	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	23	28	25	-10.7%
Exports	17	21	21	-3.8%
Ending Stocks	1	1.6	1.1	-35.2%



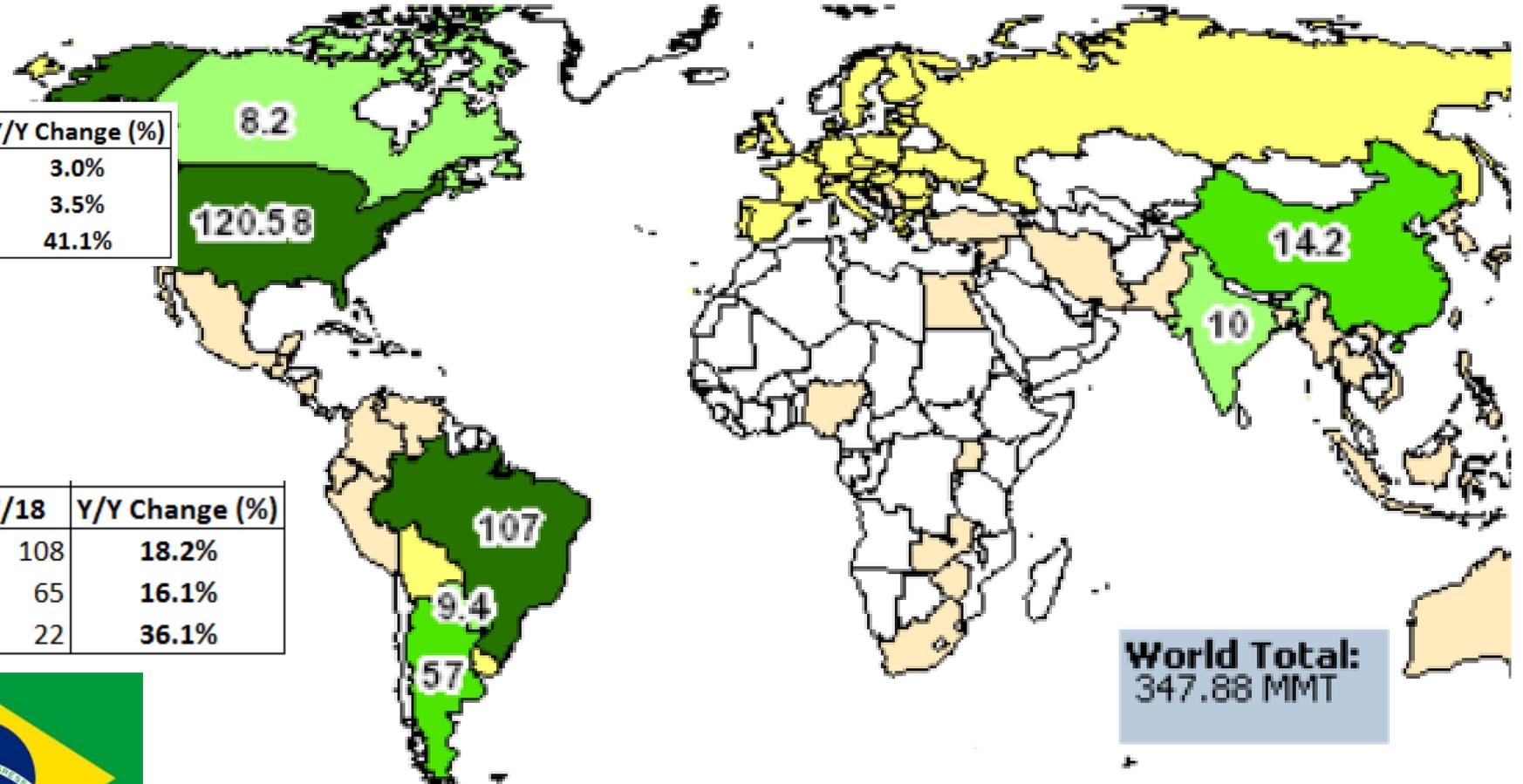
World Total:
1043.90 MMT

Global Maize MMT



2017/2018 Oilseed, Soybean Production

US Soybeans	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	107	117	120	3.0%
Exports	53	59	61	3.5%
Ending Stocks	5	8	12	41.1%



Brazil Soybean	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	97	114	108	18.2%
Exports	54	63	65	16.1%
Ending Stocks	18	25	22	36.1%



Argentina Soybe	2015/15	2016/17	2017/18	Y/Y Change (%)
Production	57	58	57	1.8%
Exports	10	7	8	-29.2%
Ending Stocks	32	37	38	15.1%

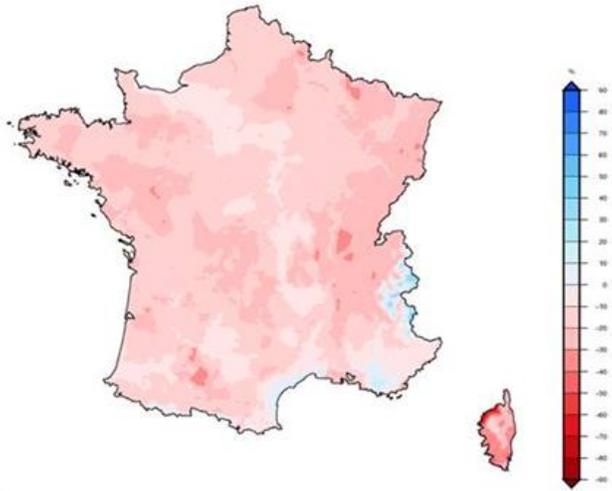
Global Soybeans MMT

In Europe

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17 avril 2017

Anomalie d'indice d'humidité des sols (référence 1981-2010)

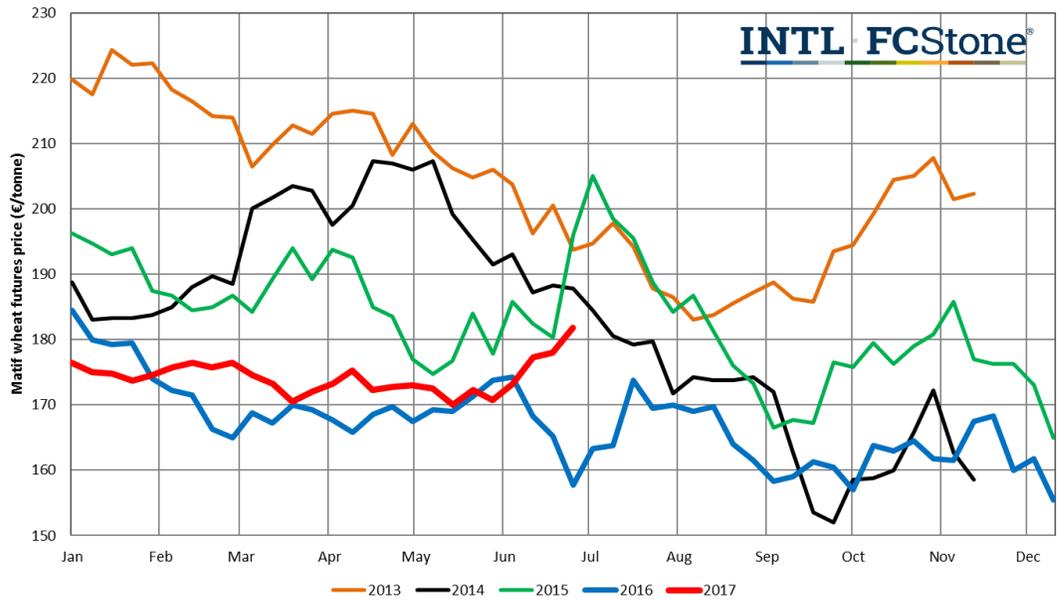


Edité le : 18/04/2017 - Données du : 18/04/2017 à 07:50 UTC

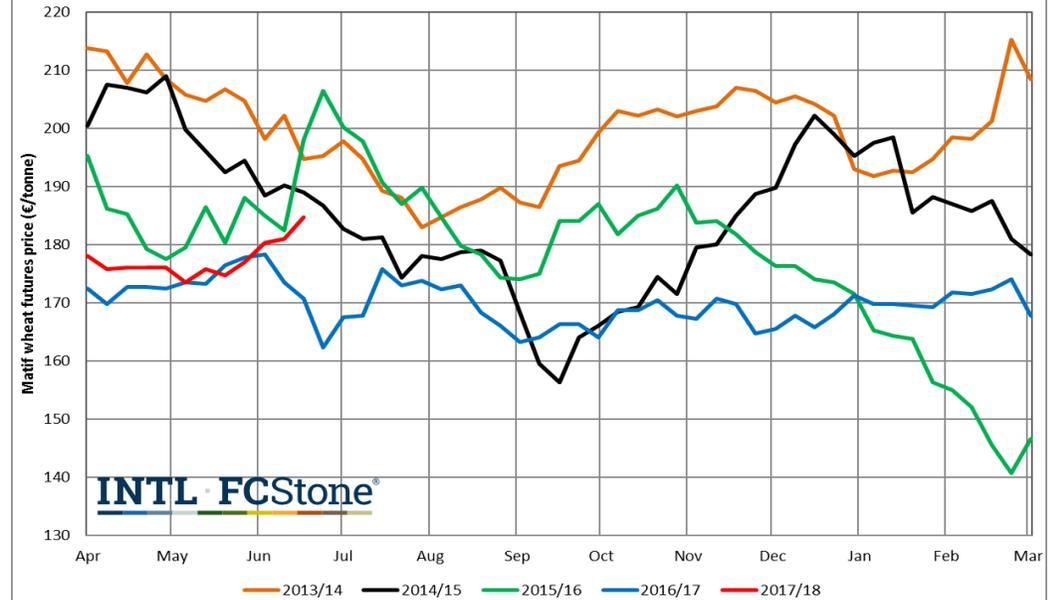


June /July 2017

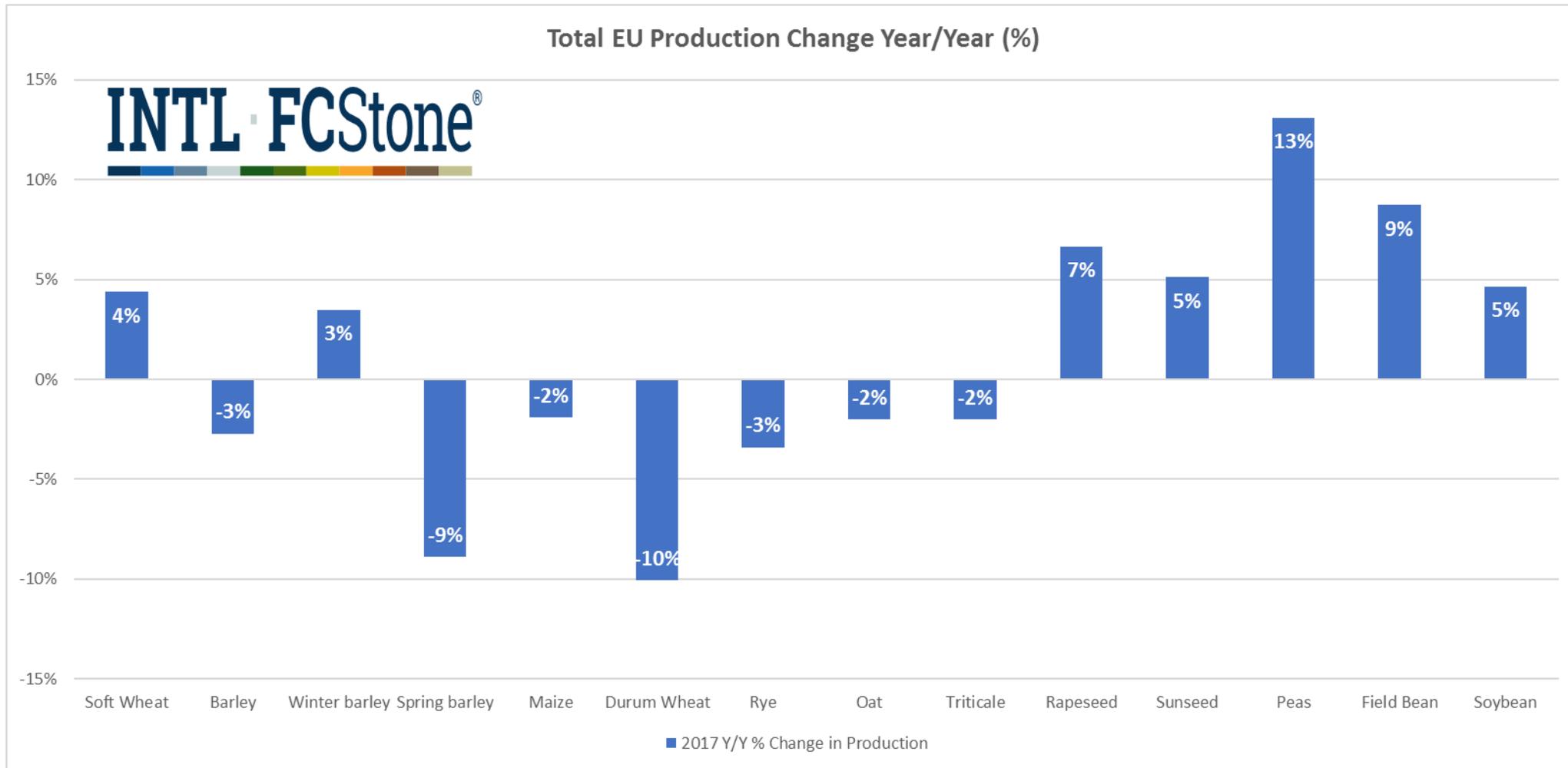
Dec matif wheat futures (€/tonne) Last 5 seasons



March Matif Wheat futures (€/tonne) Past 5 Years.

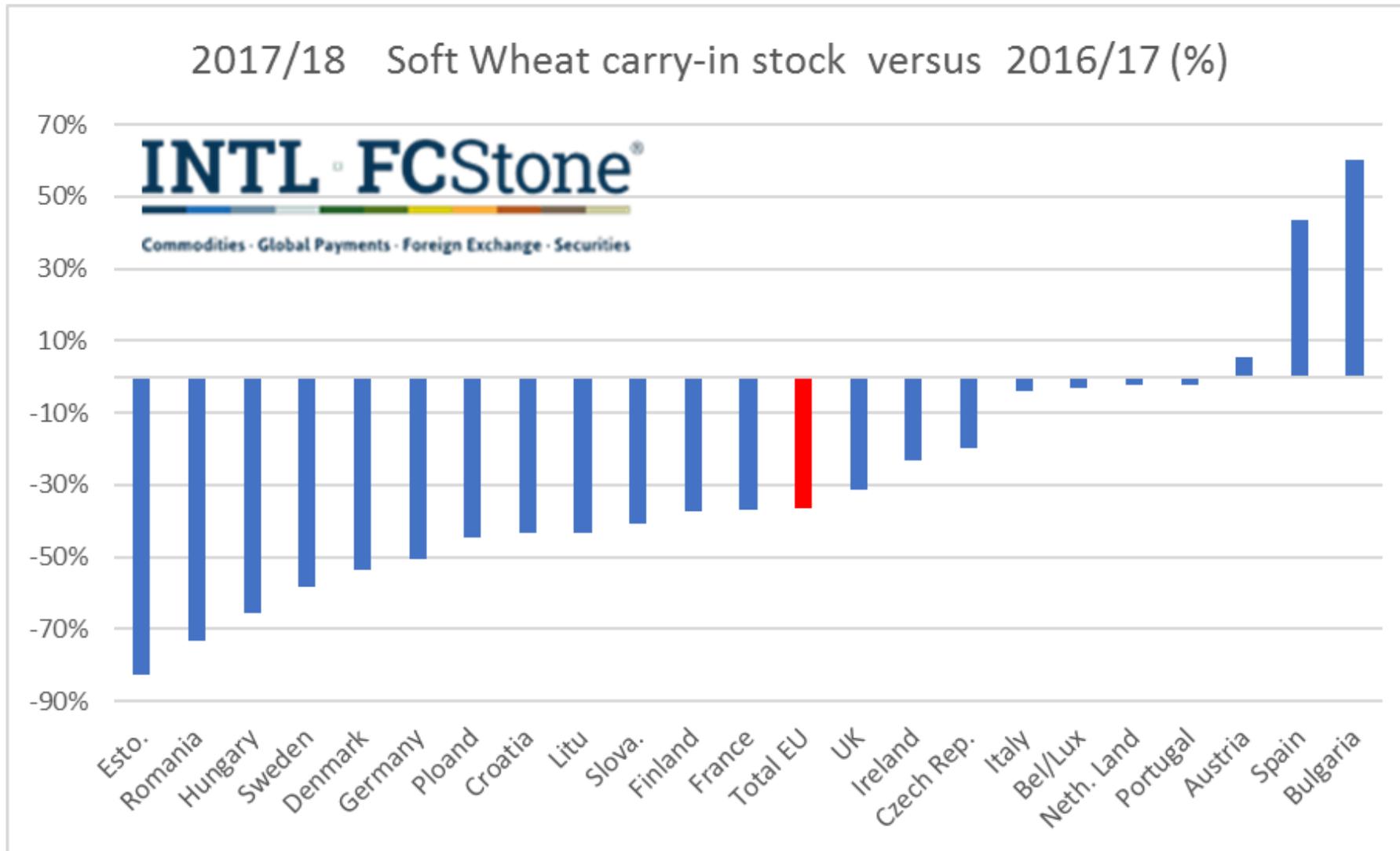


In the end EU production was okay



So WHY are cash markets still firm?

1. Carry-in Stocks.



Farm Silos were empty heading into harvest.

Climate concerns 'expected' to impact production.

Firm Cash Markets limiting harvest pressure forcing consumer cover.

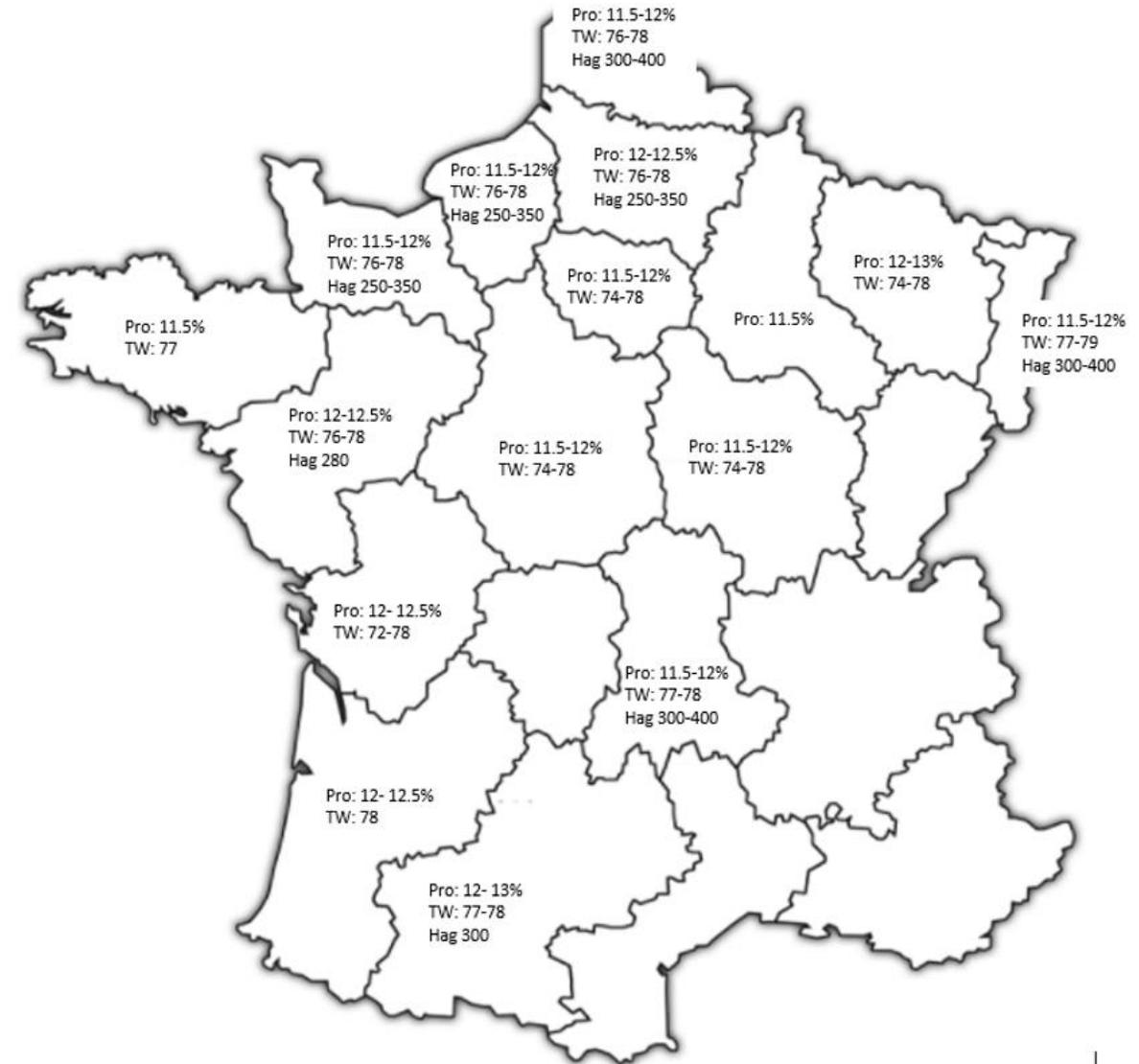
No Incentive to sell cheap.

2. France Better Quality Wheat.

	Normally	This Year
Specific Weight kg/hl	76 min	76 - 80 Average
Hagberg Falling Number	250 min	250 (80%)
Protein	11-- 13	11.5 - 13.5
W	170 min	170-230 (80%)

No incentive to sell Cheap.

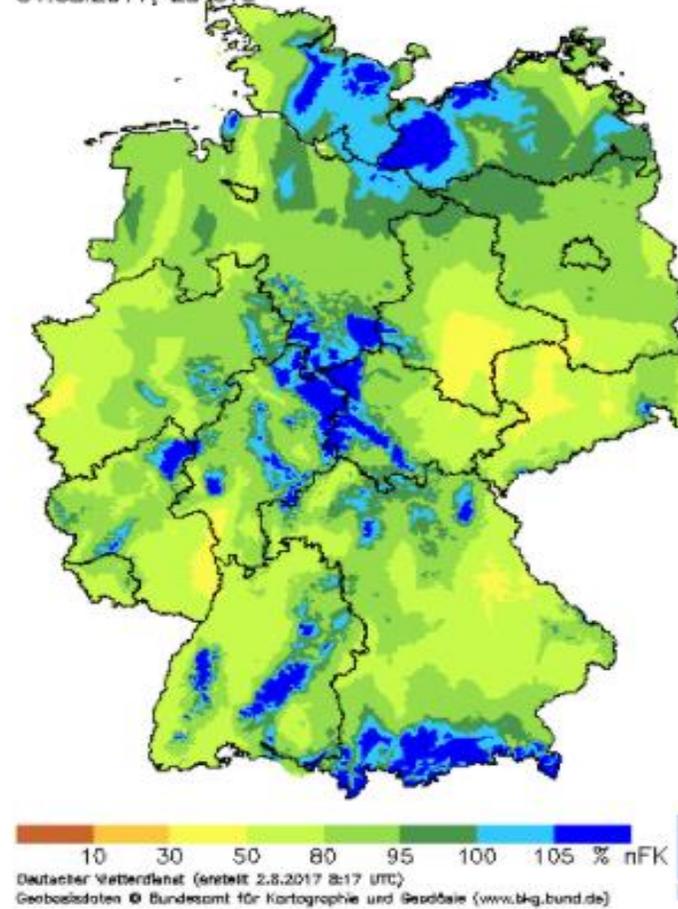
French Wheat Specifications



3. German Quality Concerns

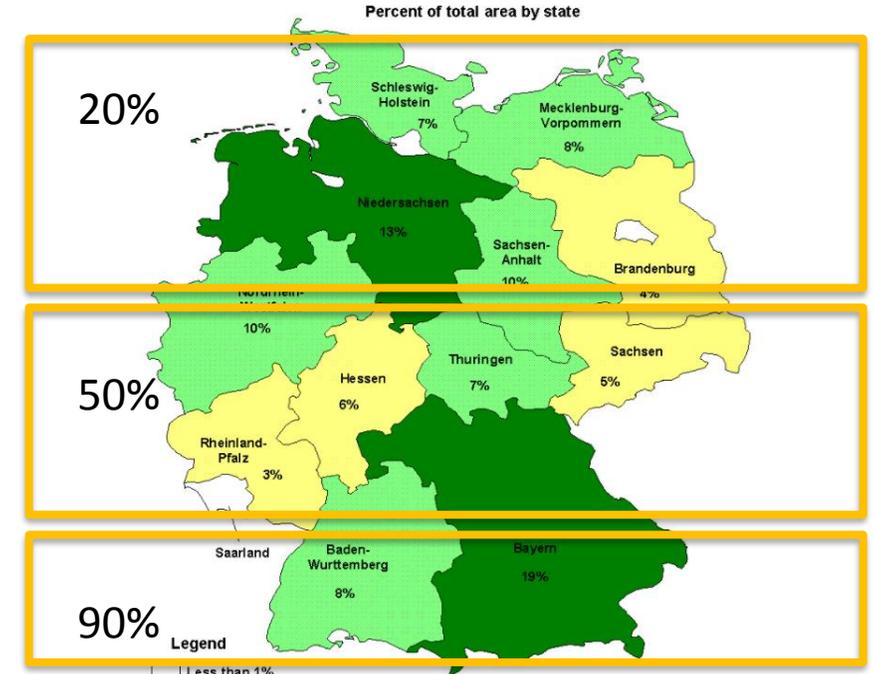
- Soil moisture levels (%)

Bodenfeuchte unter Gras, sandiger Lehm, 0–60 cm
01.08.2017, 23 UTC

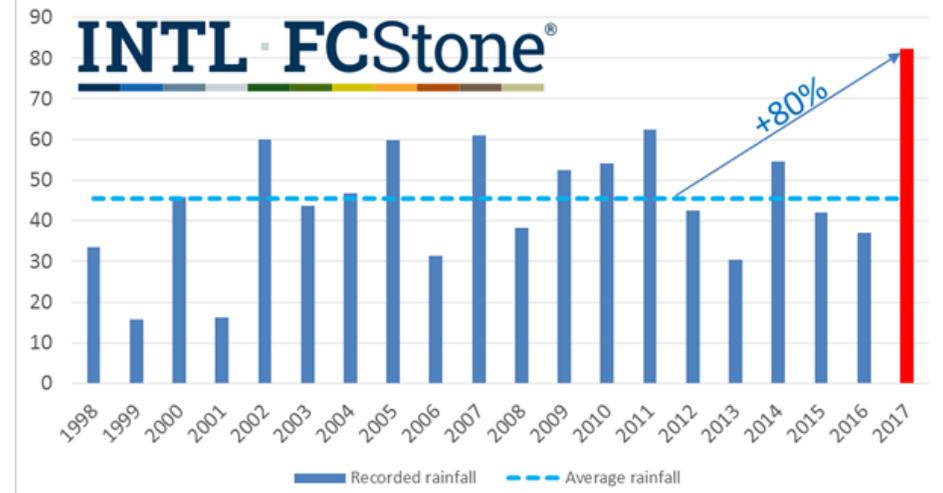


- Wheat harvest

Germany: Wheat

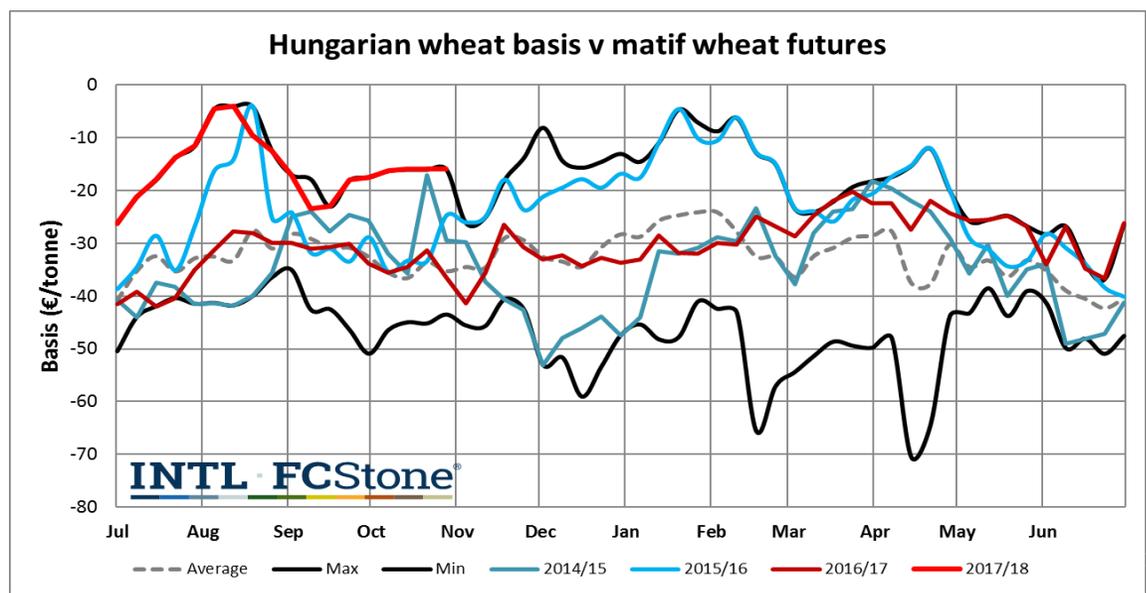
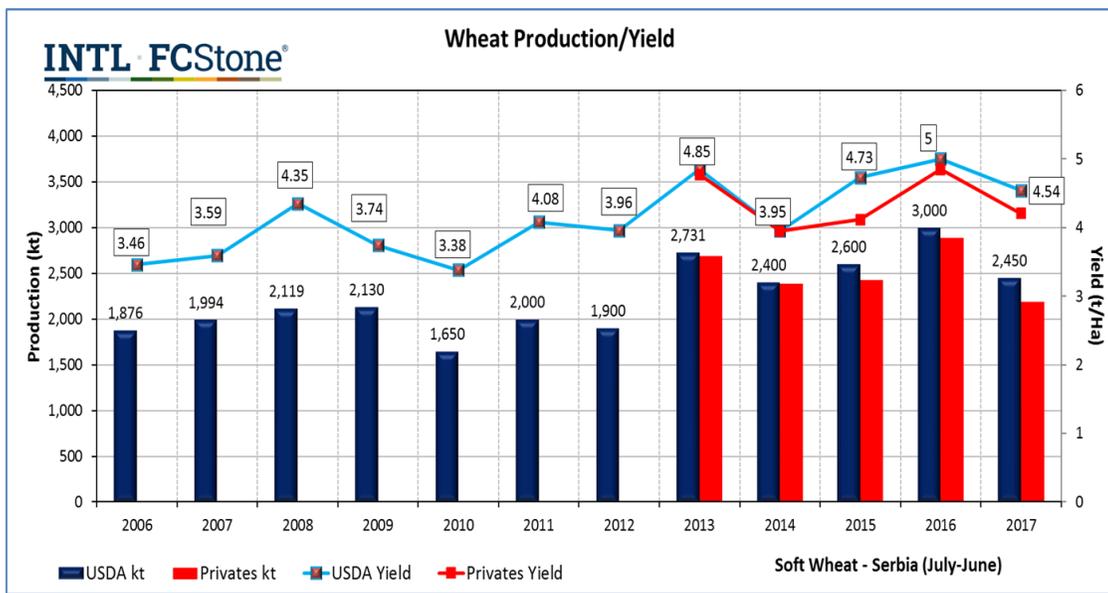
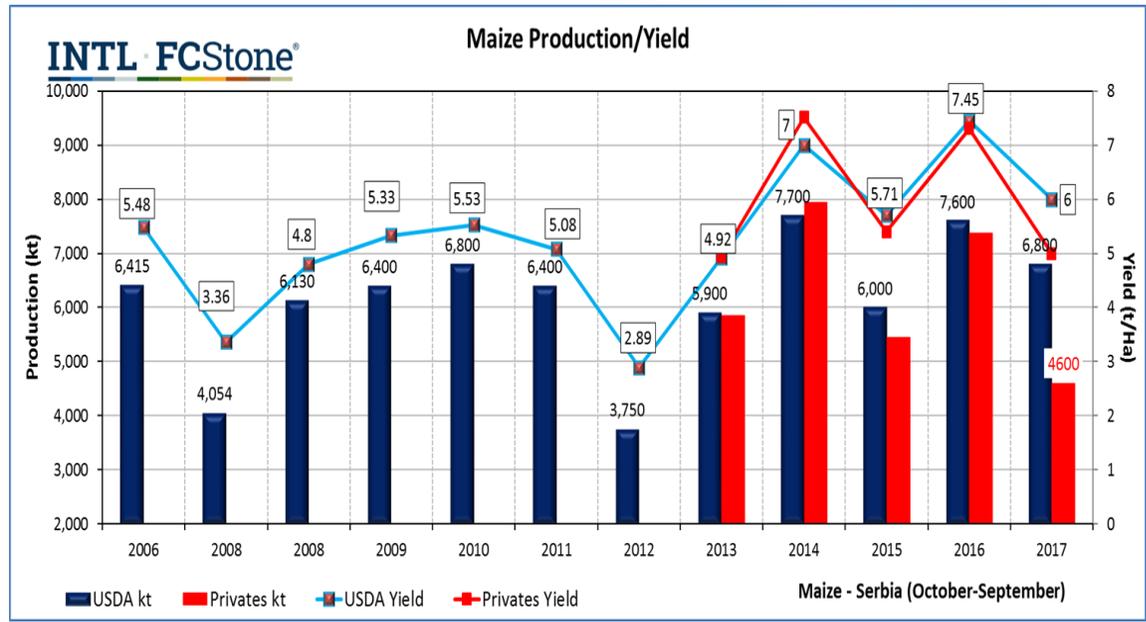
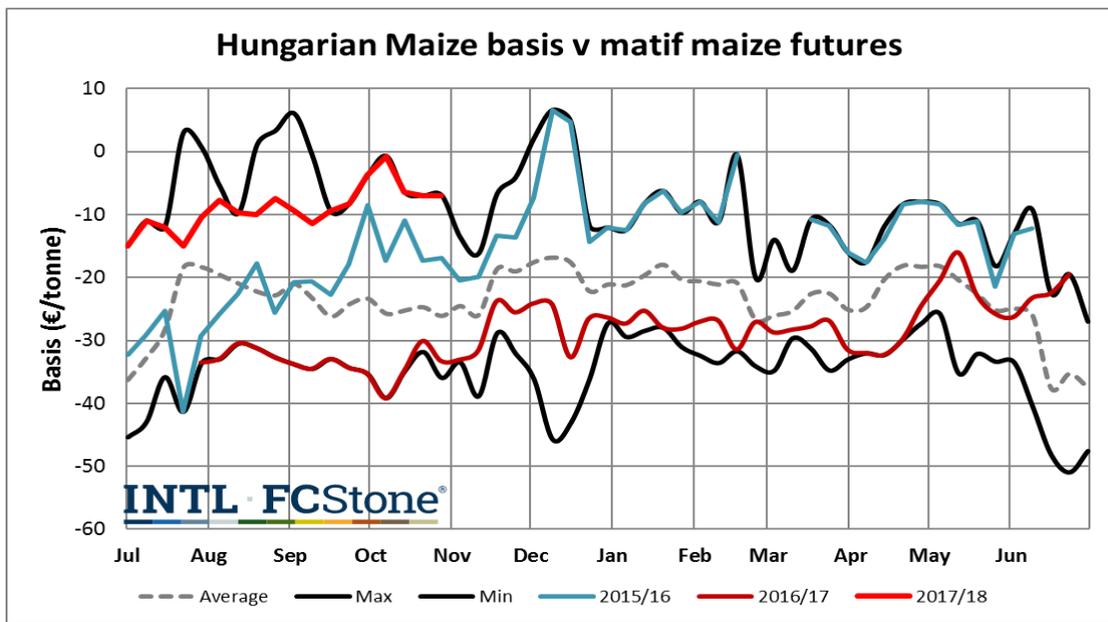


Accumulated rainfall in Germany in the last two weeks of July (mm)



No incentive to sell Cheap.

4. Basis firm on Regional Lower Production (Hungary/Serbia)



5. EU Maize Import Levy

- CME corn
- + FOB premium
- +Gulf-ARA freight

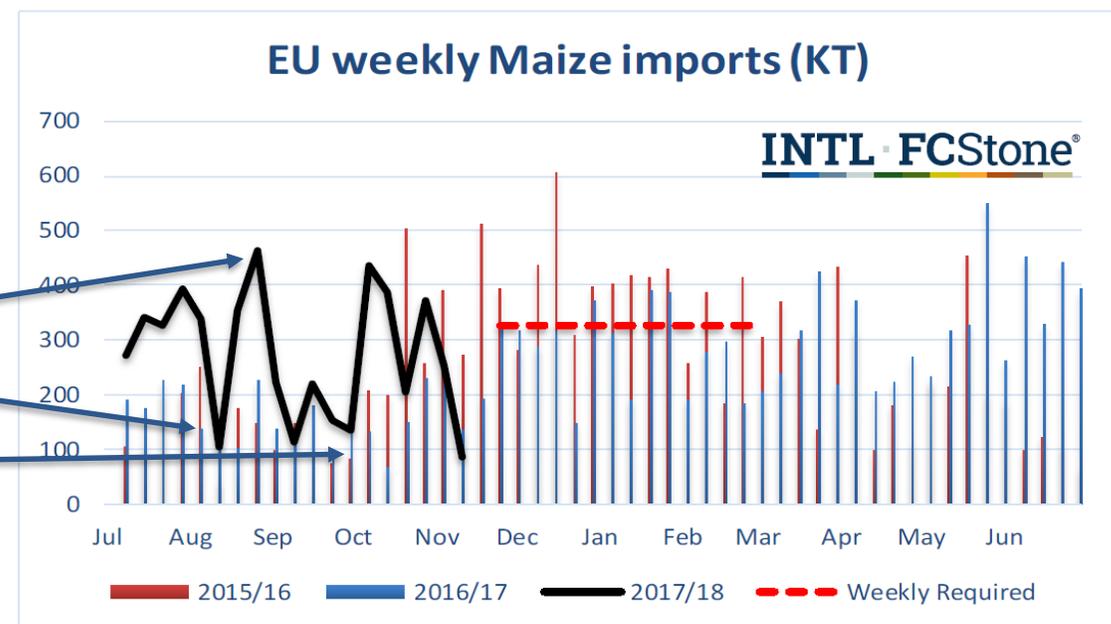
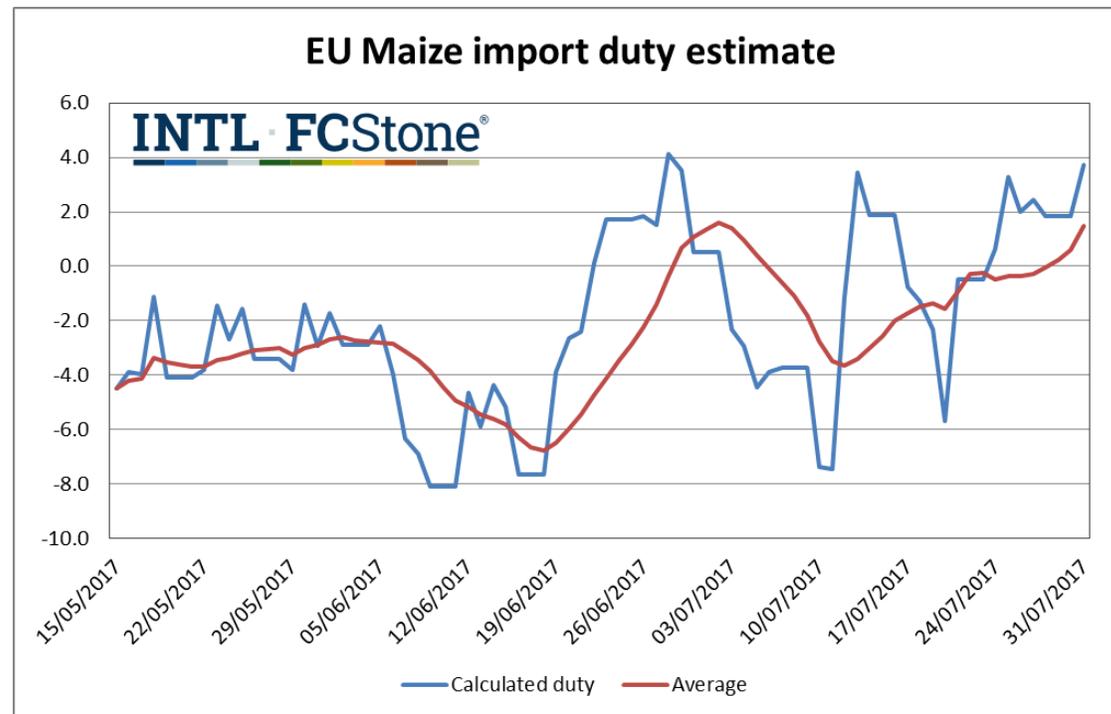
- All divided by EURUSD rate

- Reference price of €157.03/tonne

- Import duty = difference between the two*

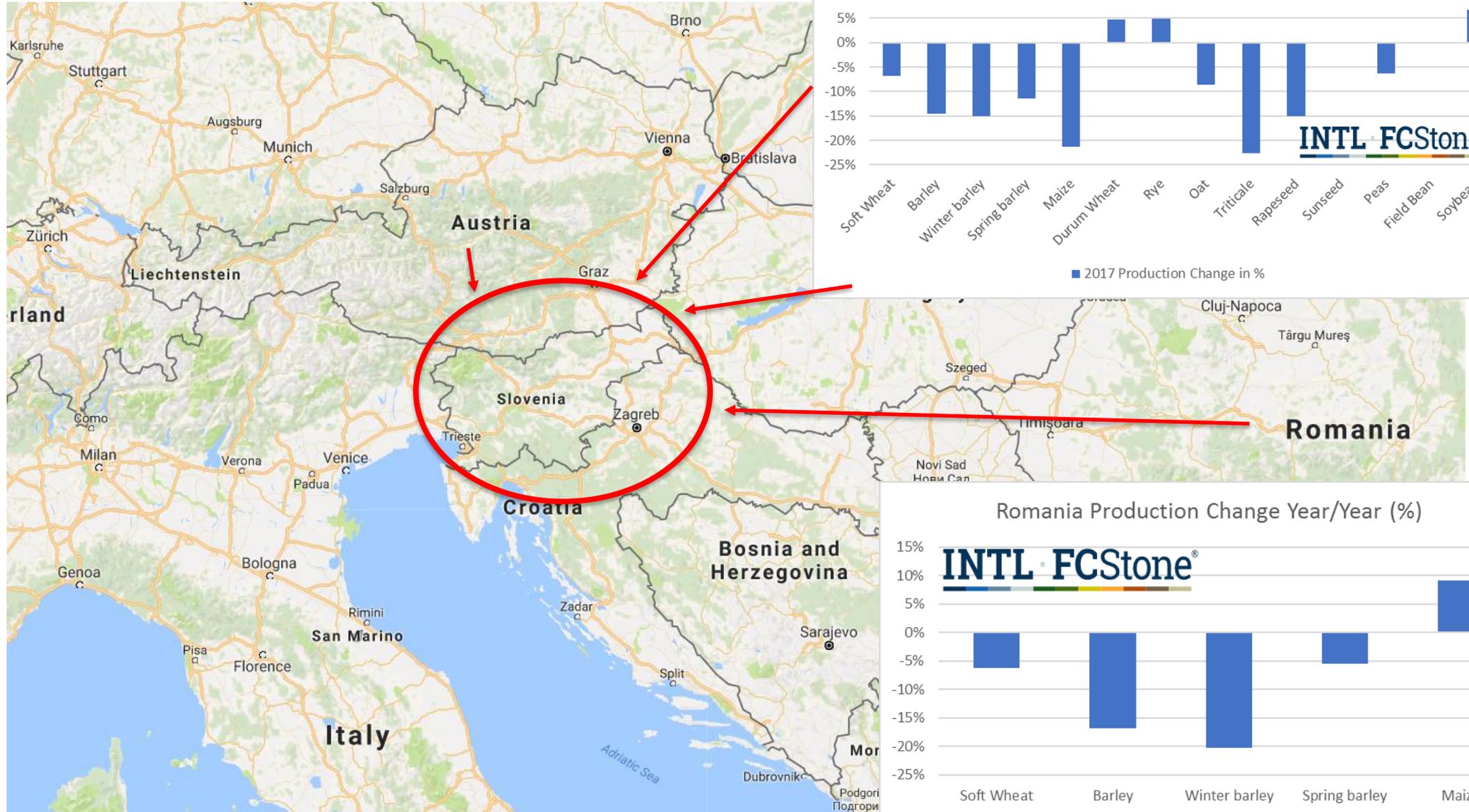
EU Maize Import Levy

- 08 AUG €5.16 /mt
- 01 Sep levy €10.95 /mt
- 10 OCT LEVY € 5.61 /mt

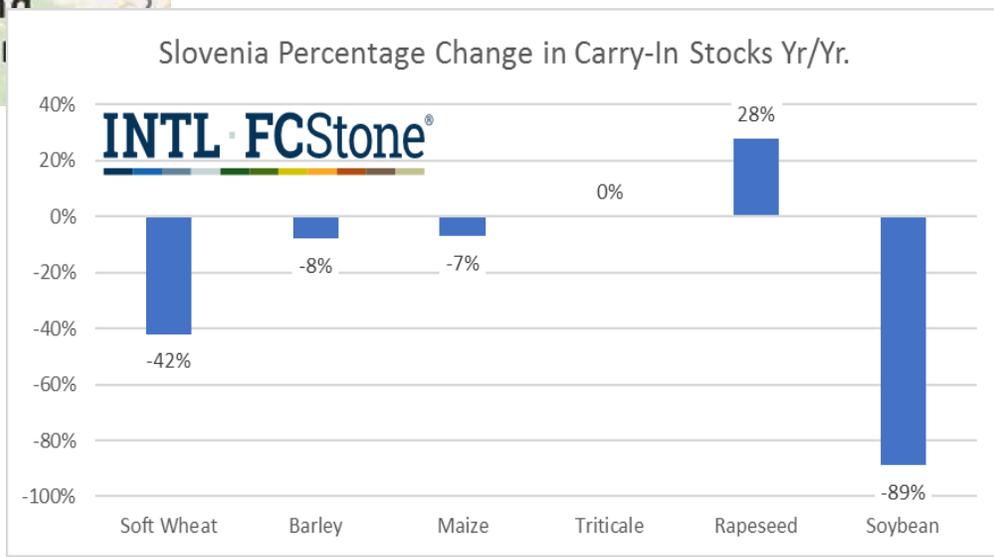
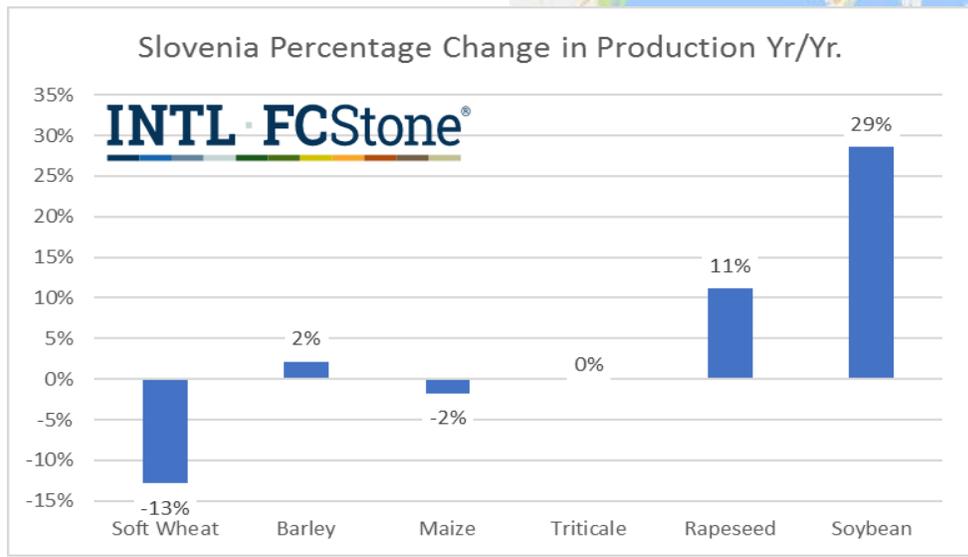
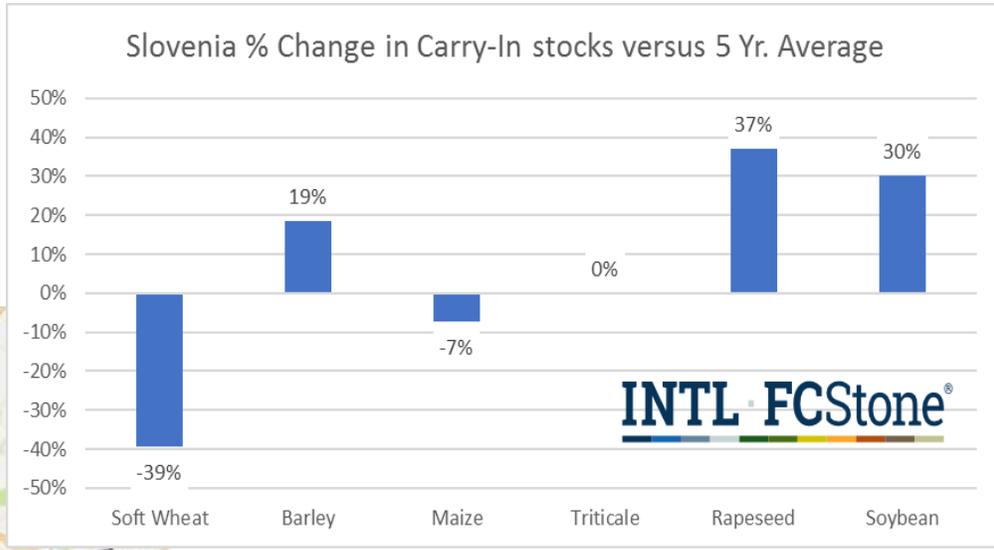
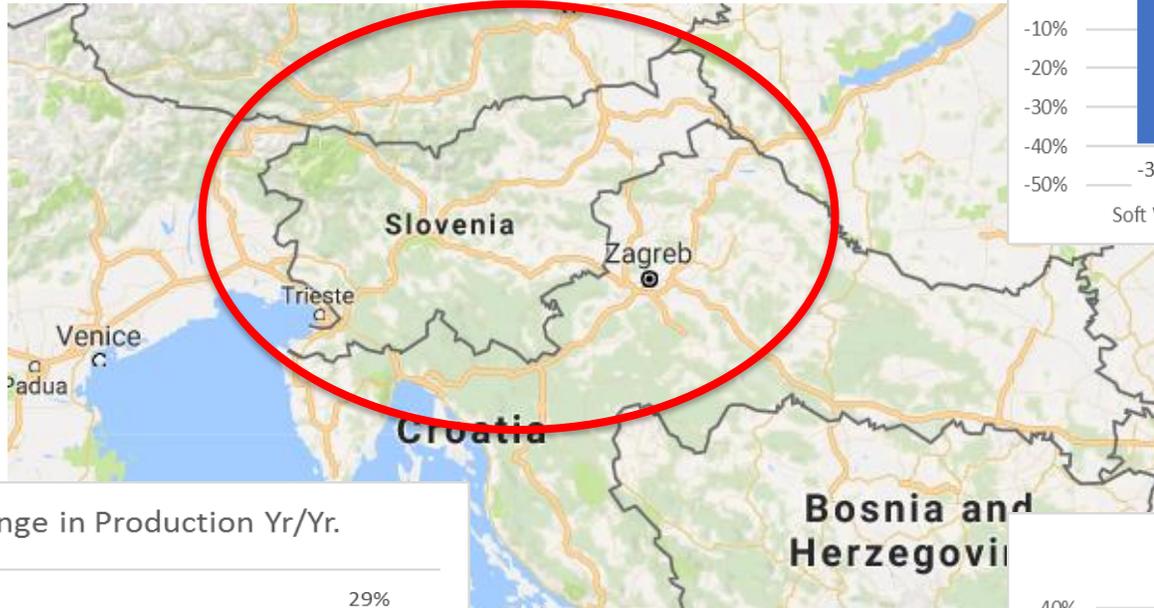


Local Markets

Local Markets



Local Markets



What we know of today's Wheat/Maize market

Physical

- EU wheat production recovered.
- Wheat premiums are high on farmer retention.
- EU maize production similar to last year.
- Maize premiums are high on consumer demand.
- Russia huge crop

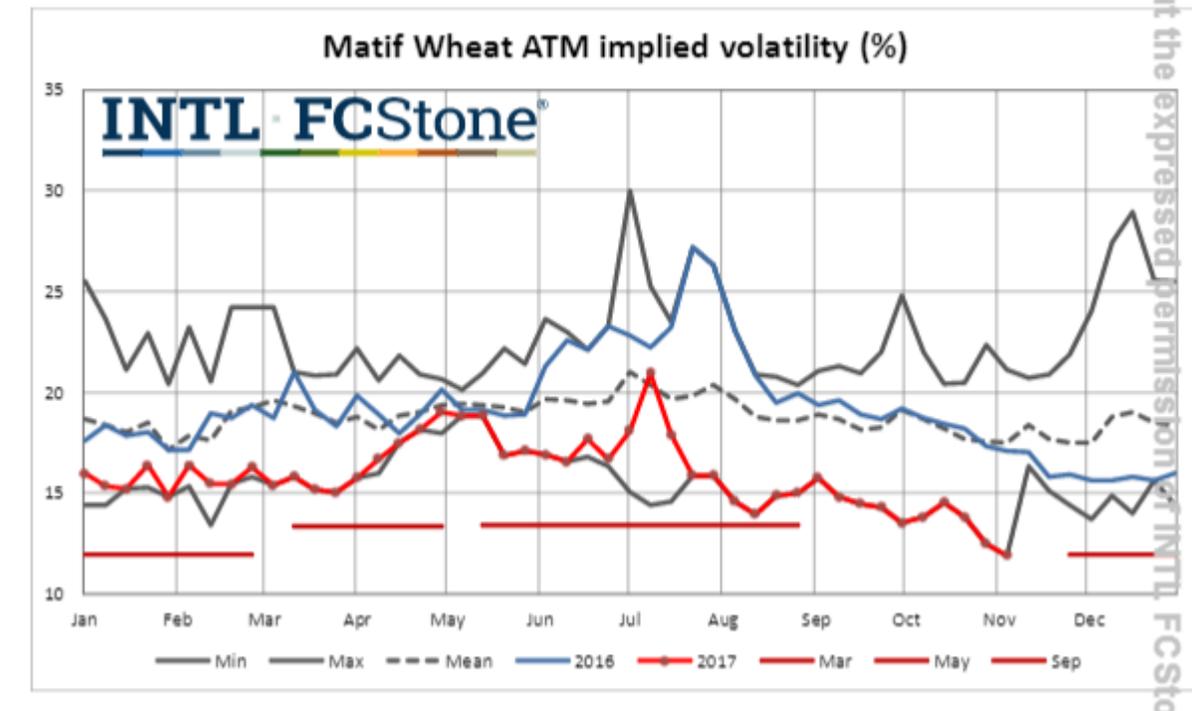
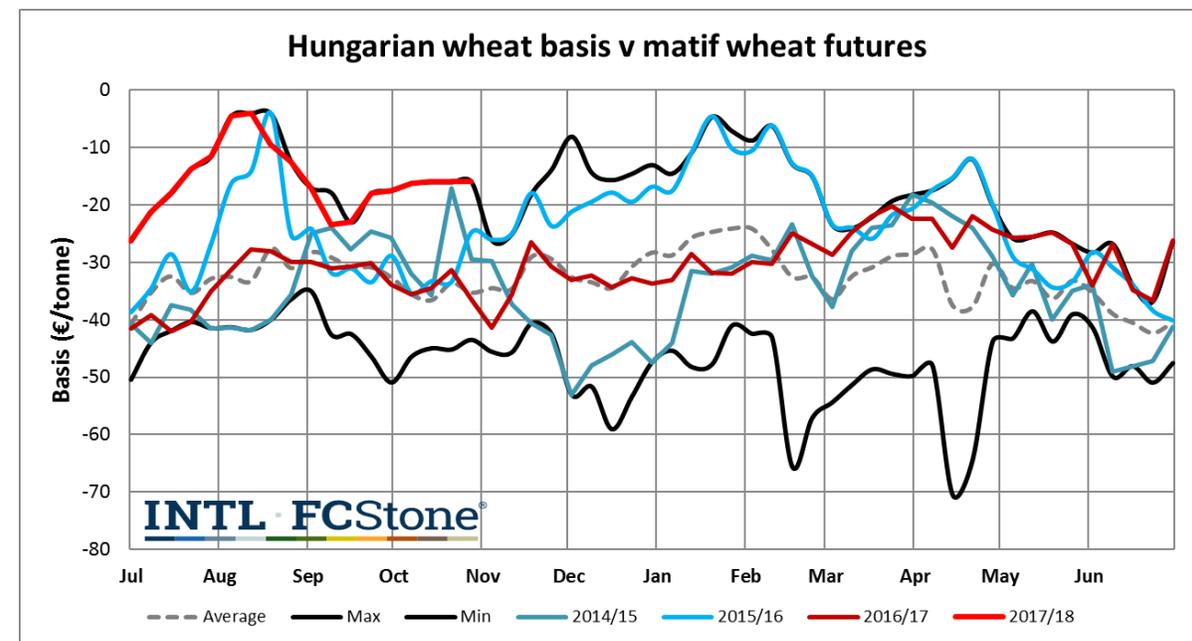
Futures

- Futures prices on Matif reflecting French prospects increased production & slow exports.
- Stronger Euro impacting exports
- Low volatility challenging markets.
- A narrow trading range seems the most likely price trajectory

Strategy

- Option volatility levels are relatively low !
- Is short basis/cash a possibility ?
- Jan 2018 outlook is bearish?
- What can attract more farmer selling?

What is the 2018 market View??



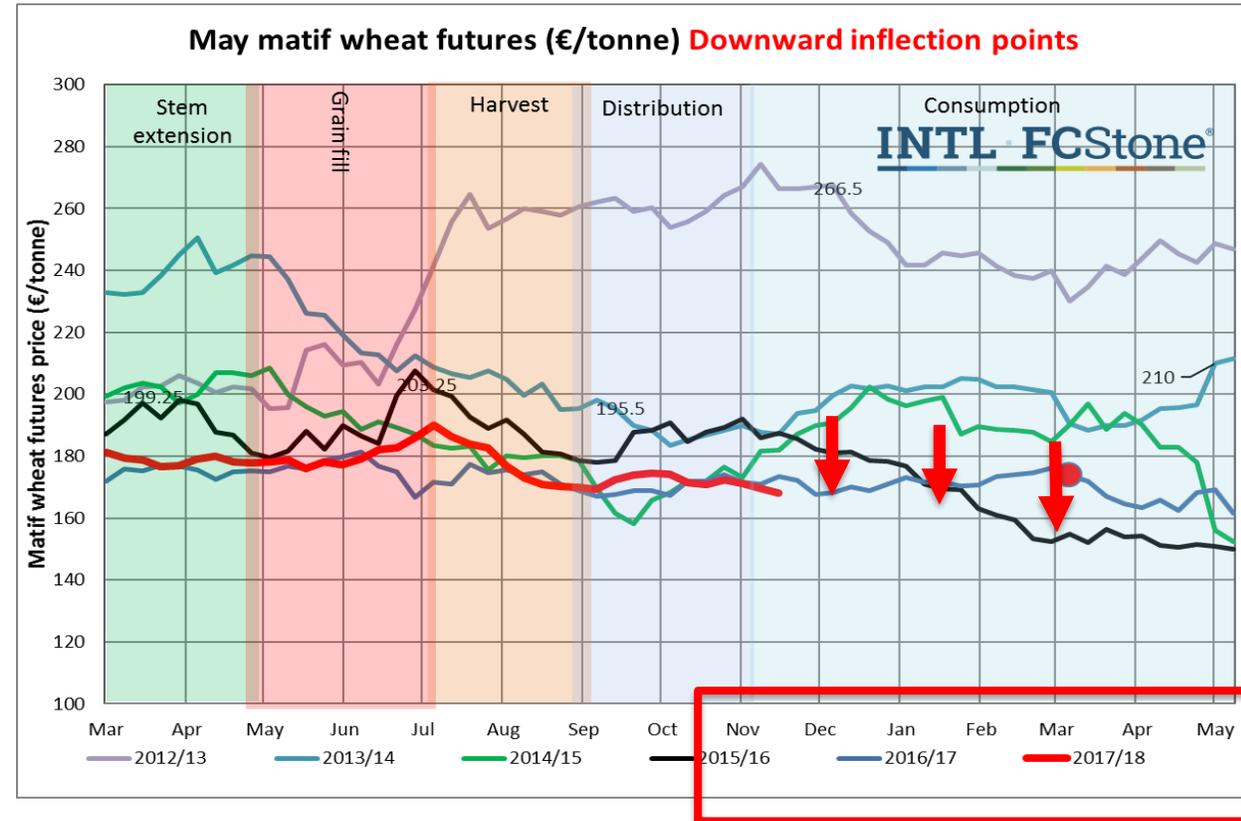
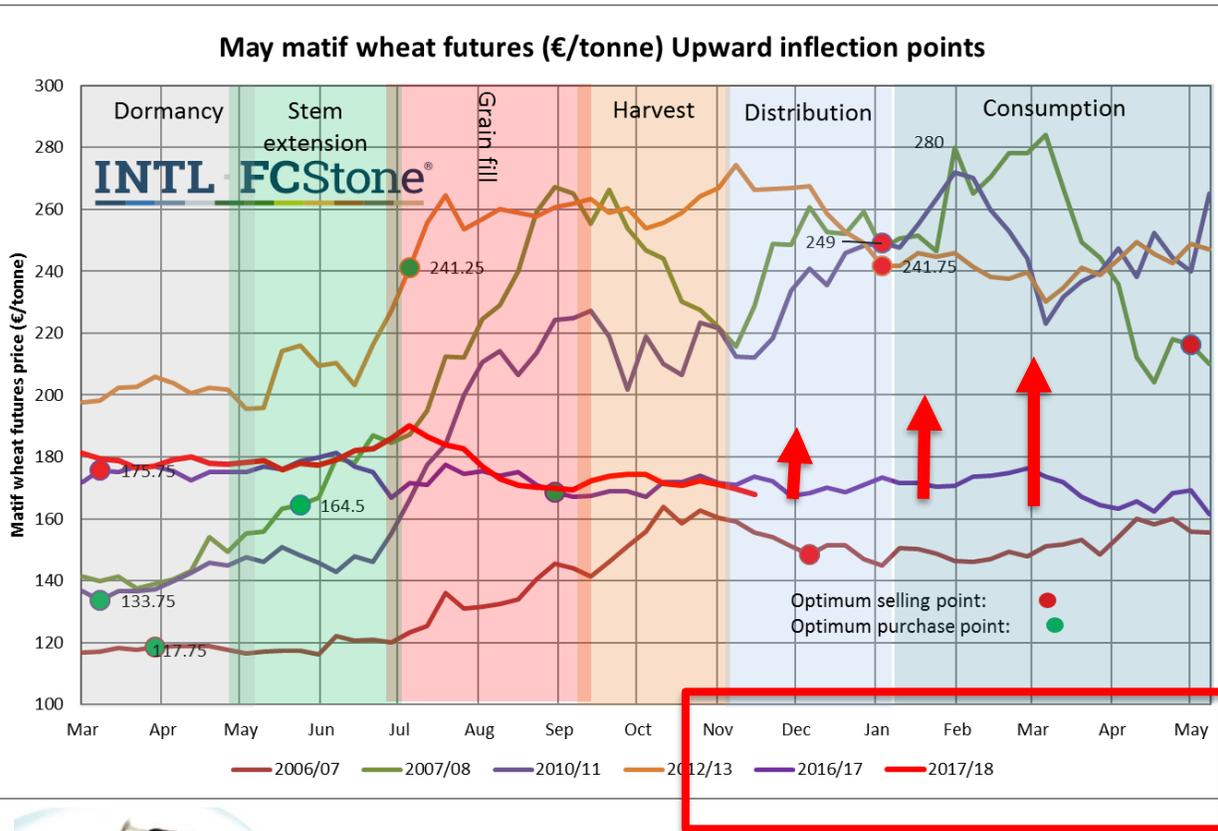
at the expressed permission of INTL FCStone

Going Forward, Are you Bearish or Bullish **Wheat**?



It probably depends if you are a producer or a consumer!

Is it if you are Producer / Consumer. OR



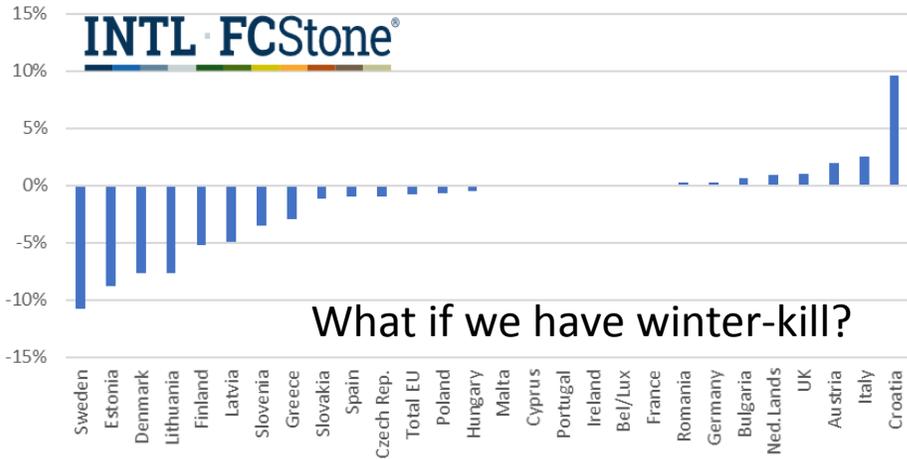
Is it about Timing!



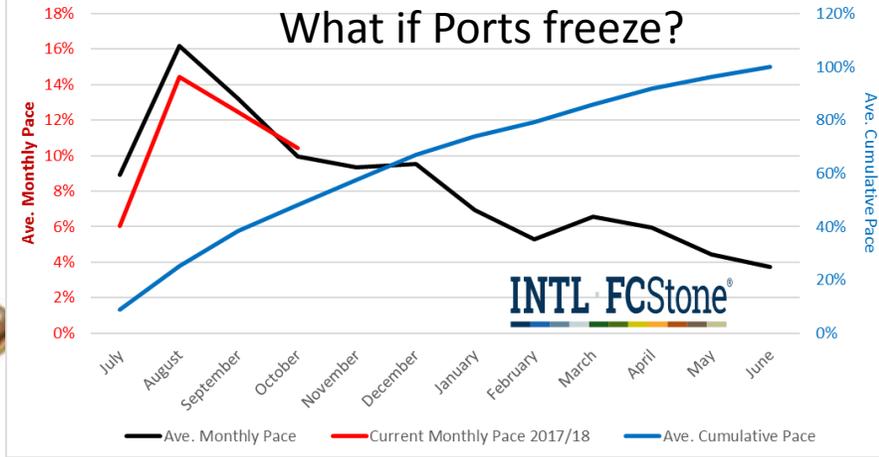
Producer Strategies (wheat/barley. May-18)

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EU. 2018 Planted Wheat Area % change year on year

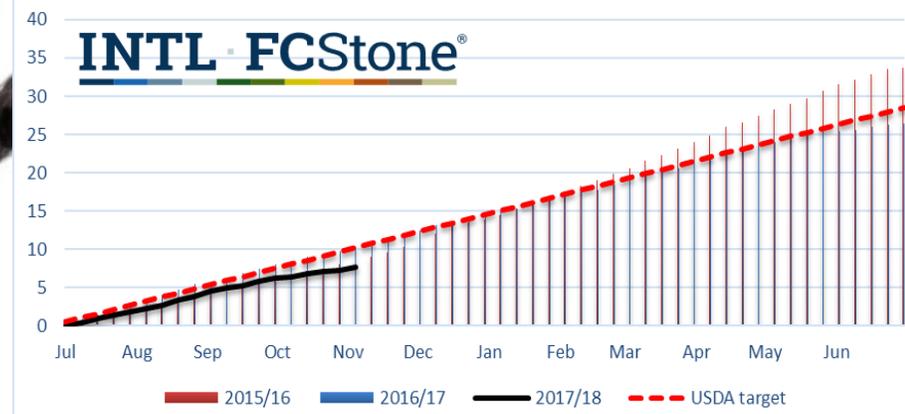


Russian Current Sea Export Program (33 MMT Sea/Rail/Other)

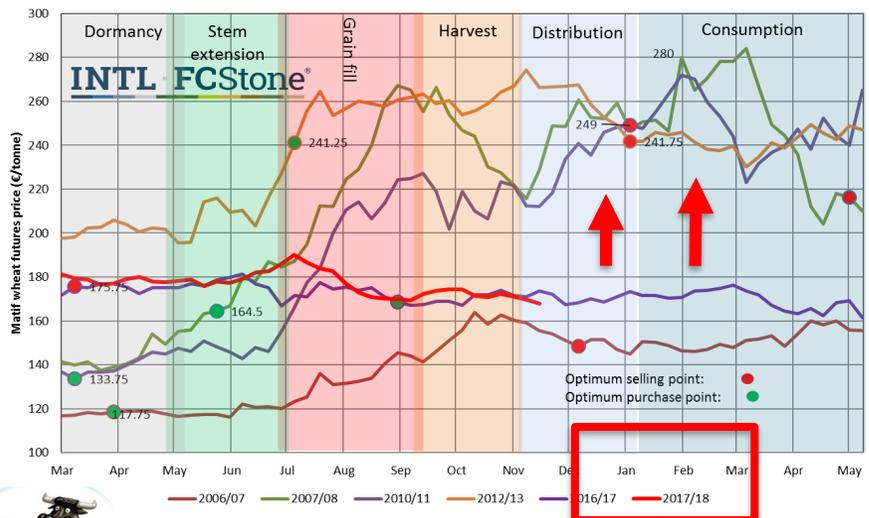


What about inter-EU exports?

EU cumulative weekly Total Wheat Exports (MMT)



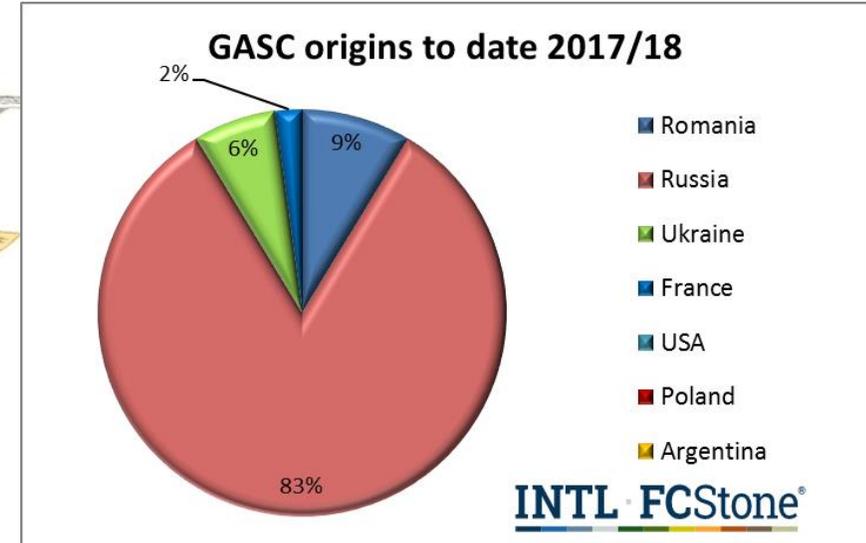
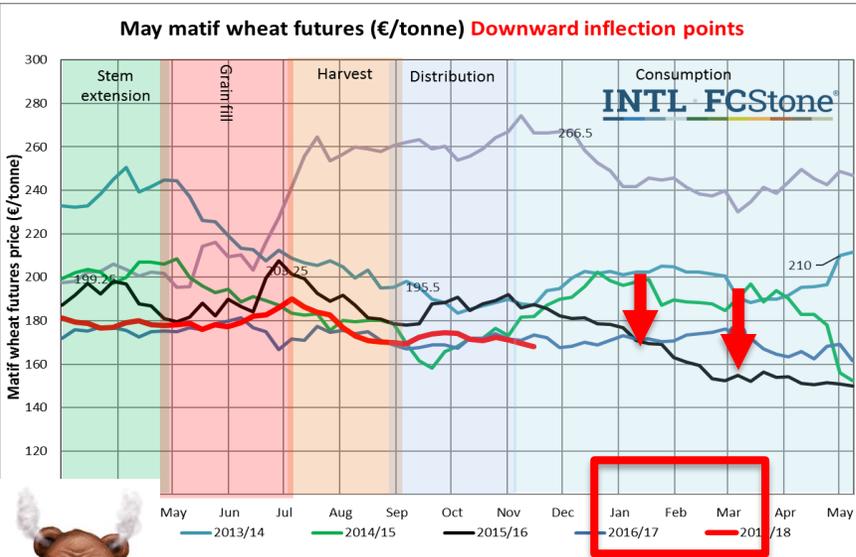
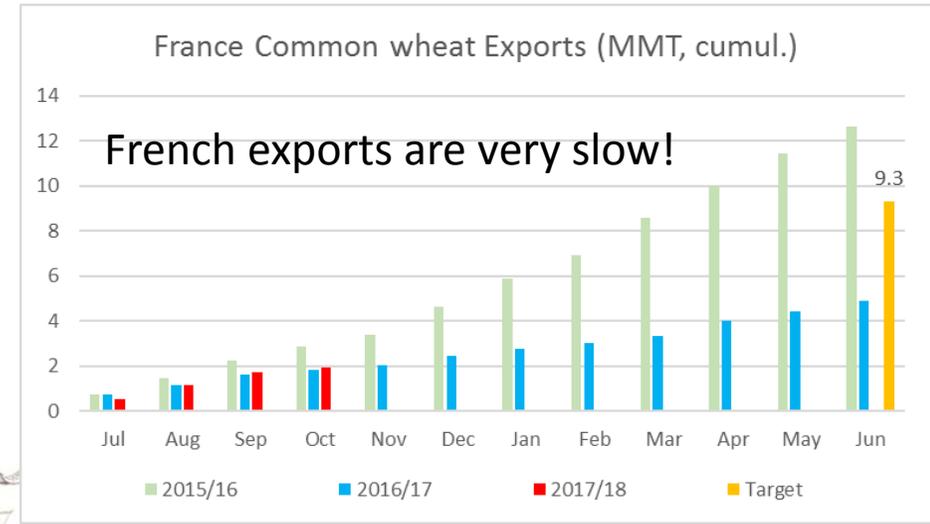
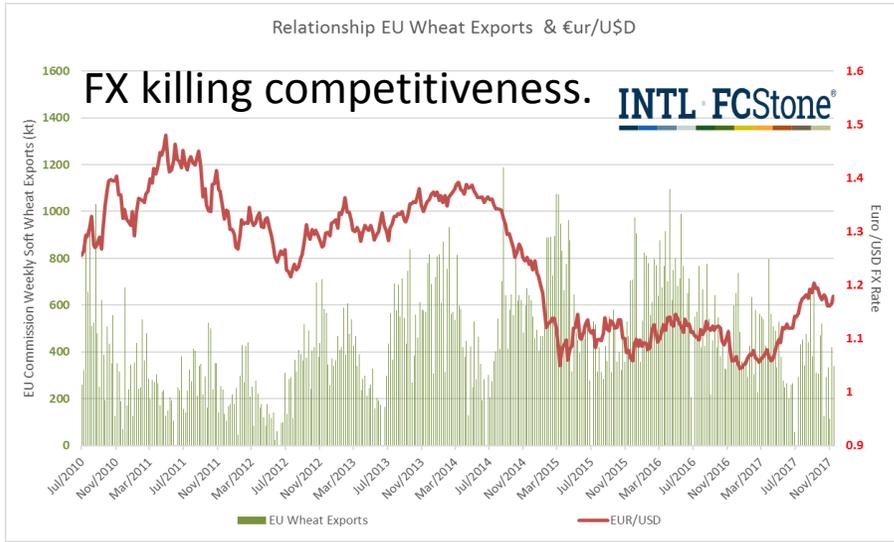
May matif wheat futures (€/tonne) Upward inflection points



Upside moves can be extreme!



Consumer Strategies (wheat/barley. May-18)



150€ Matif is possible.

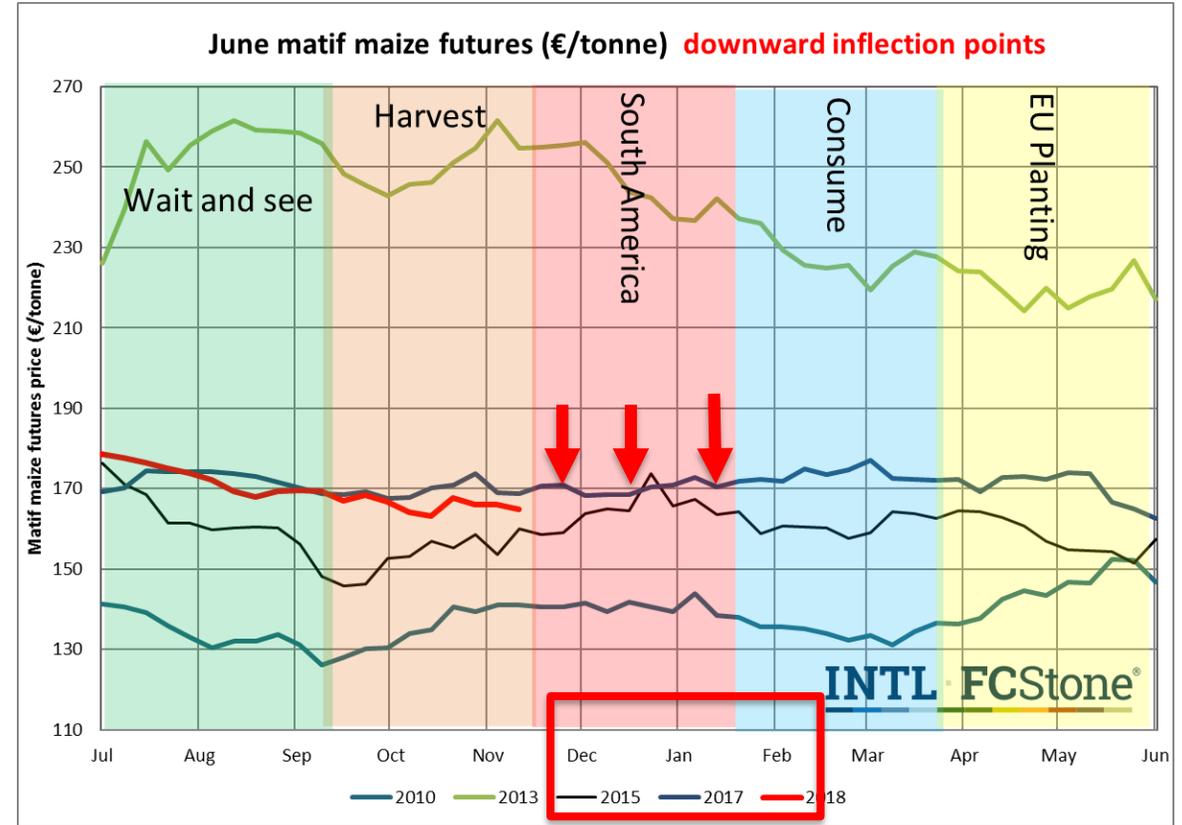
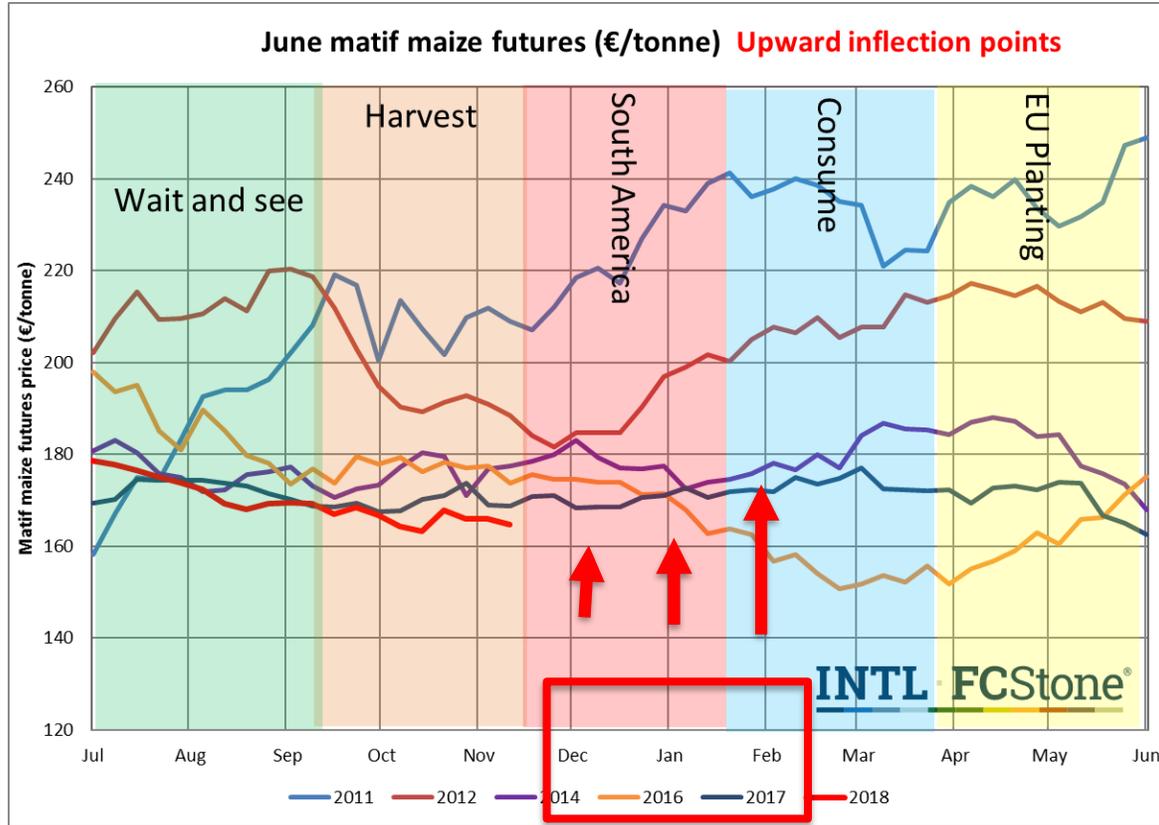
Russia capturing markets.

Going Forward, Are you Bearish or Bullish **Maize?**



It probably depends if you are a producer or a consumer!

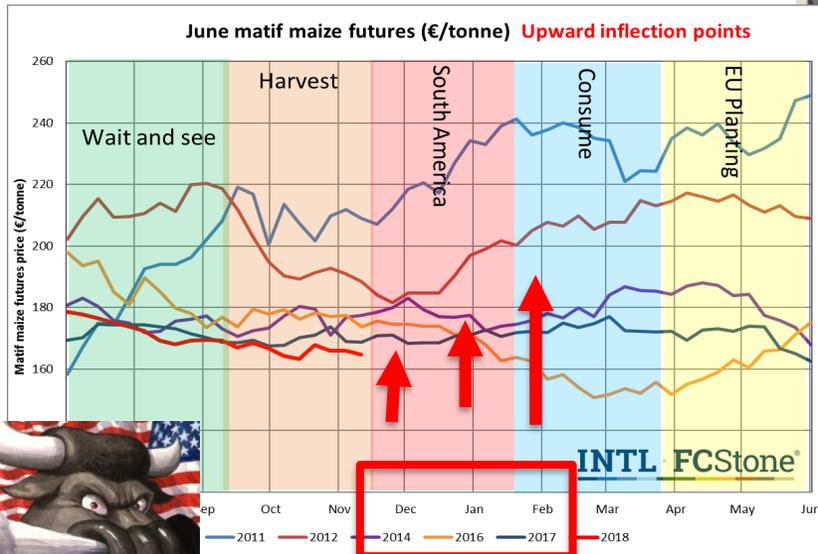
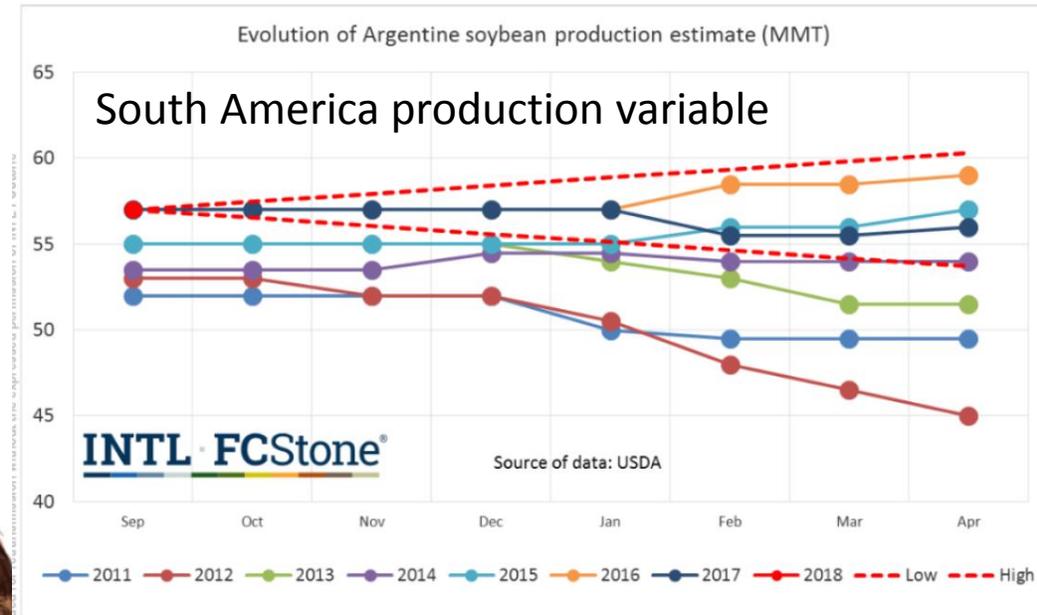
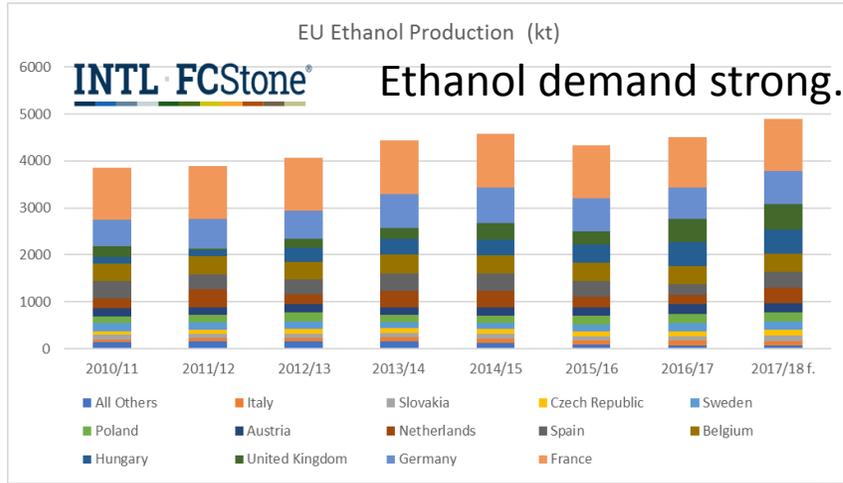
Again less about Producer / Consumer Strategies (Maize. June-18)



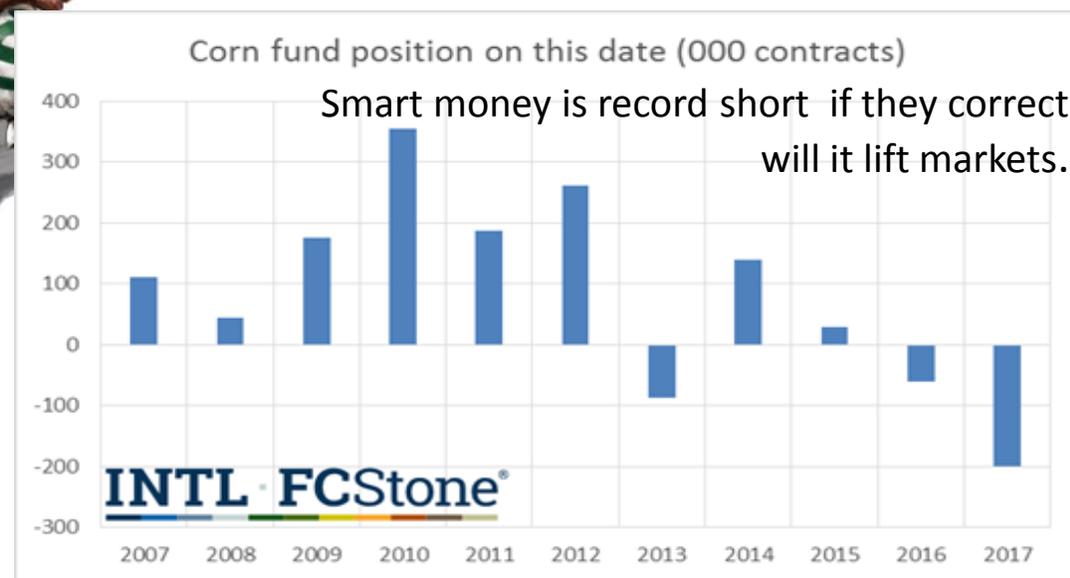
More about Timing!



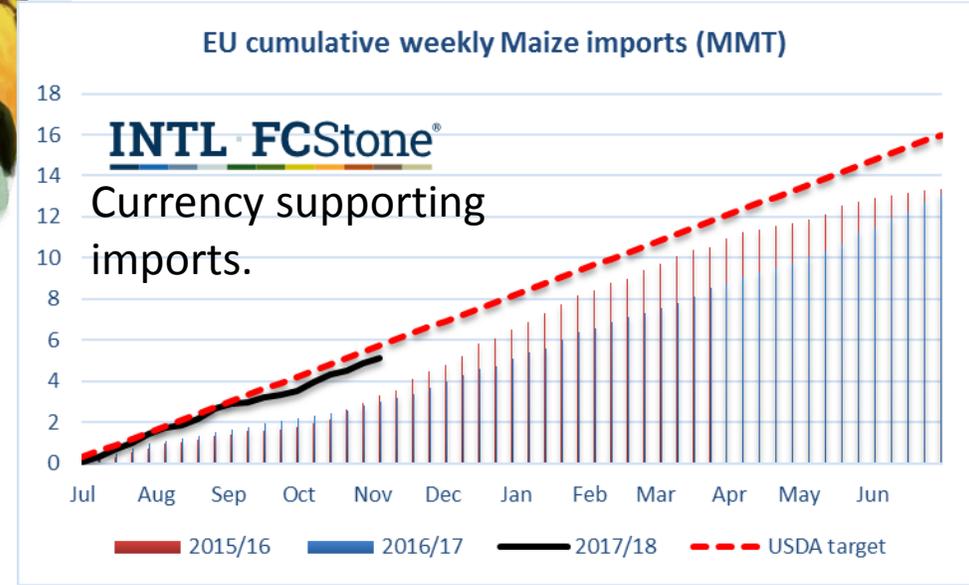
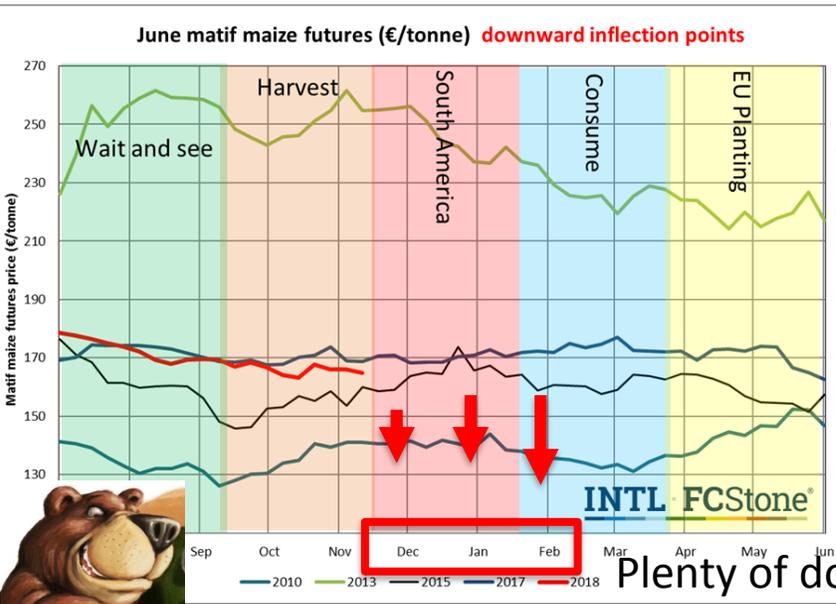
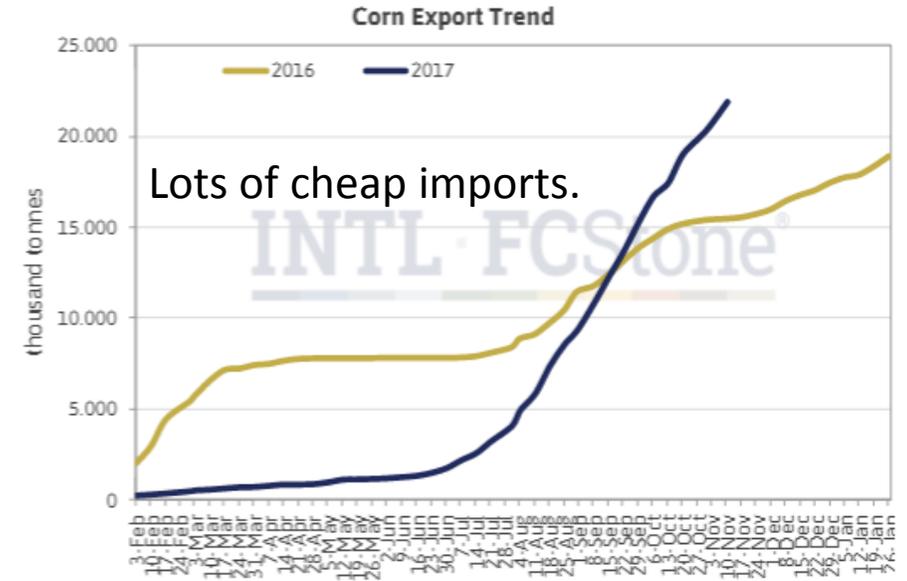
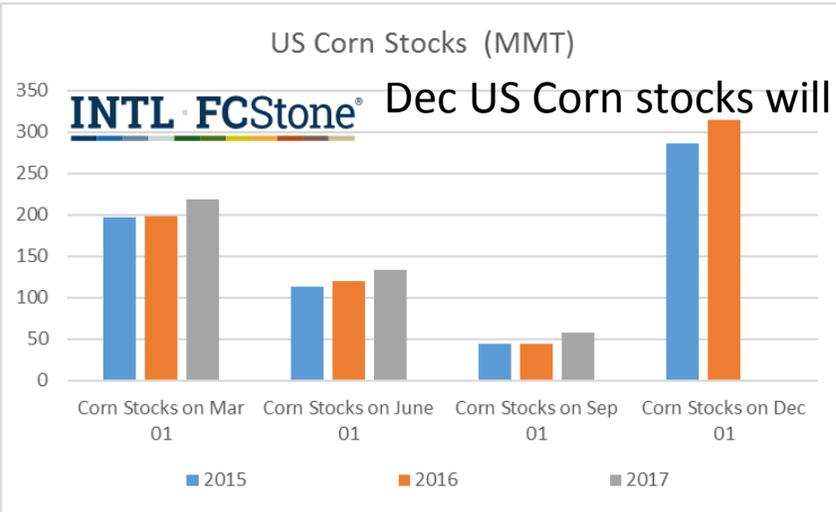
Producer Strategies (inventories maize. June-18)



Upside moves can be extreme!



Consumer Strategies (inventories maize. June-18)



What to watch going forward

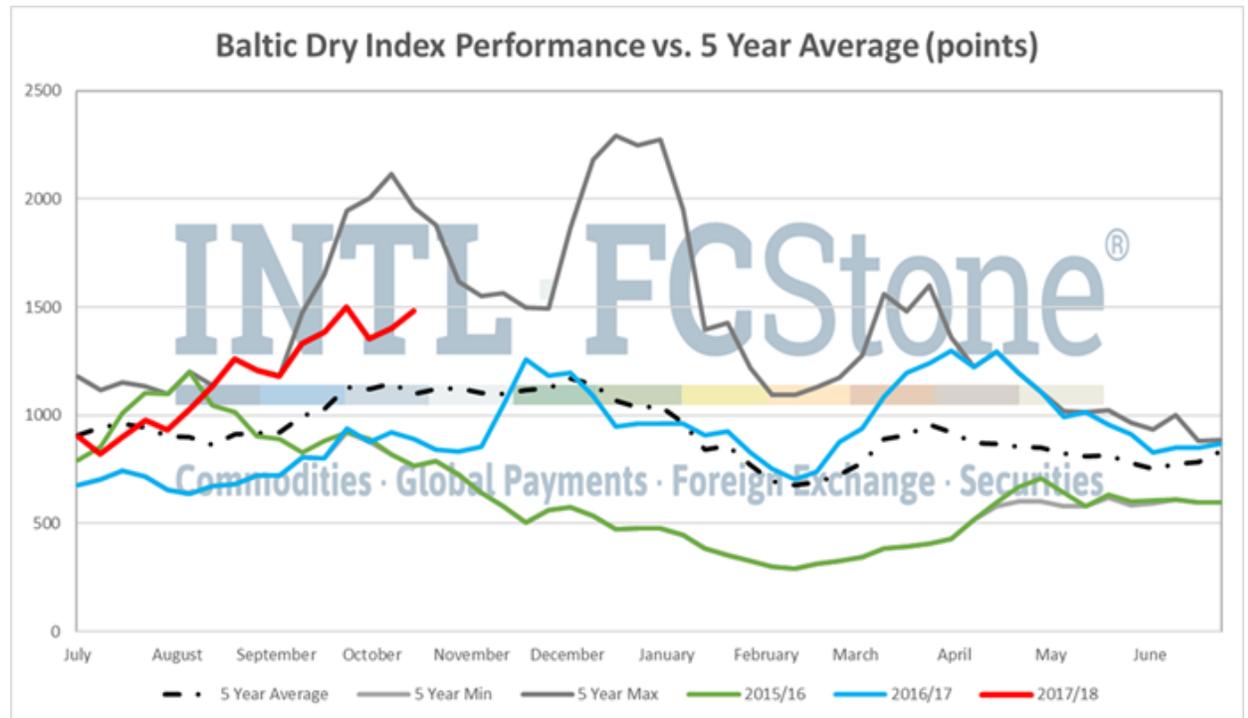
Baltic Dry Index



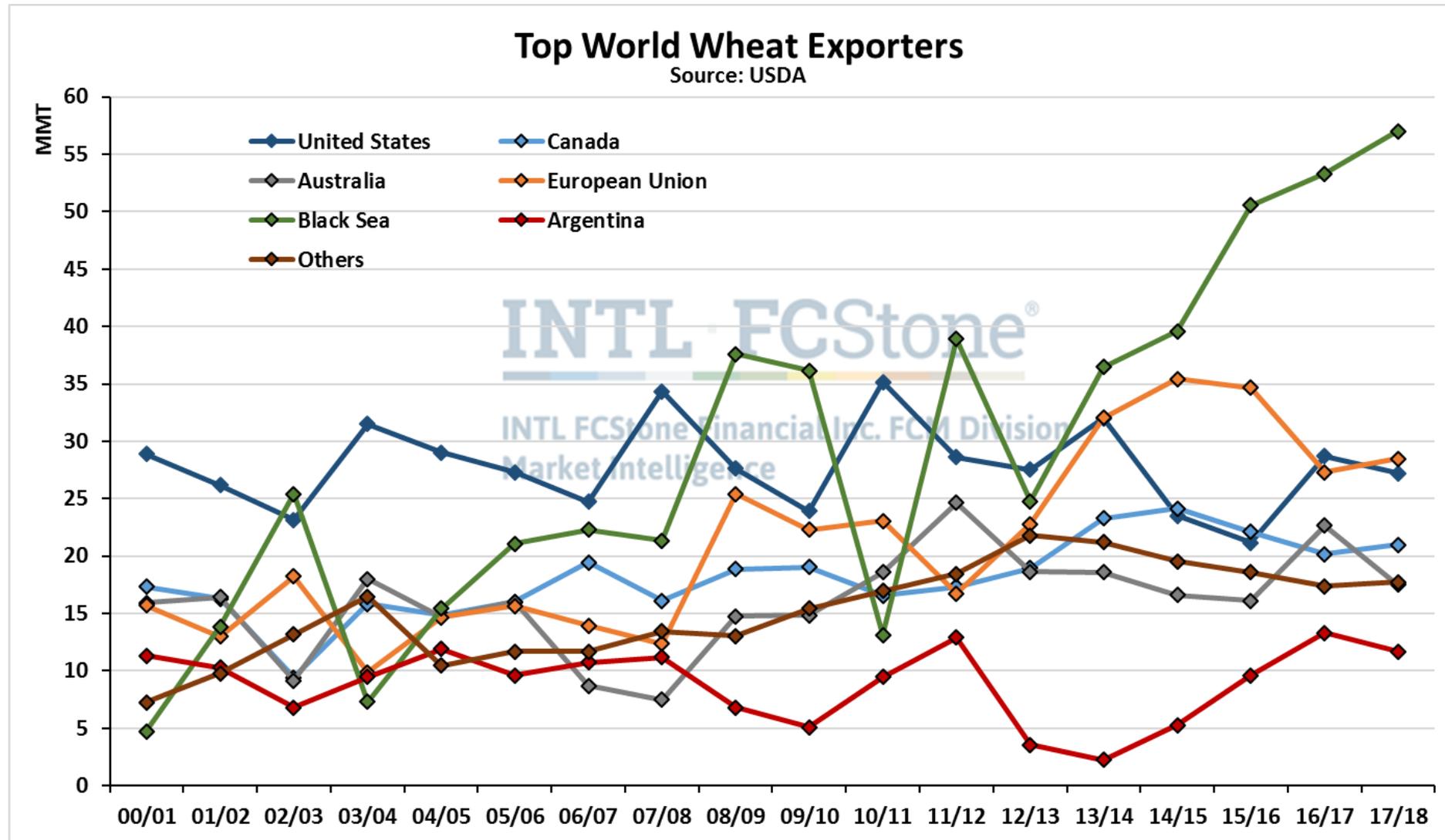
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**FREIGHT RATES ON THE WAY UP
C&F INCREASING**

Baltic Dry Index Performance vs. 5 Year Average (points)



What to watch going forward

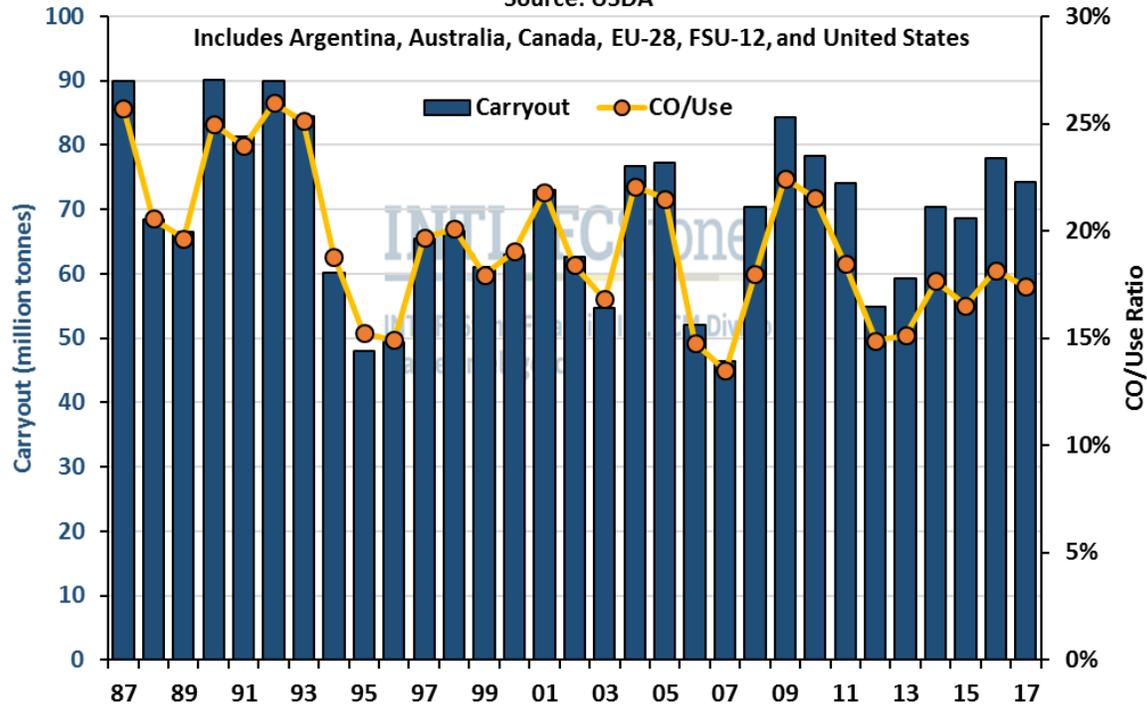


What to watch going forward

Major Wheat Exporters Carryout and CO/Use Ratio

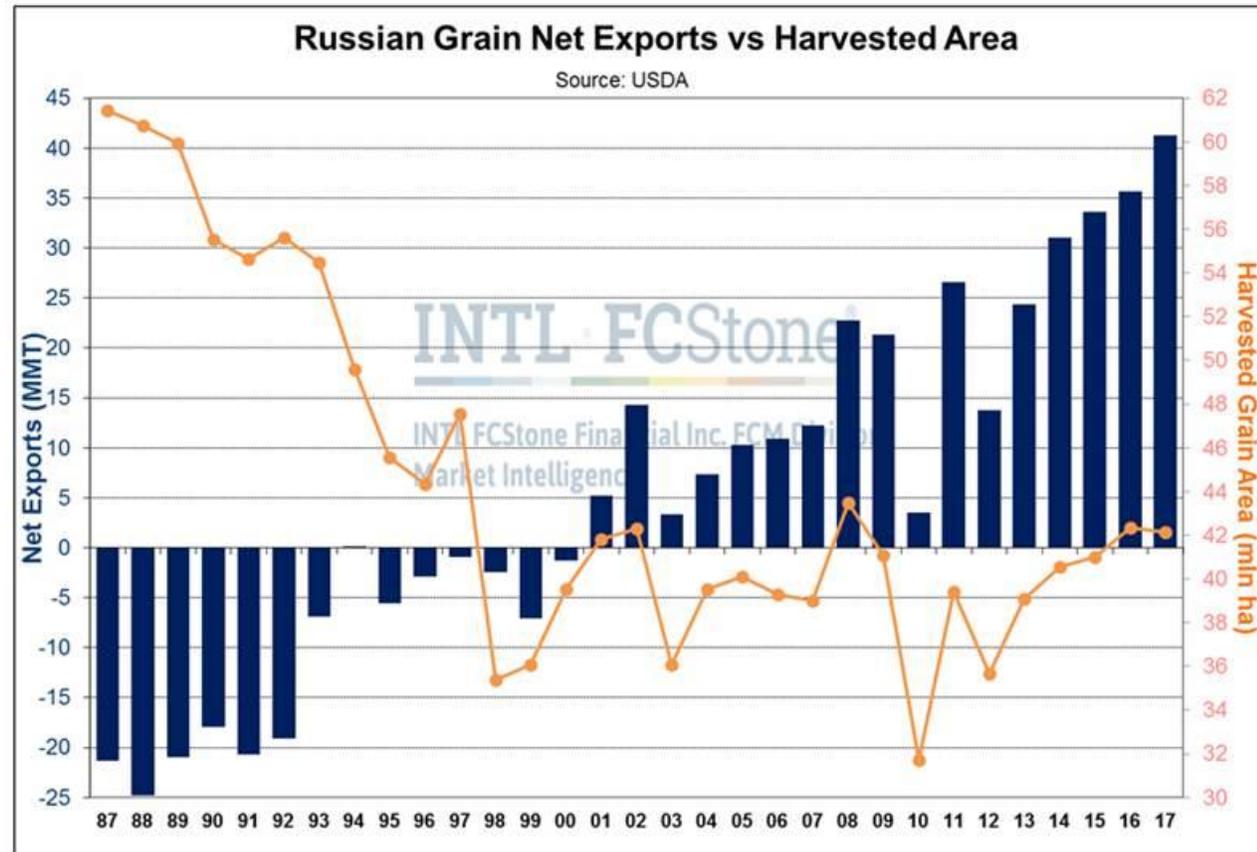
Source: USDA

Includes Argentina, Australia, Canada, EU-28, FSU-12, and United States



Russian Grain Net Exports vs Harvested Area

Source: USDA

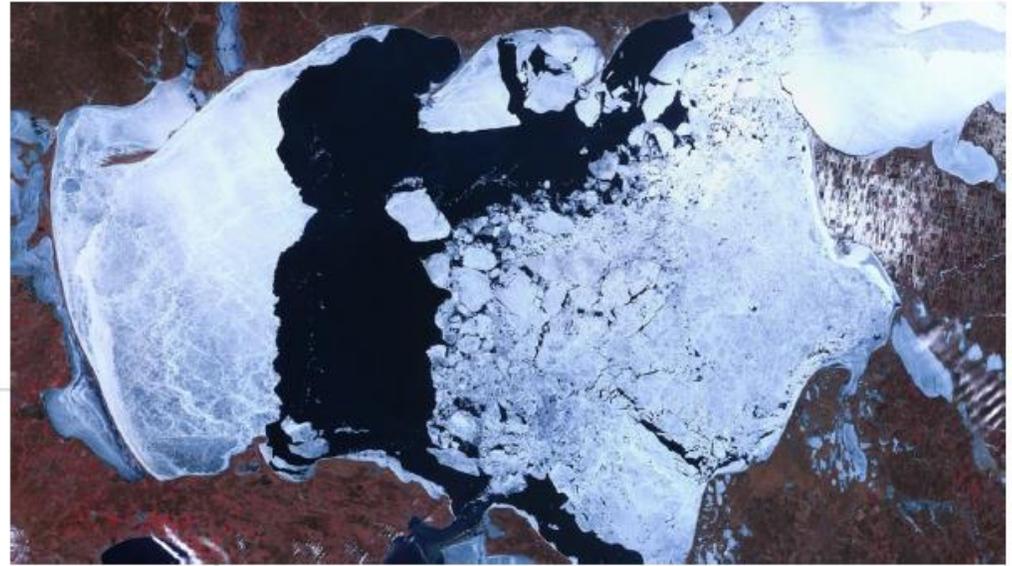


Stocks Healthy

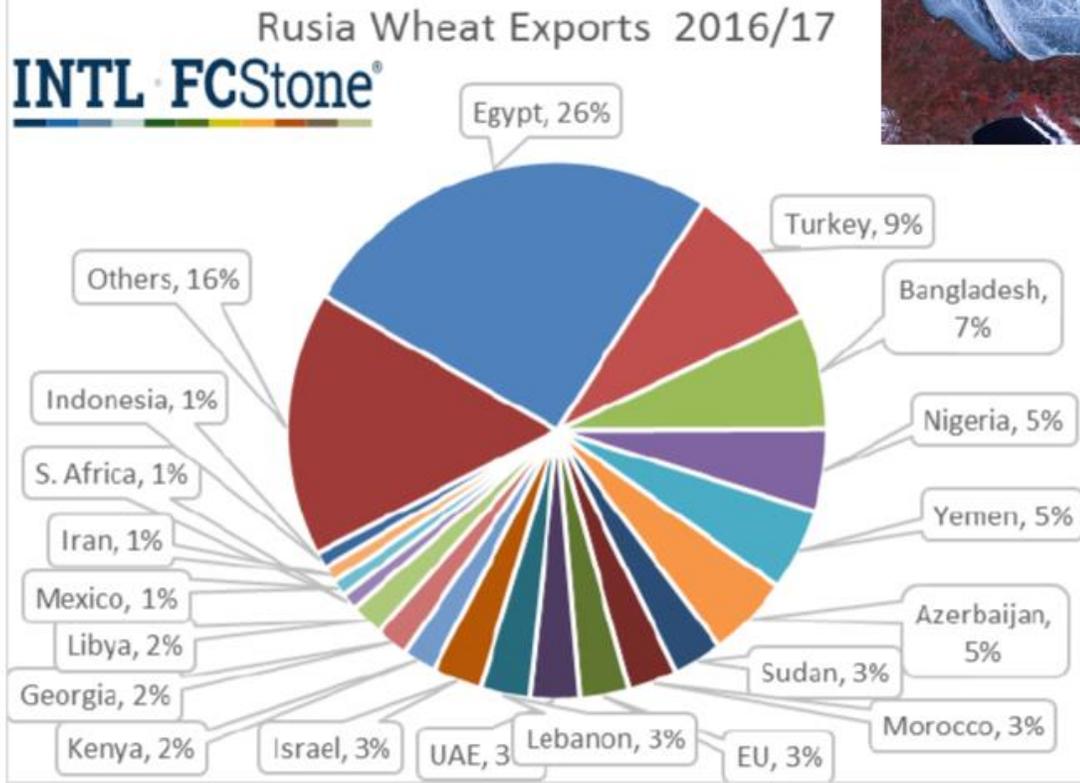
Russian Potential to produce more is high.



If the Sea of Azov Freezes,



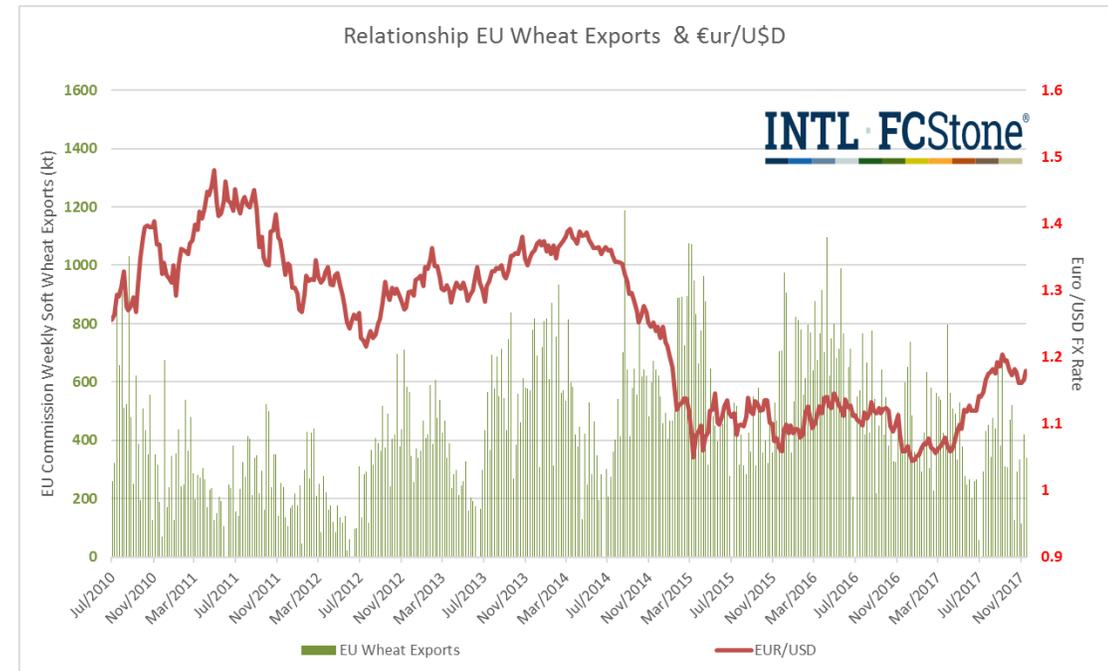
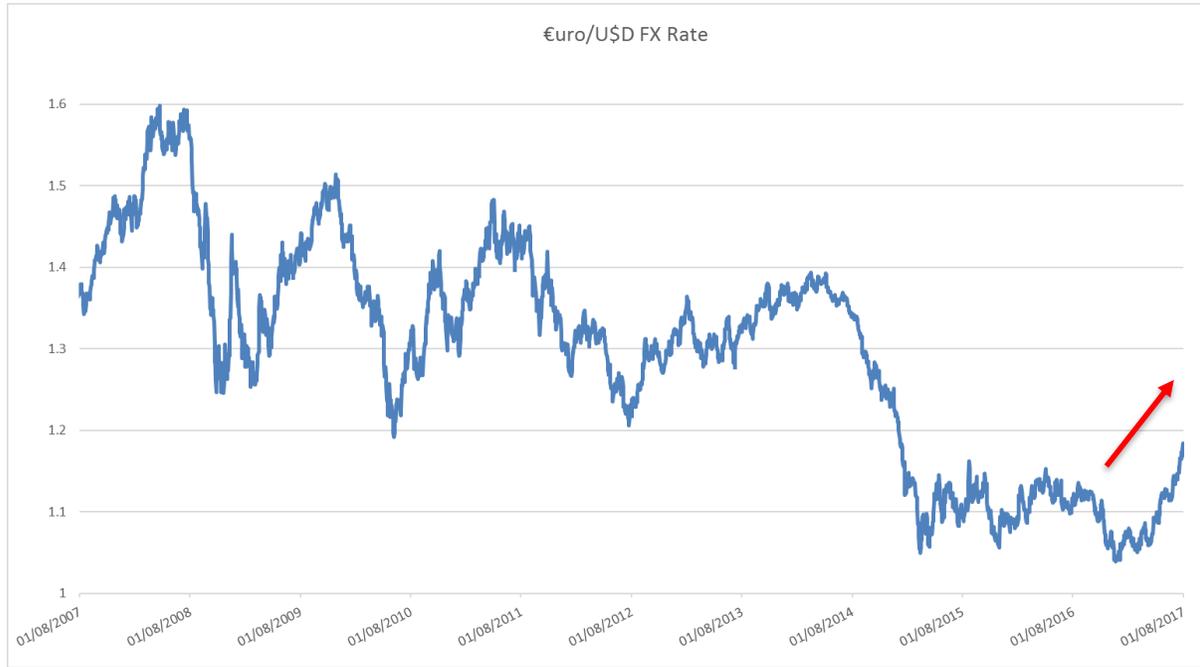
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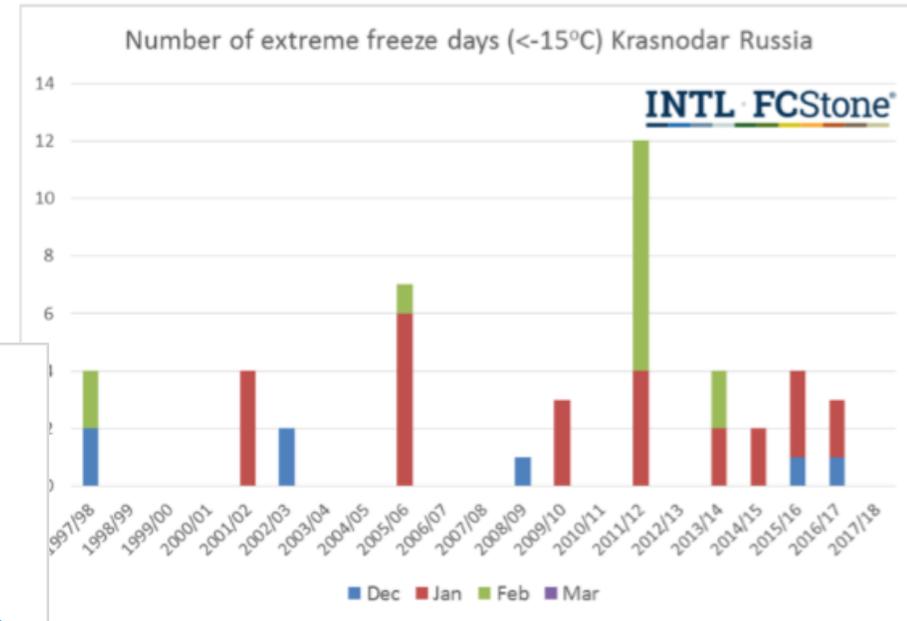
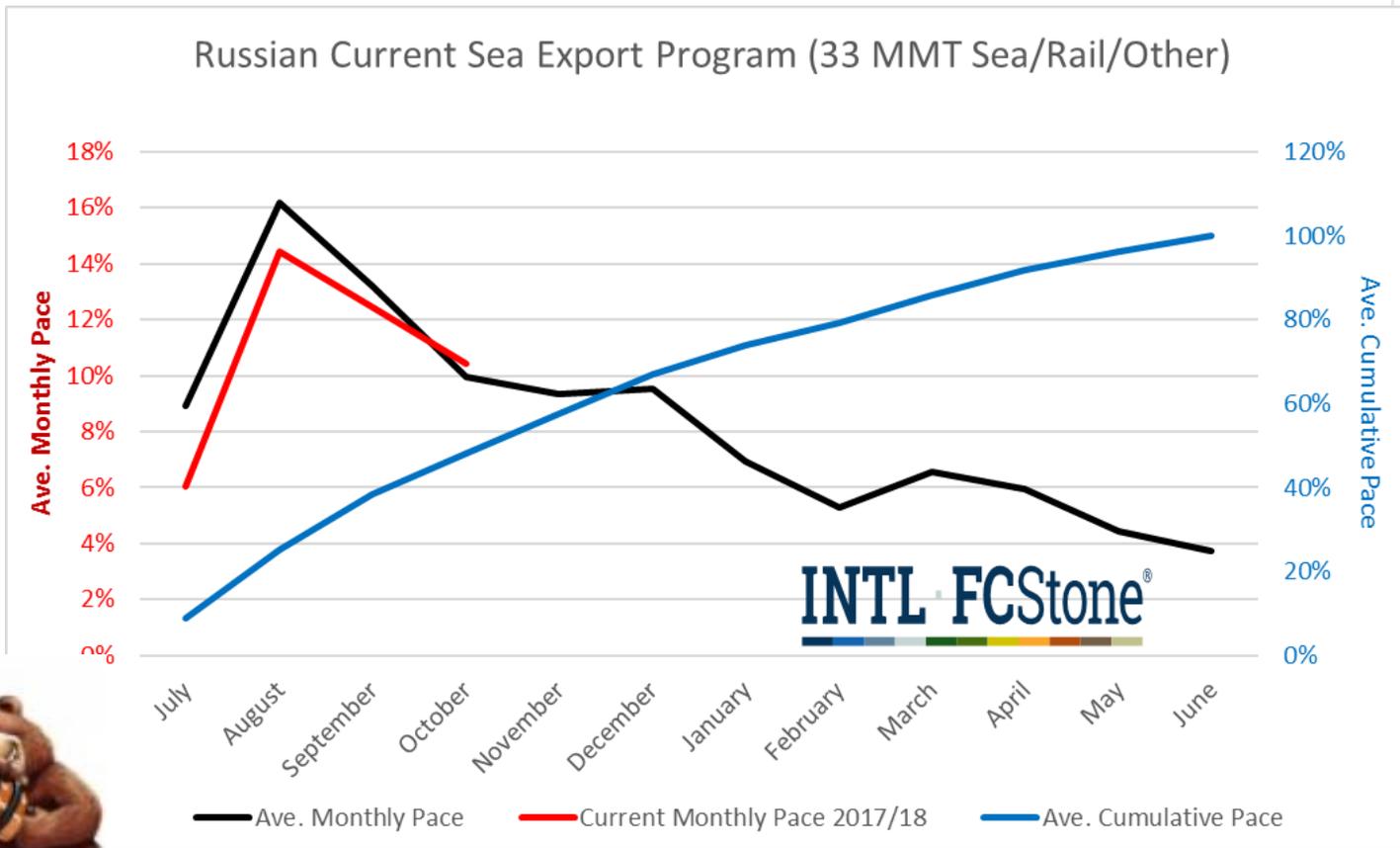


Who might come looking for EU Wheat?



Currency





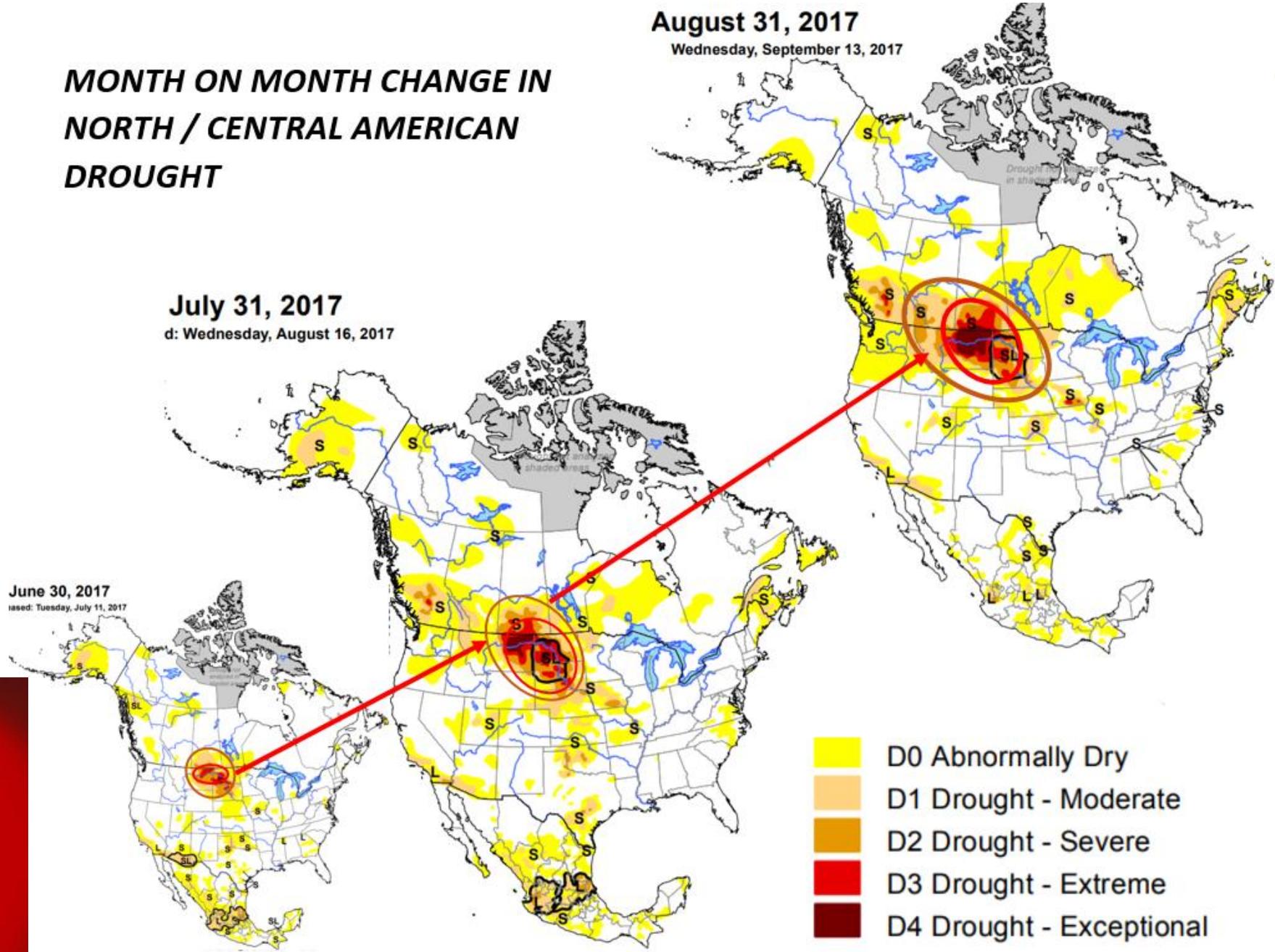
MONTH ON MONTH CHANGE IN NORTH / CENTRAL AMERICAN DROUGHT

August 31, 2017
Wednesday, September 13, 2017



July 31, 2017
Wednesday, August 16, 2017

June 30, 2017
Tuesday, July 11, 2017

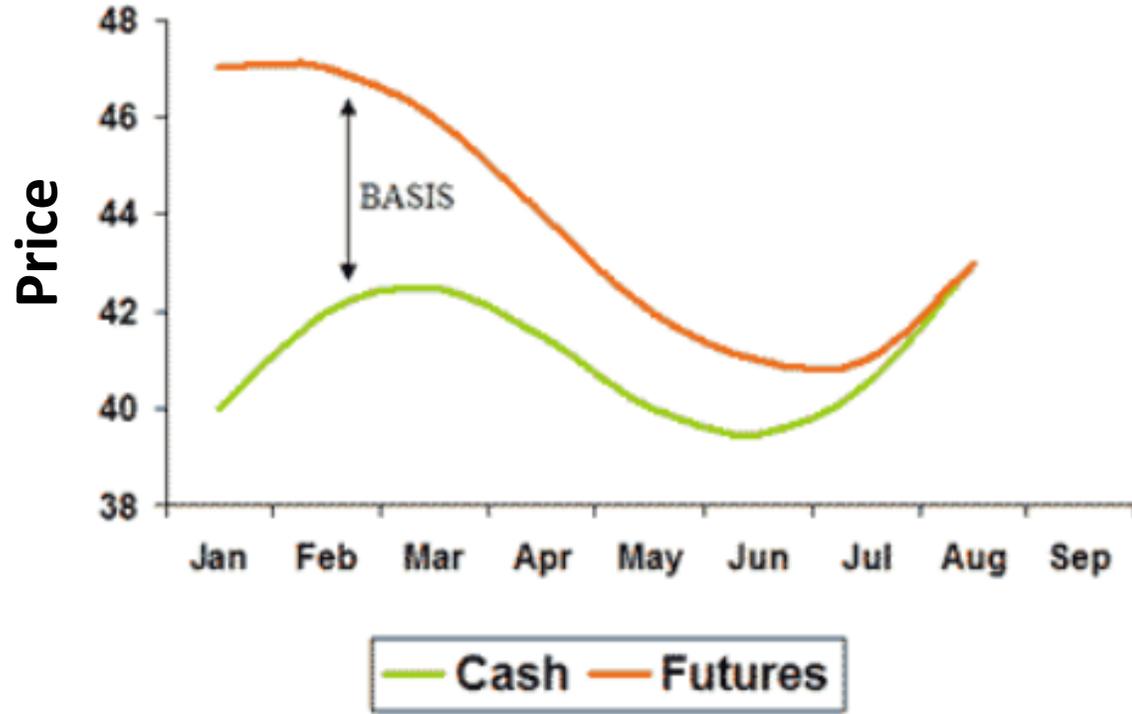


- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

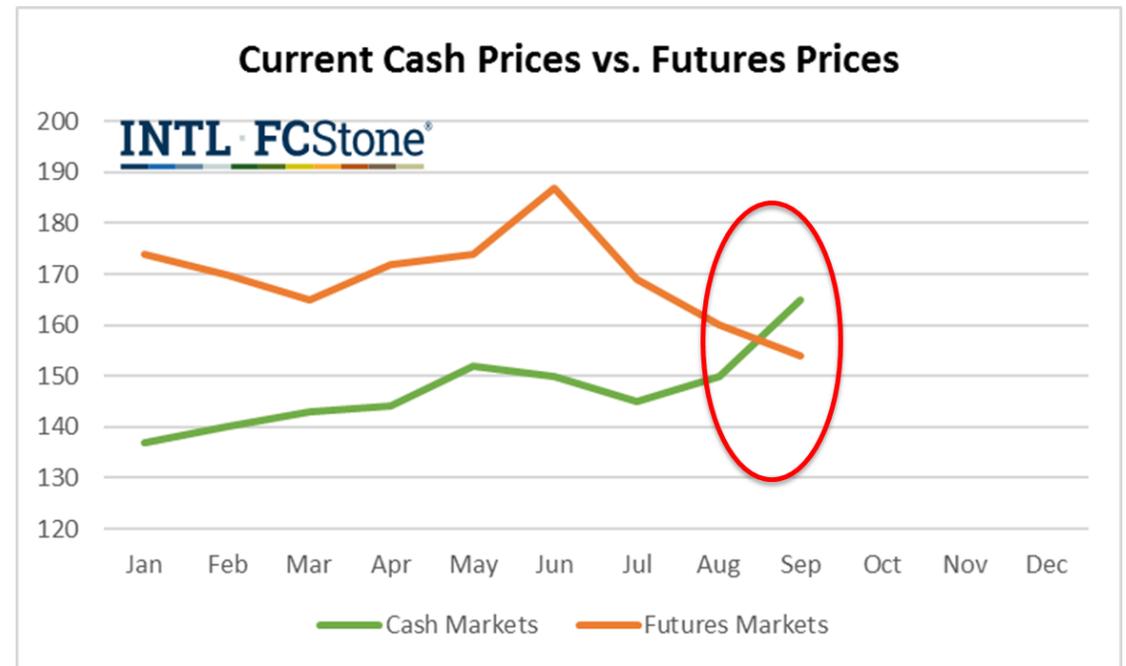


Hedging Strategies

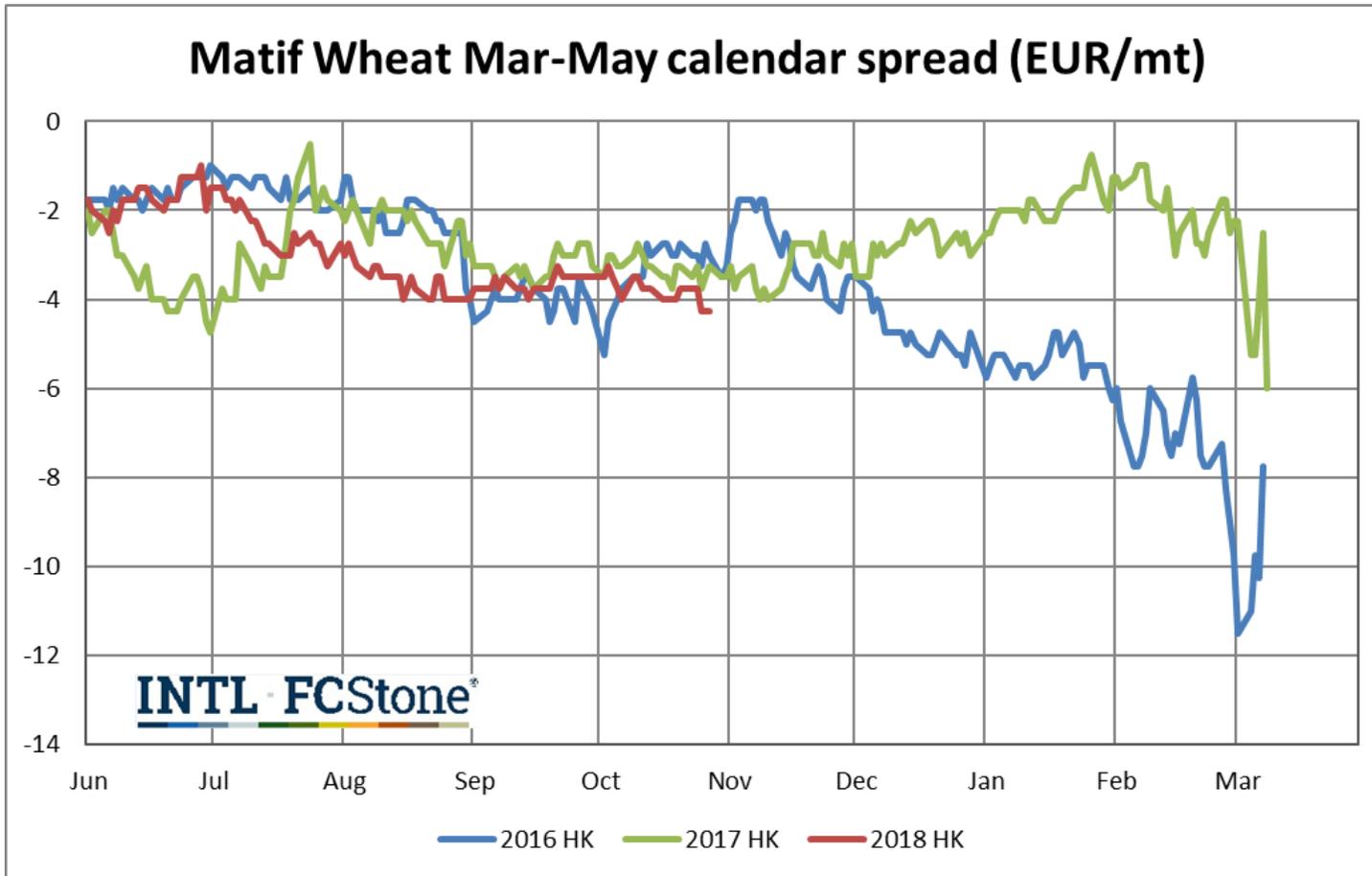
Cash Price vs. Futures Price



Current Cash Prices vs. Futures Prices



Wheat



Bear Spread

Sell the nearby future contract

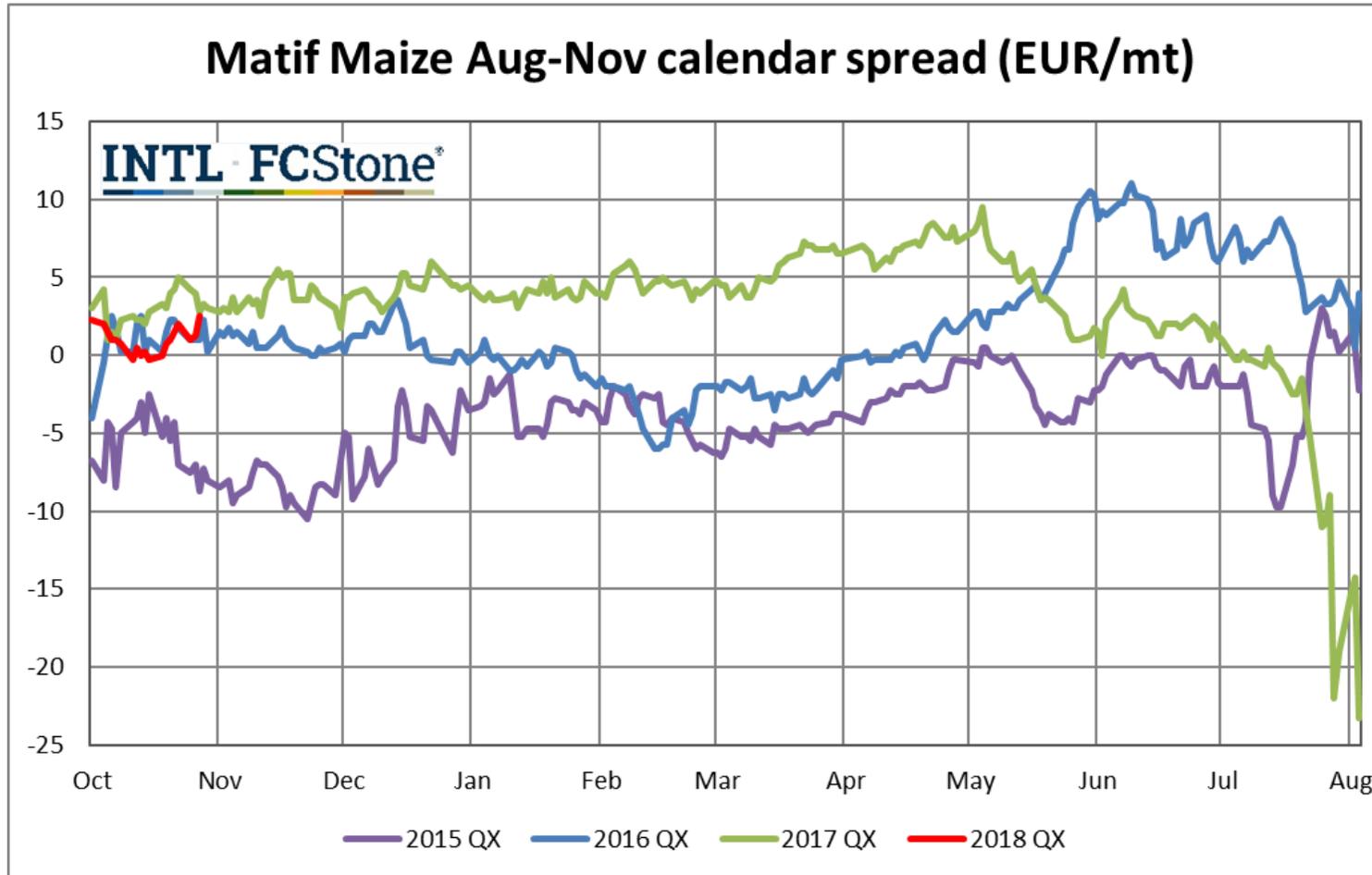
Buy the deferred future contract

Logic if the spread weakens you will gain.

Seasonally the spread should weaken as sell pressure Jan to Mar, selling in a new tax year.

Benefit less margin requirement

Matif Maize Aug-Nov calendar spread (EUR/mt)



Bear Spread

Sell the nearby

Buy the deferred

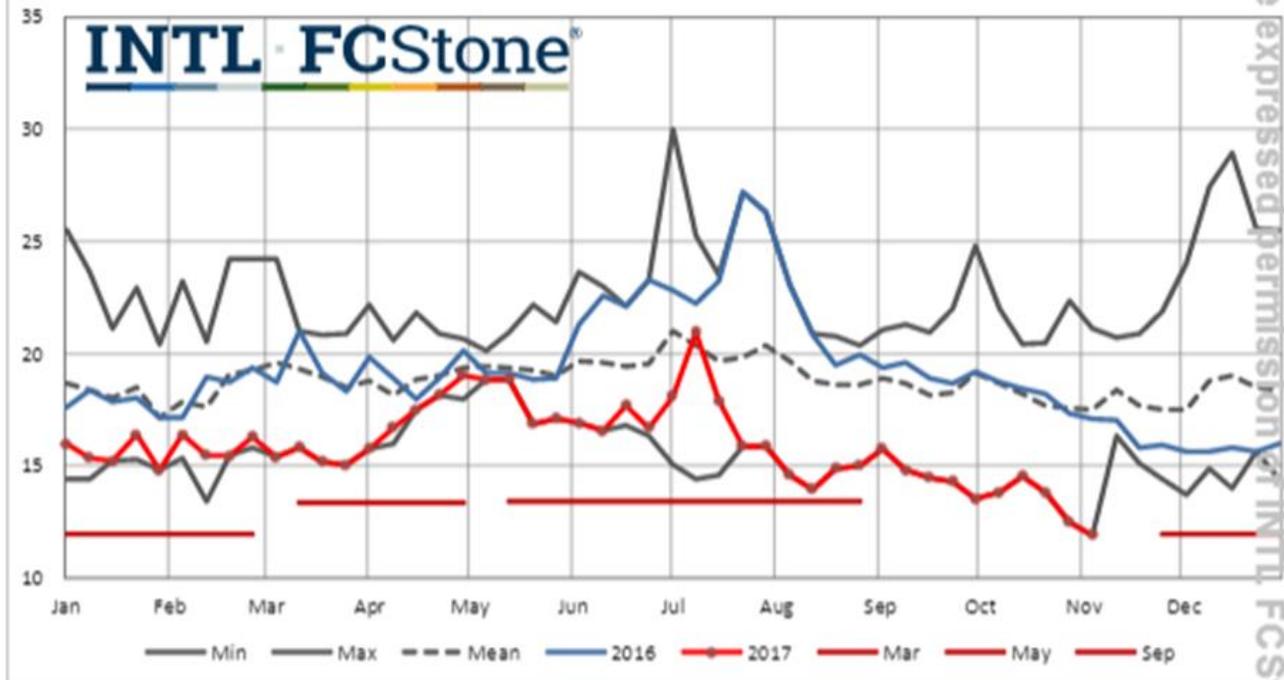
Logic if the spread weakens will gain.

Seasonally the spread should weaken as sell pressure Jun to Aug, because of harvest pressure in Europe / Black Sea /US.

Benefit less margin requirement

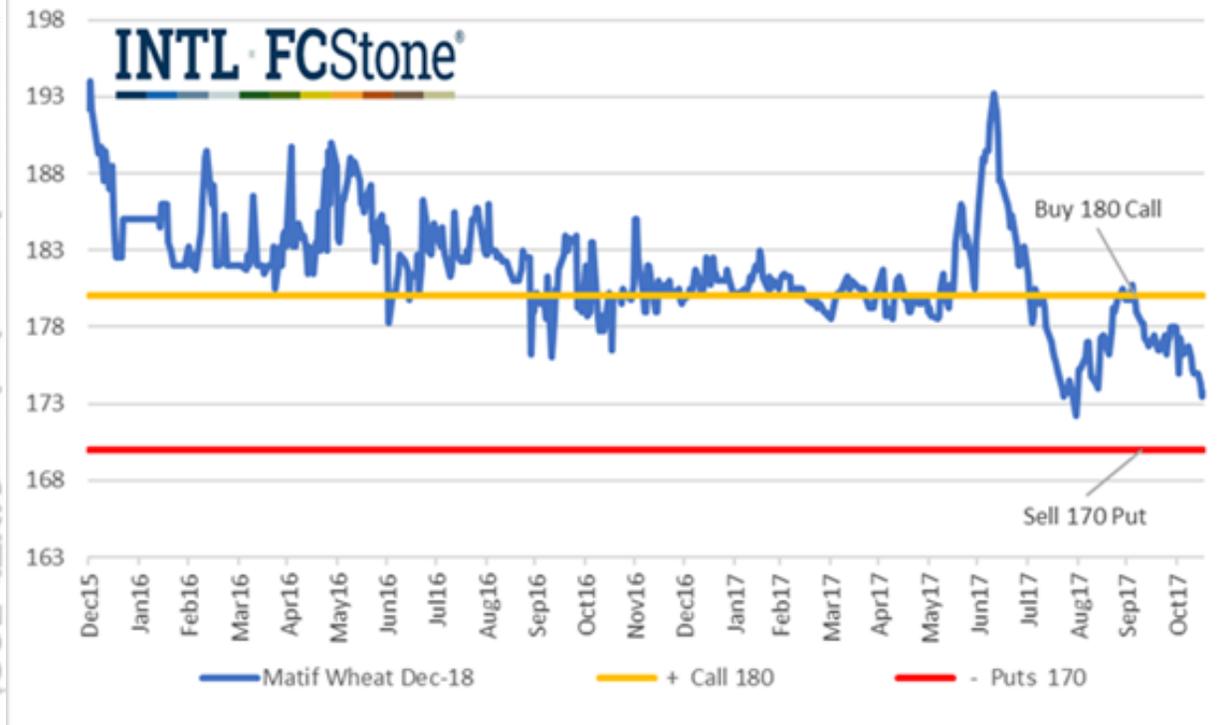
In a low volatility market Options are relatively cheap! INTL · FCStone®

Matif Wheat ATM implied volatility (%)



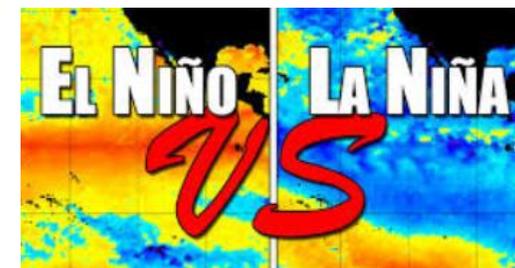
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Collar Strategy + Call / - Put Dec-18 @0.90



MARKET DRIVERS

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In summary

Bearish

- There is no particular shortage of global grains or soybeans
- Current Matif futures price is reflecting the nearby French situation.
- If the current situation remains France will have to be aggressive to capture business in 2018.



Bullish

- If Upward price moves occur the moves can be extreme.
- Climate a driver Winter-kill EU or Russia. Freeze impacting logistics.
- A South American Climate event could lift markets.
- Plenty of EU consumer demand for Q 1 & Q 2 2018.