



GRAIN & OILSEED MARKET OUTLOOK SPAIN

October 2016

Jaime Nolan Miralles

Vice president of OTC & Advisory EMEA

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GRAIN & OILSEED SUPPLY & DEMAND

October 2016

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Vice president of OTC & Advisory EMEA

Is the market Bullish or Bearish?

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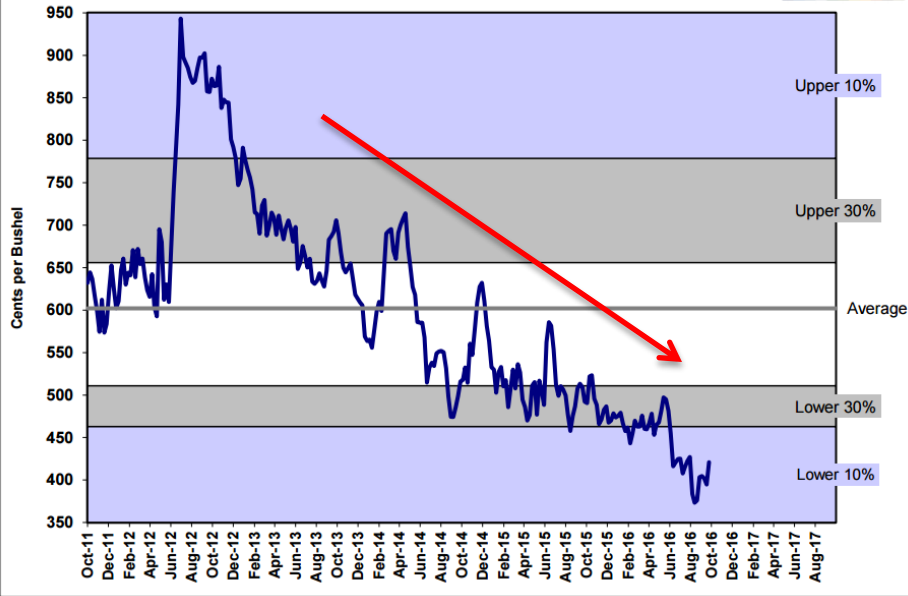


And the trend is.....

Firm Multi year down trend remains in place

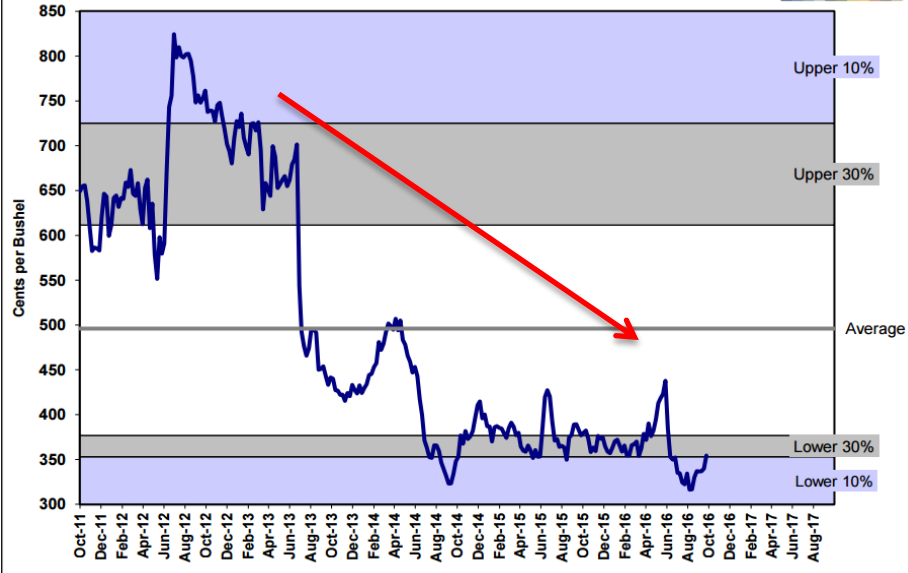
CBOT Wheat Prices the Last 5 Years

INTL FCStone®



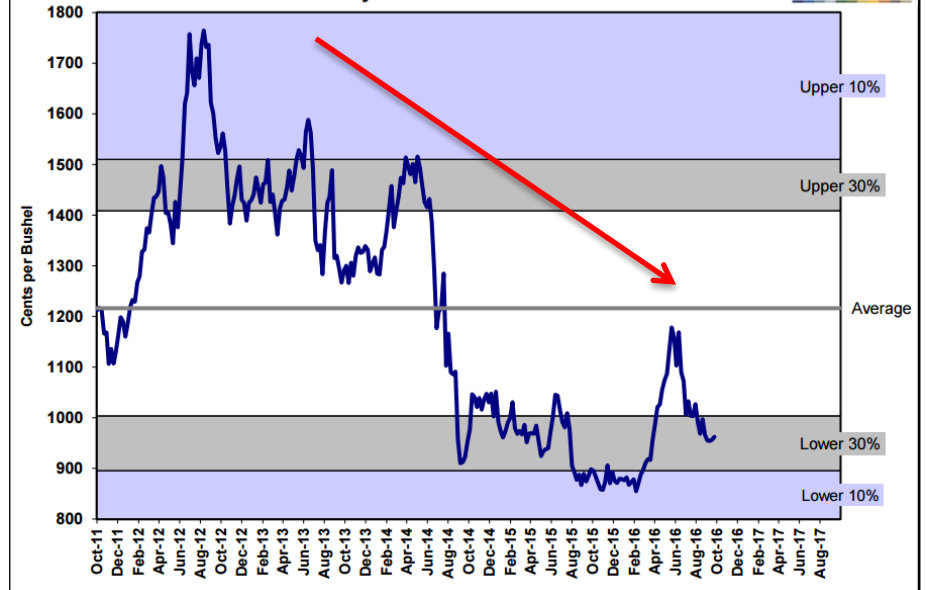
CBOT Corn Prices the Last 5 Years

INTL FCStone®



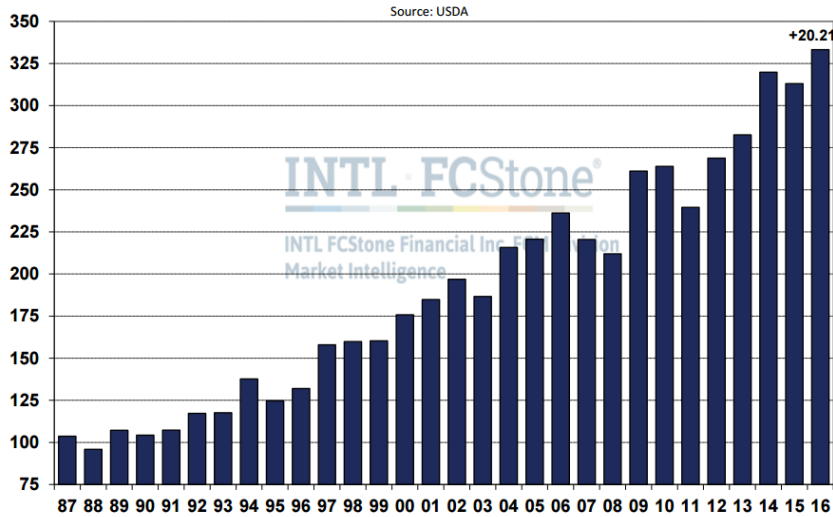
CBOT Soybean Prices the Last 5 Years

INTL FCStone®

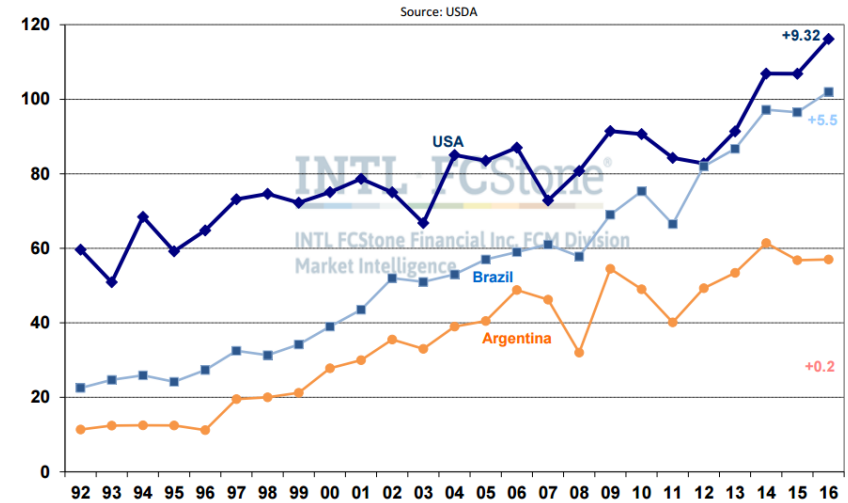


Soybeans – Record production vs. Record Demand

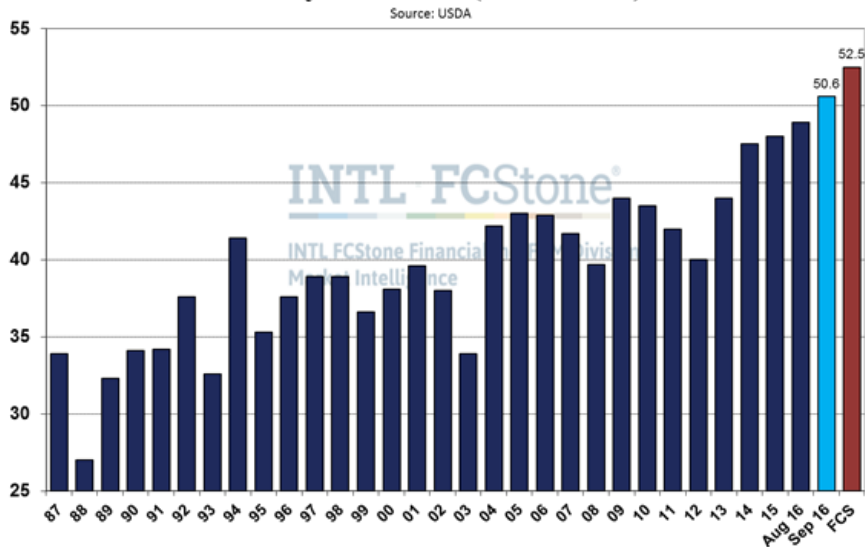
World Soybean Production (mmt)



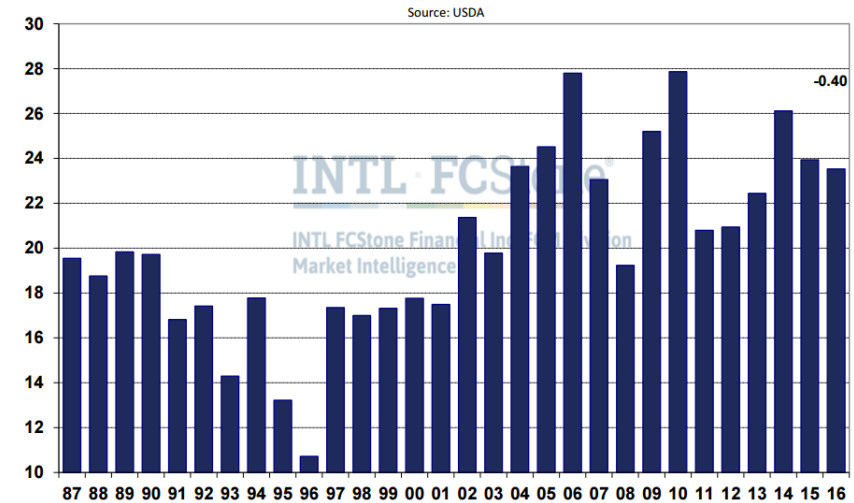
Major Soybean Exporters Production (mmt)



US Soybean Yield (bushel/acre)

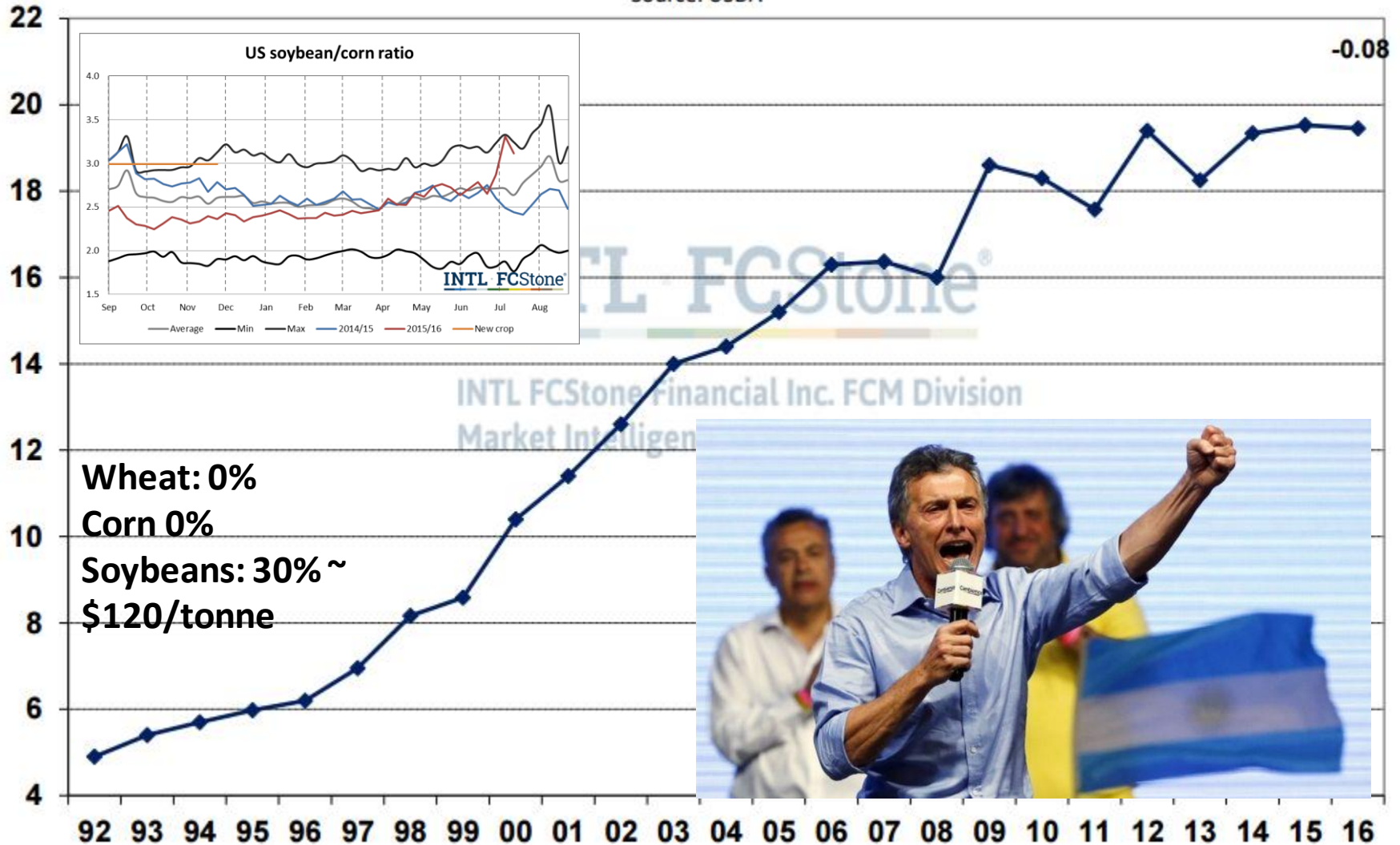


World Soybean Carryout/Use



Argentina Soybean Harvested Area (million hectares)

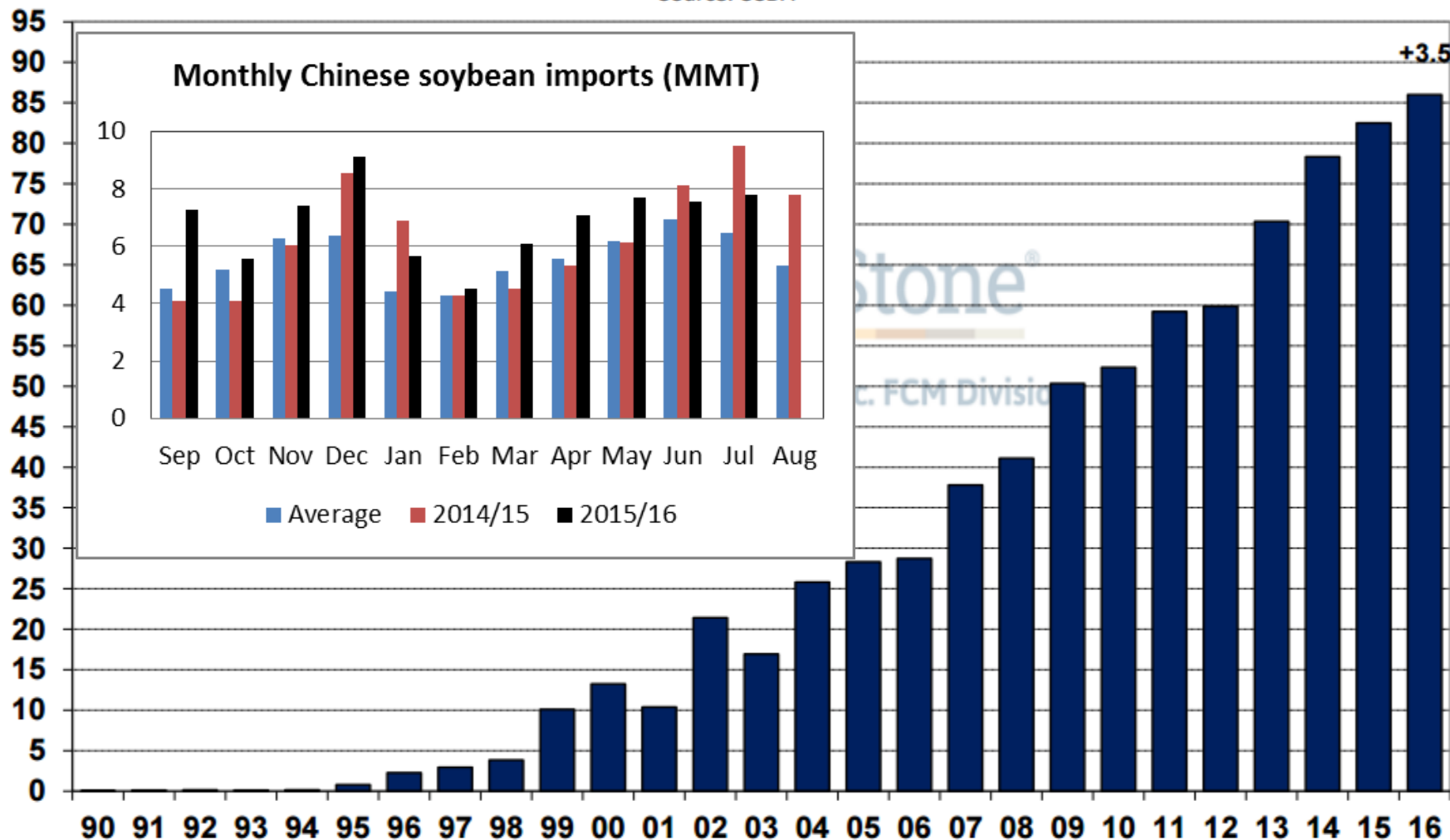
Source: USDA



No slowdown in Chinese Demand – Tempering global end stocks abundance

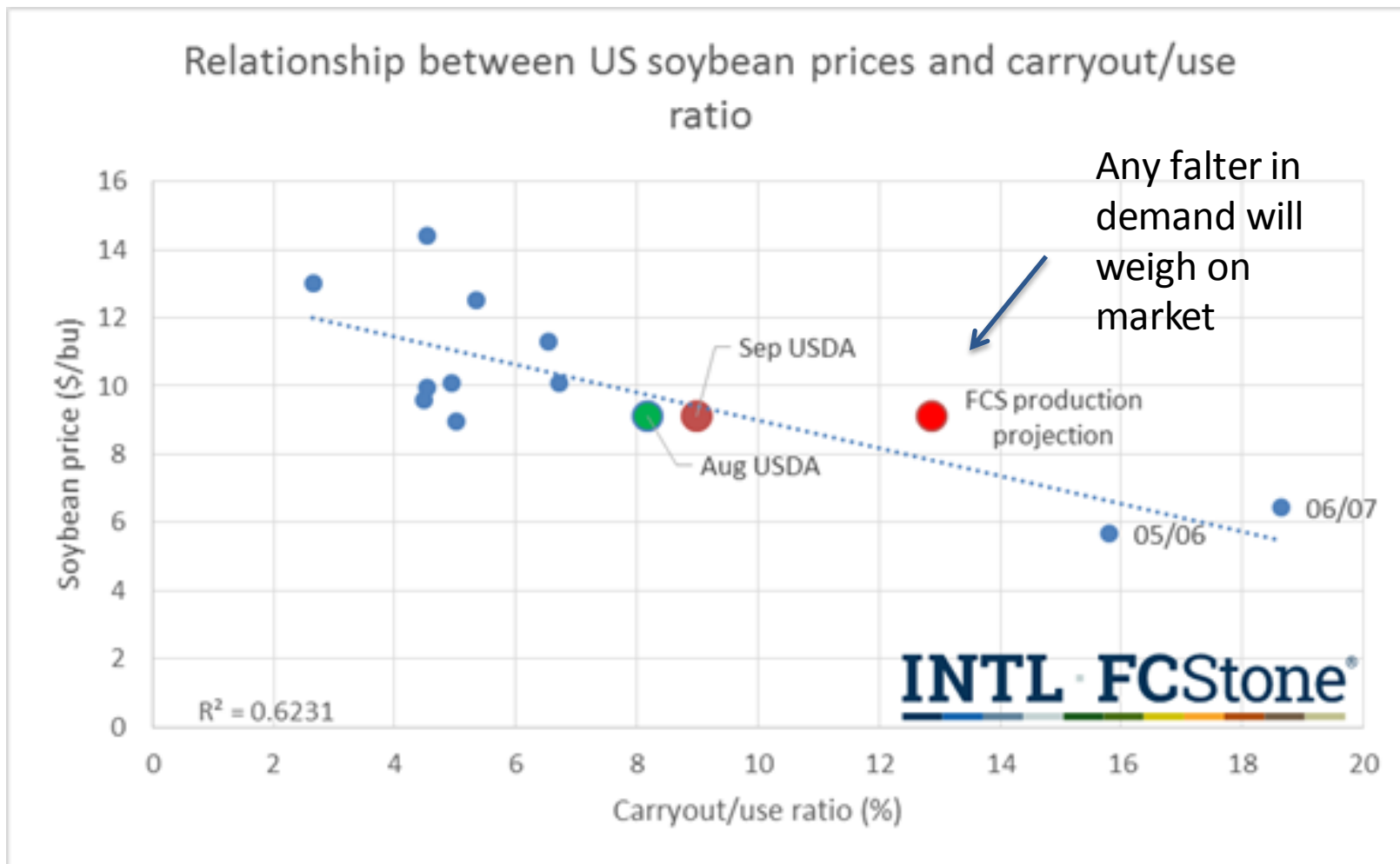
Chinese Soybean Imports (mmt)

Source: USDA



US Soybeans – What does history tell us?

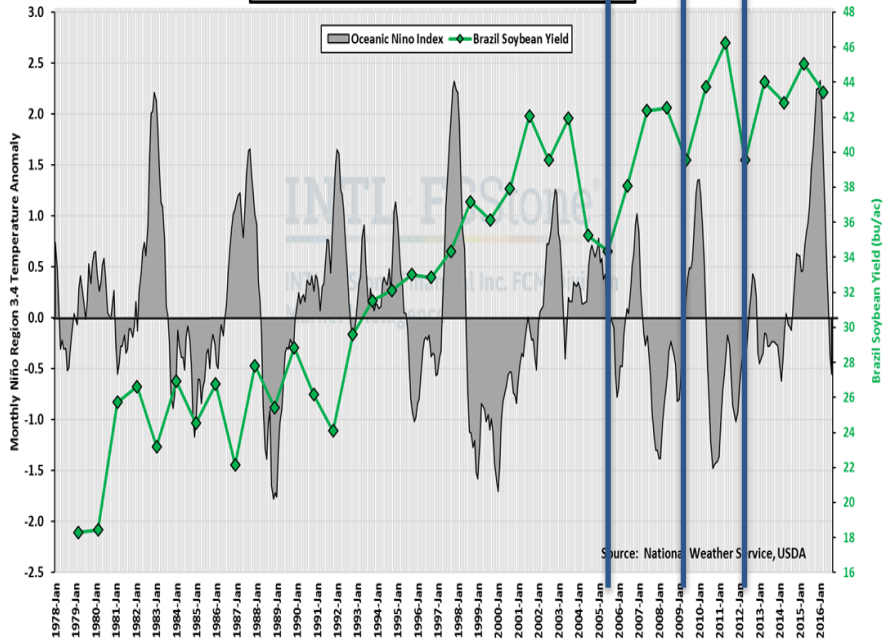
The US outlook remains bearish. This will force any bull market ideas to focus squarely on Chinese demand and South American production for inspiration in coming weeks:



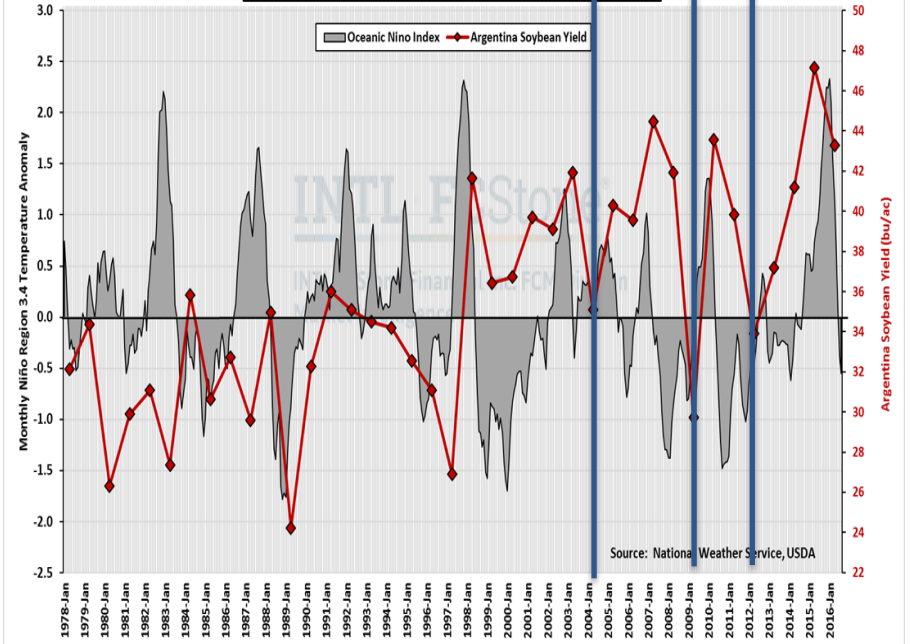
Impact of La Nina on South American crop conditions

Bulls will monitor this one closely

Monthly Oceanic Niño Index vs. Brazil Soybean Yield



Monthly Oceanic Niño Index vs. Argentina Soybean Yield



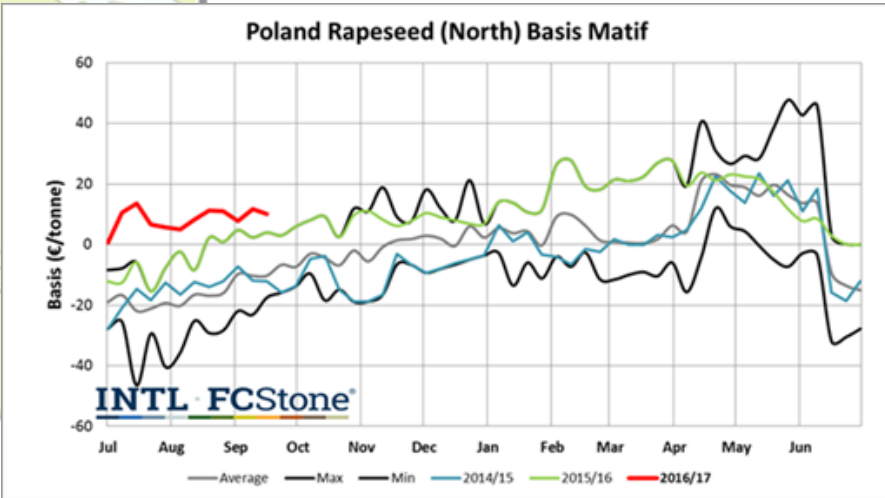
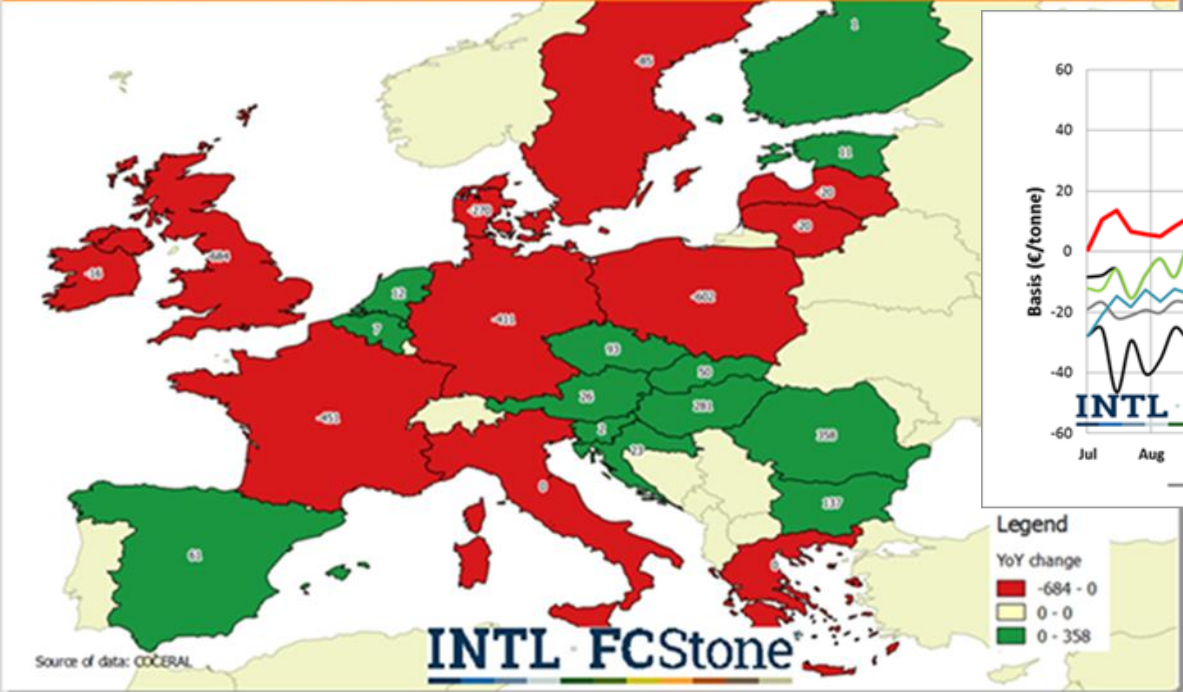
European Rapeseed tightness – Divergence in Europe

- **20Mmt production leaves EU Rapeseed market tight**
- Up to 95% of Australian Non-GMO Canola exportable surplus to work into EU market
- Freight between \$16-18t from Western Australia to Europe supports logistics

Australian Canola Production estimates:

- INTL FCStone – 3.6Mt
- Client survey – 3.4MT
- ABARES – 3.6MT

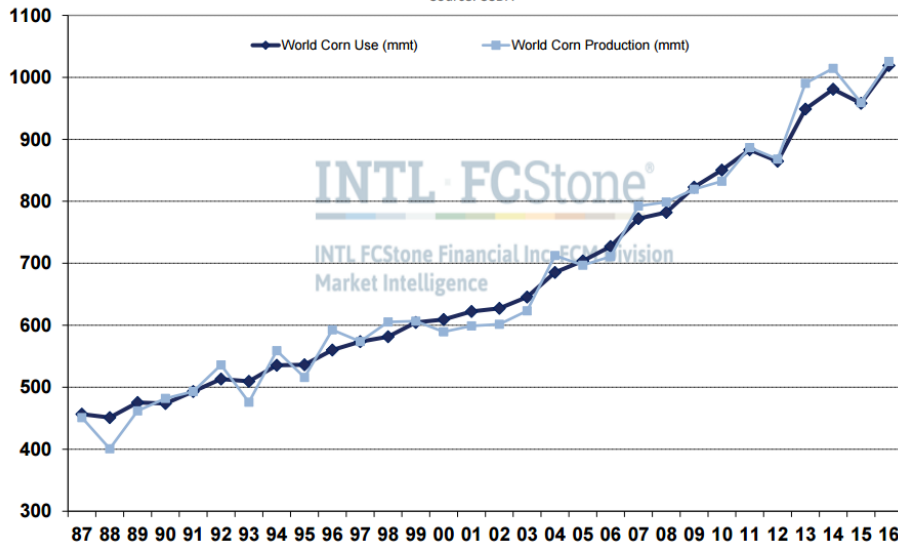
EU rapeseed production outlook changes for 2016



Record corn production across key exporters – big crops do get bigger!

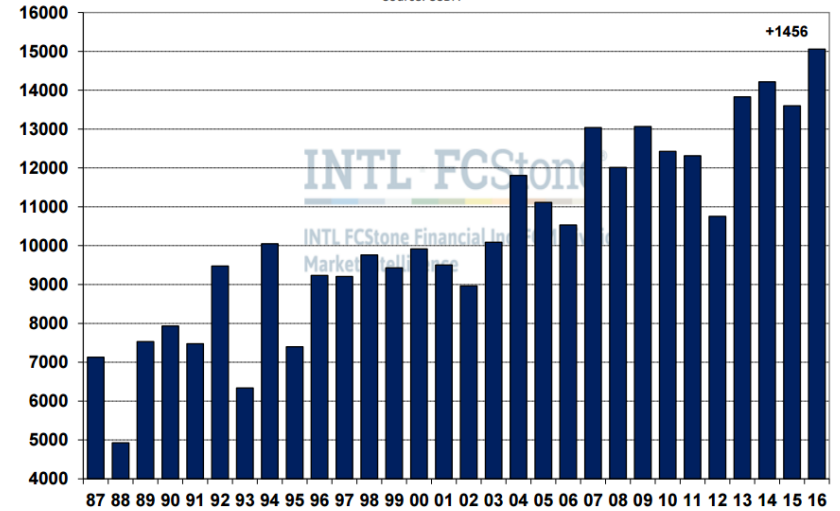
World Corn (mmt)

Source: USDA



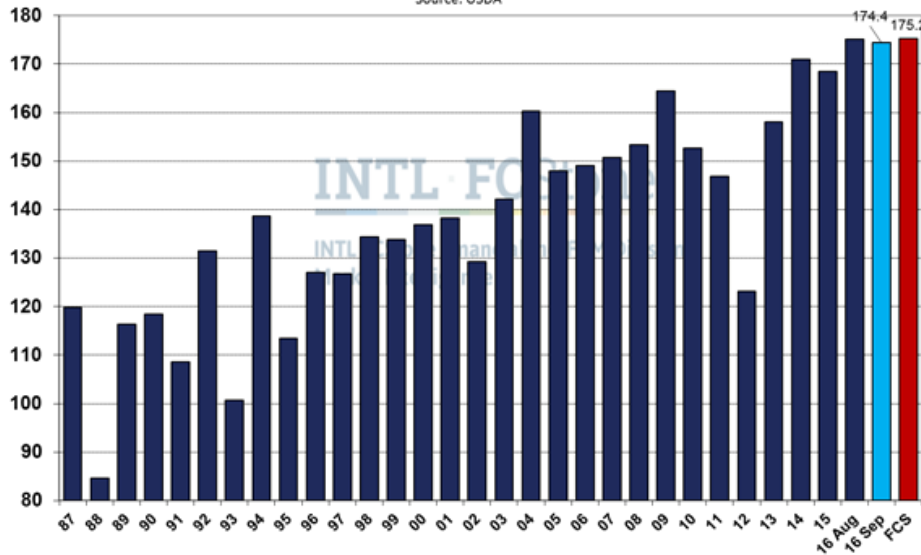
US Corn Production (million bushel)

Source: USDA

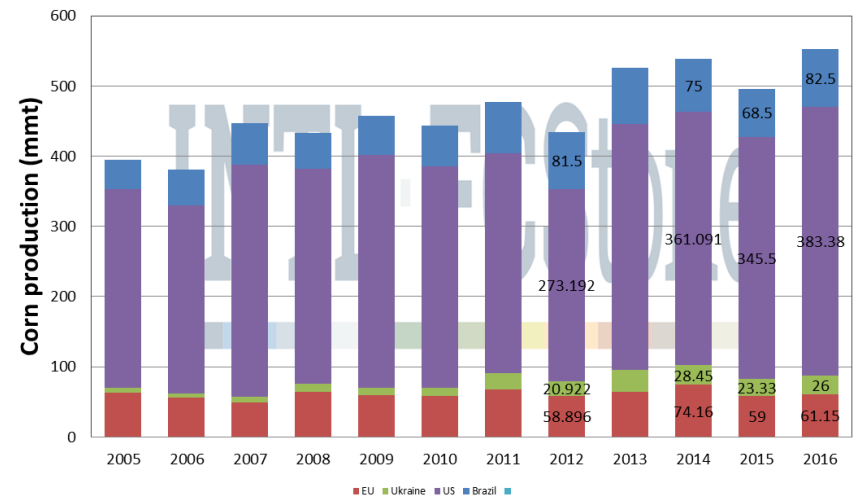


US Corn Yield (bushel/acre)

Source: USDA

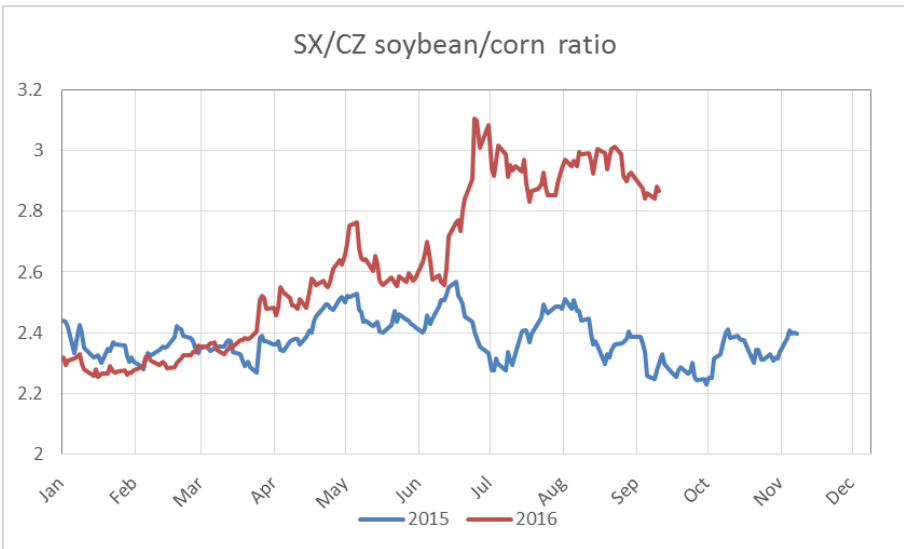
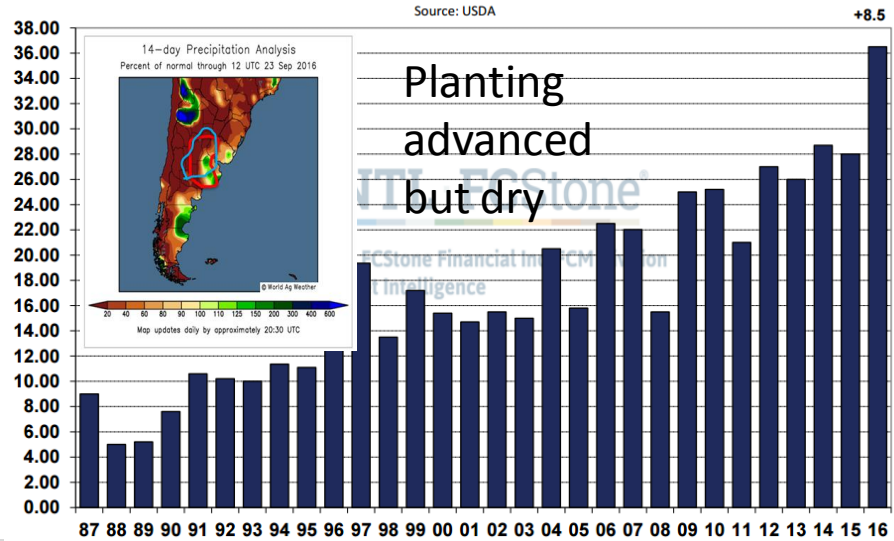


Corn production across "key" regional exporters

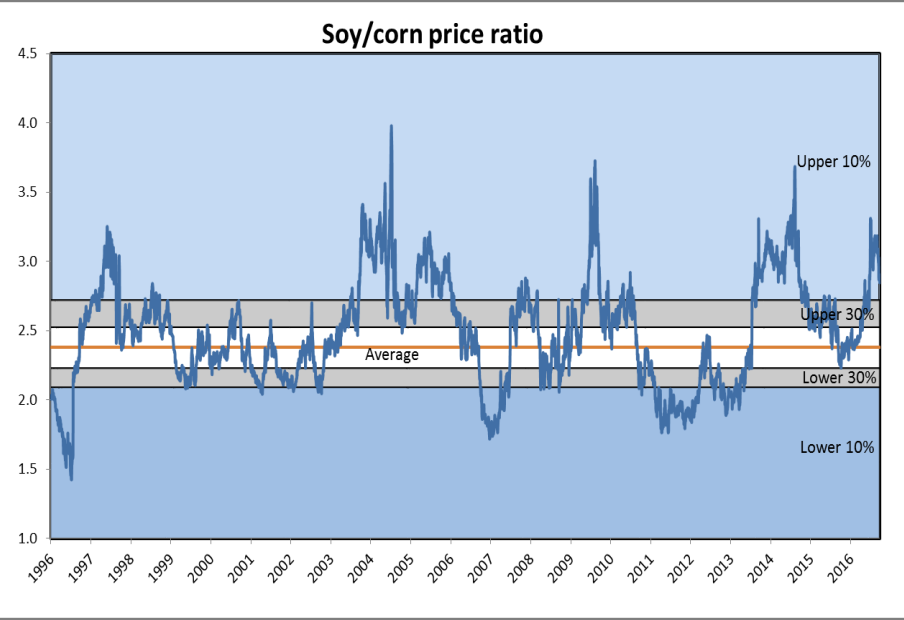
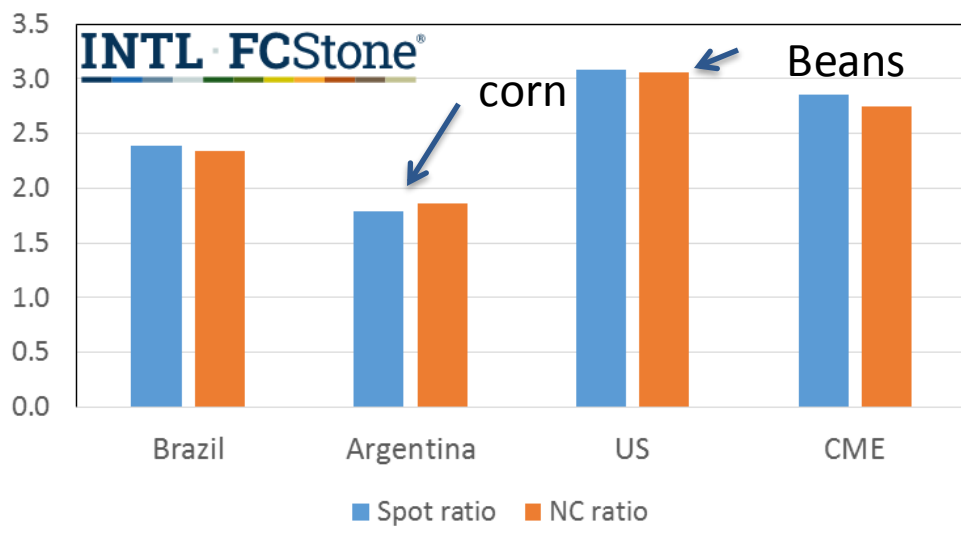


Export tax removal plays its role in supporting Acreage expansion

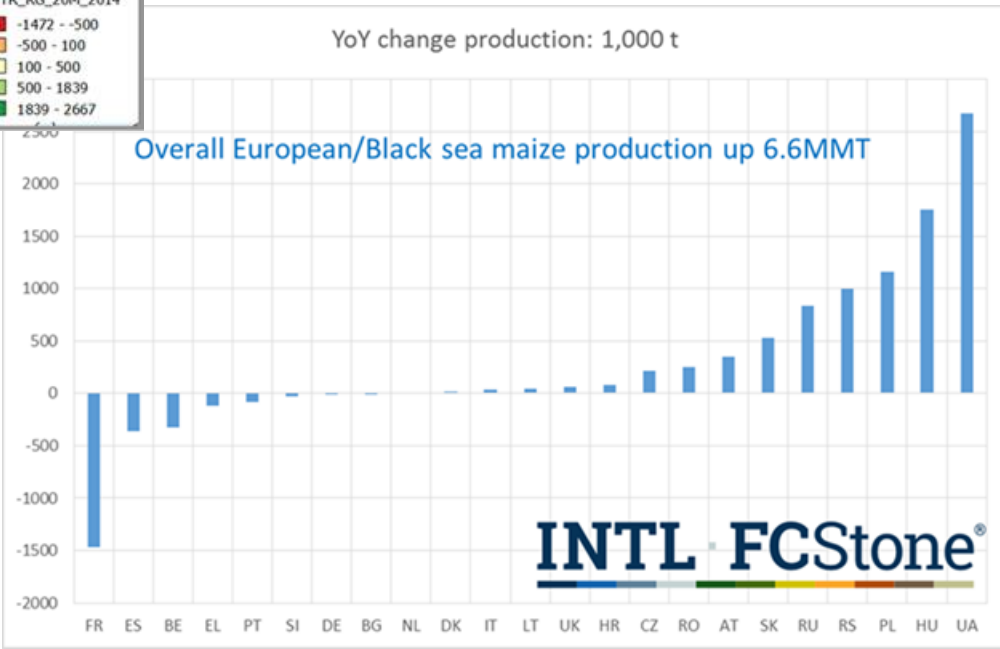
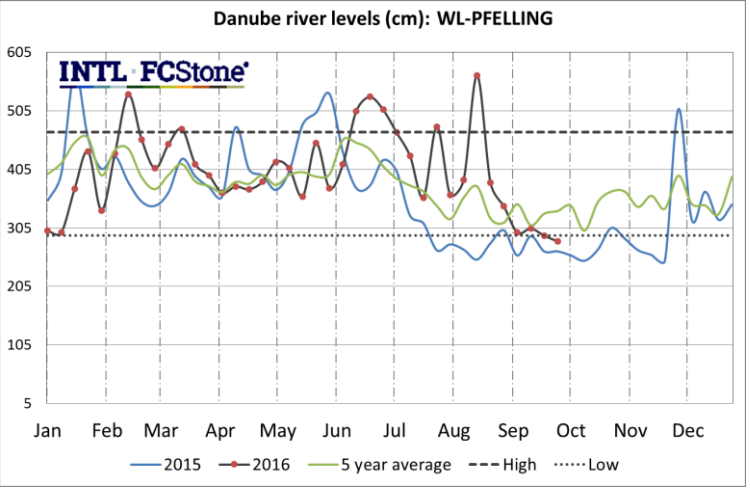
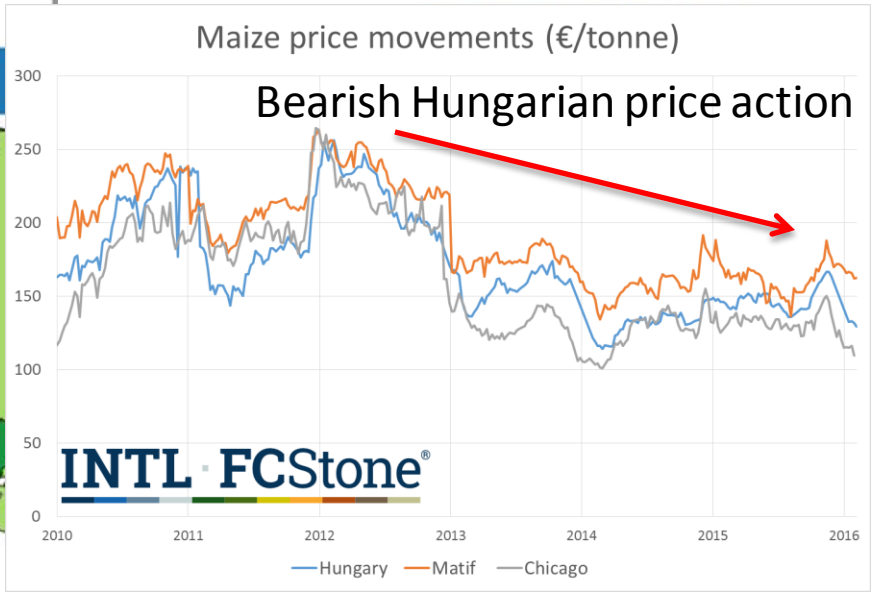
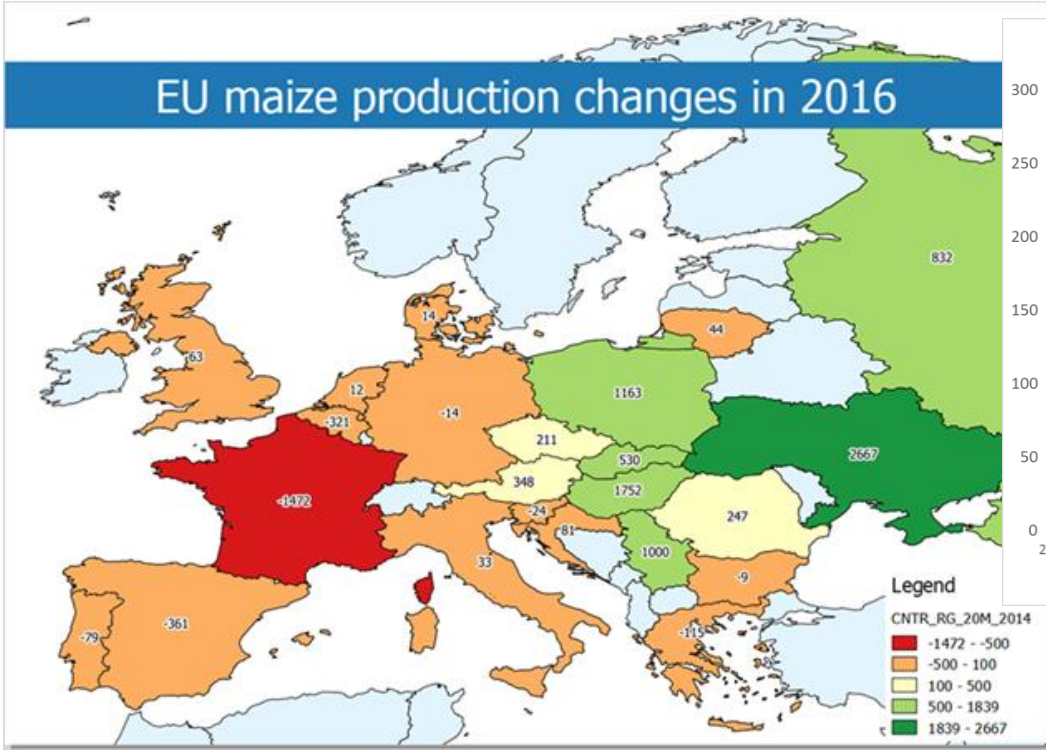
Argentina Corn Production (mmt)



Cash and futures soy/corn ratio



French declines fade into strong EU/FSU Maize output

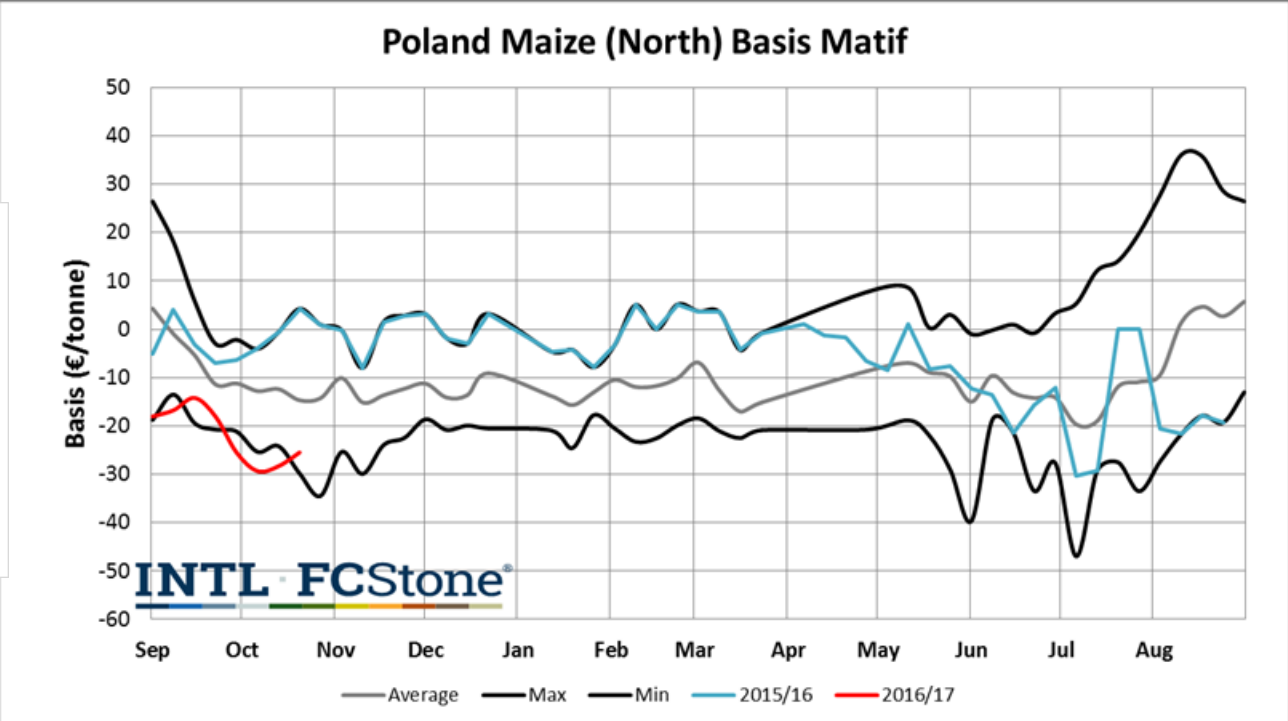
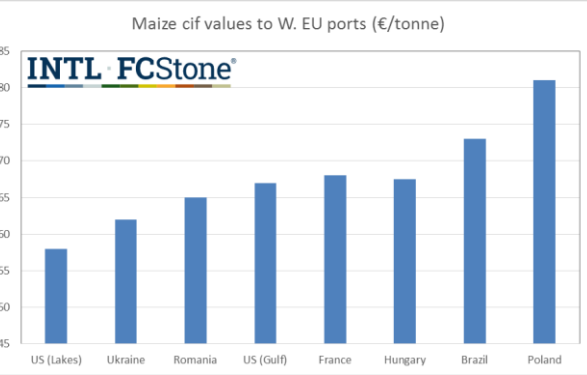


European Maize – harvest pressure opening up arbitrage opportunities

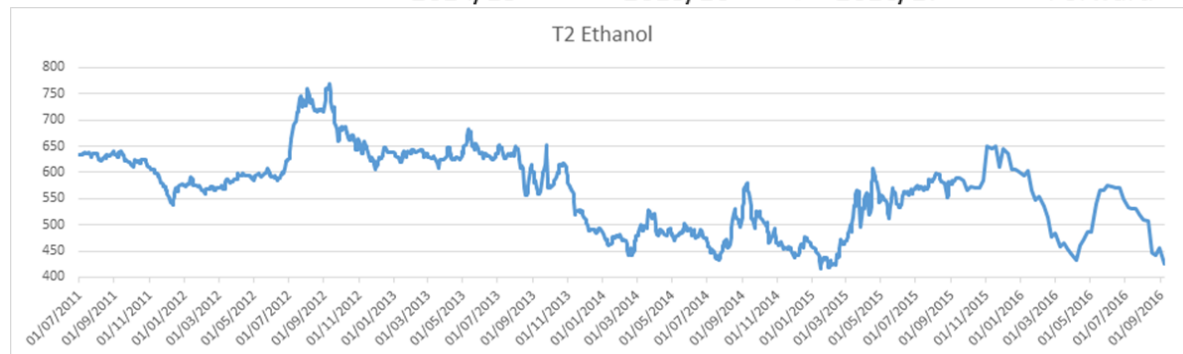
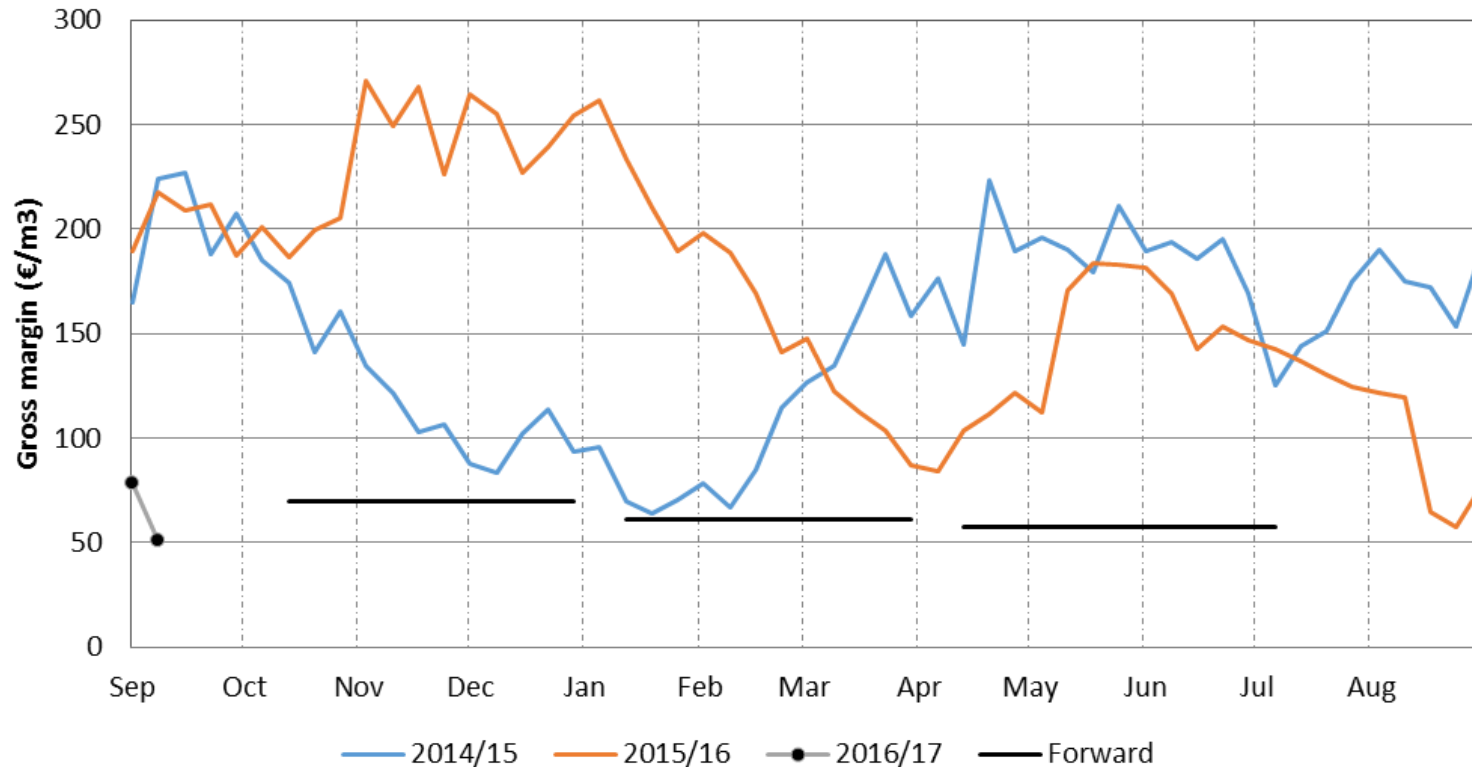
Polish Maize now competitive with Ukrainian into NW Europe

Maize cif W. EU						
Origin	fob	Barge freight	fobbing	Duty	Freight	cif
France	153	-	-	0	10	163
Poland	148	-	-	-	15	163
Ukraine	148	-	-	0	16	164
Romania	150	-	-	-	15	165
US (Lakes)	125	-	-	0	41	166
US (Gulf)	149	-	-	0	18	167
Hungary	130	18	4.5	-	15	167.5
Brazil	174	-	-	0	18	192

Poland 6 weeks ago

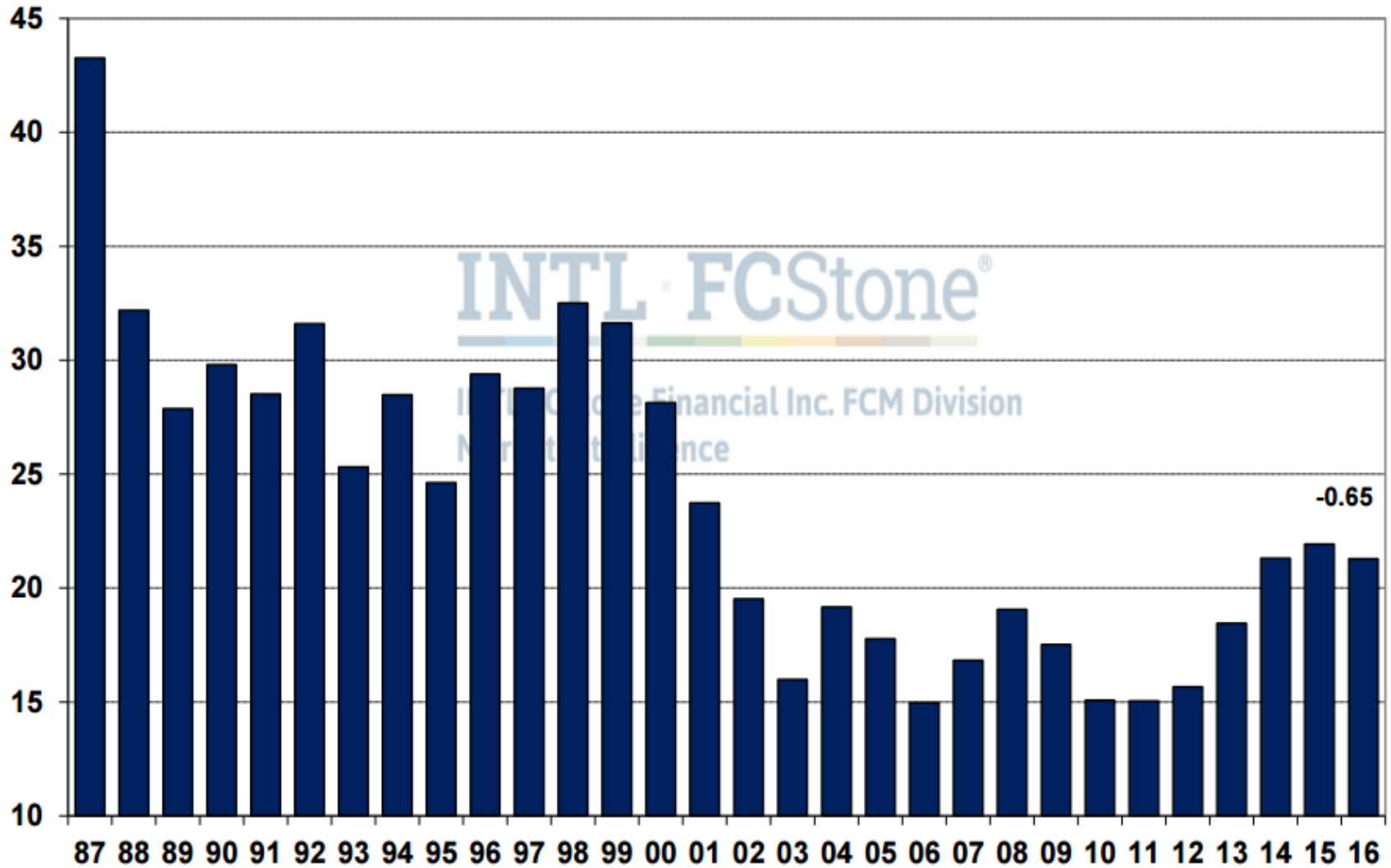


EU ethanol crush margins (M. Maize)



World Corn Carryout/Use

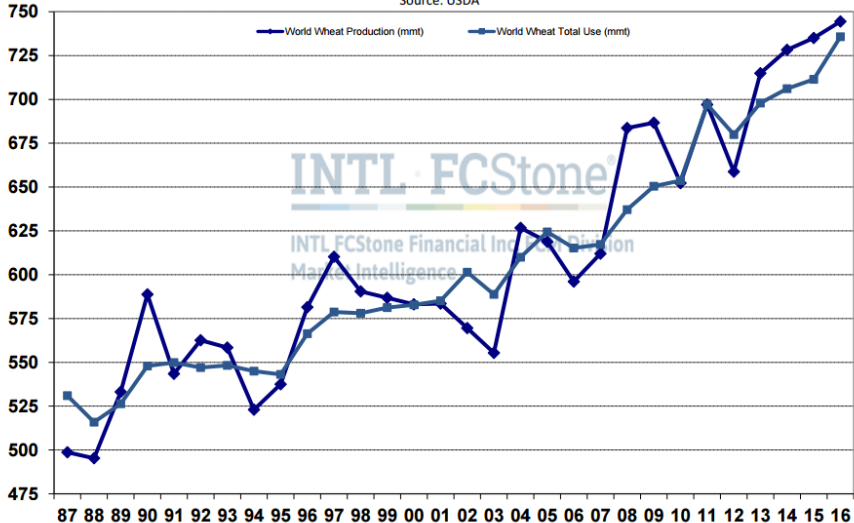
Source: USDA



Wheat follows its grain and oilseed cousins – Record production

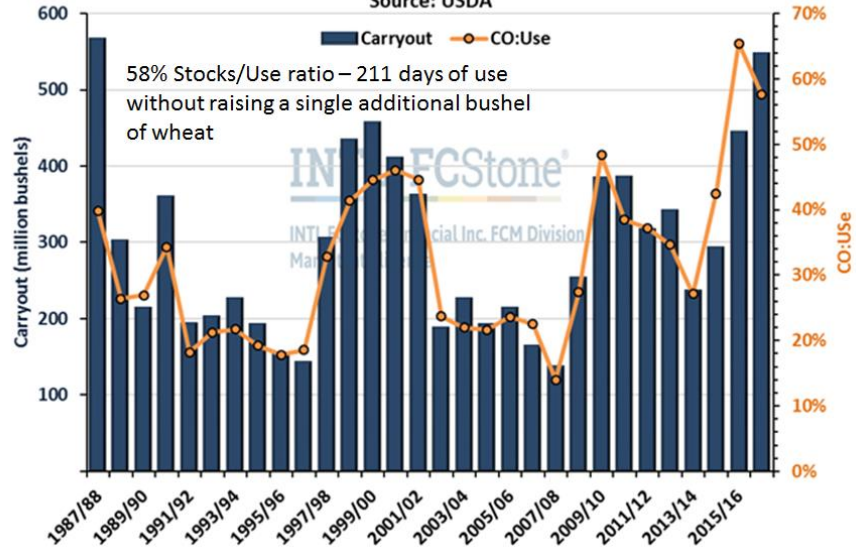
World Wheat (mmt)

Source: USDA



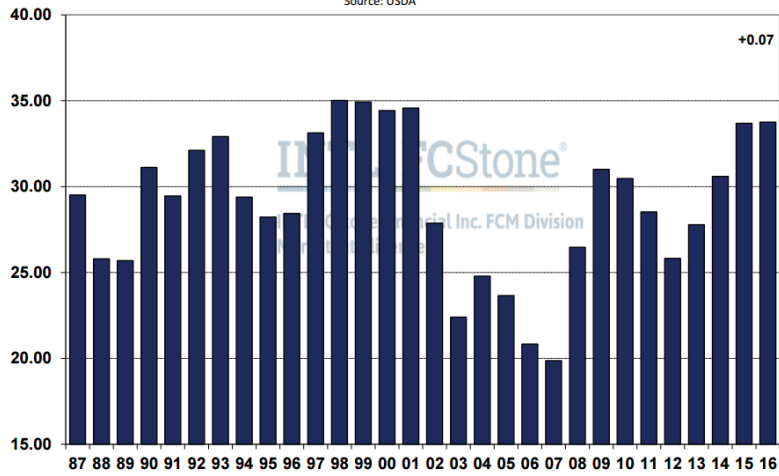
U.S. Hard Red Winter Wheat Carryout and CO:Use

Source: USDA

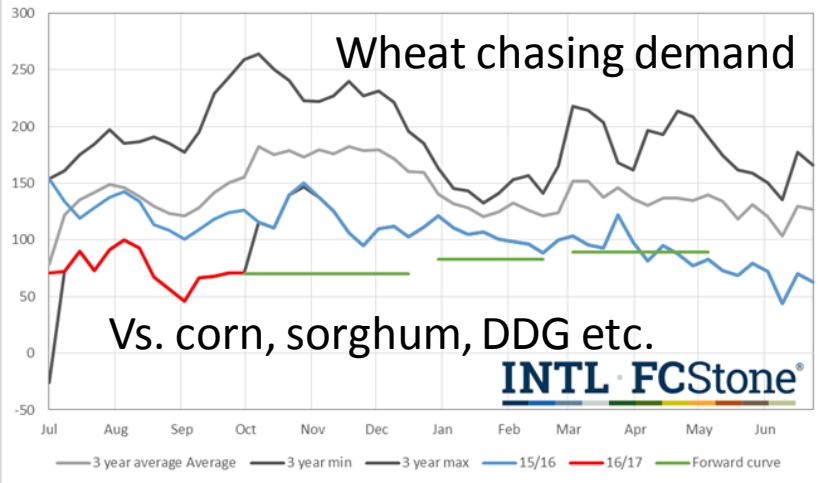


World Wheat Carryout/Use

Source: USDA

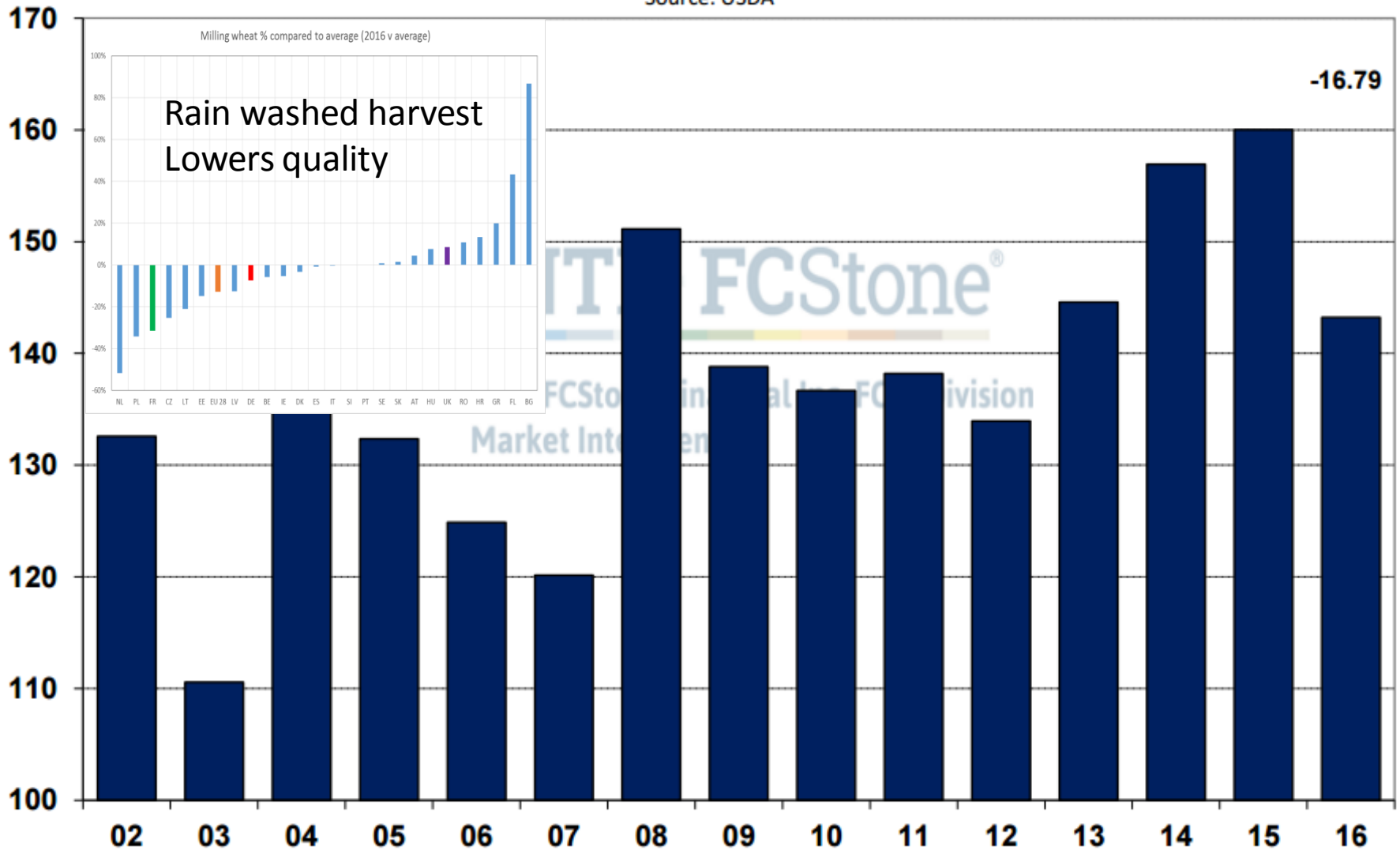


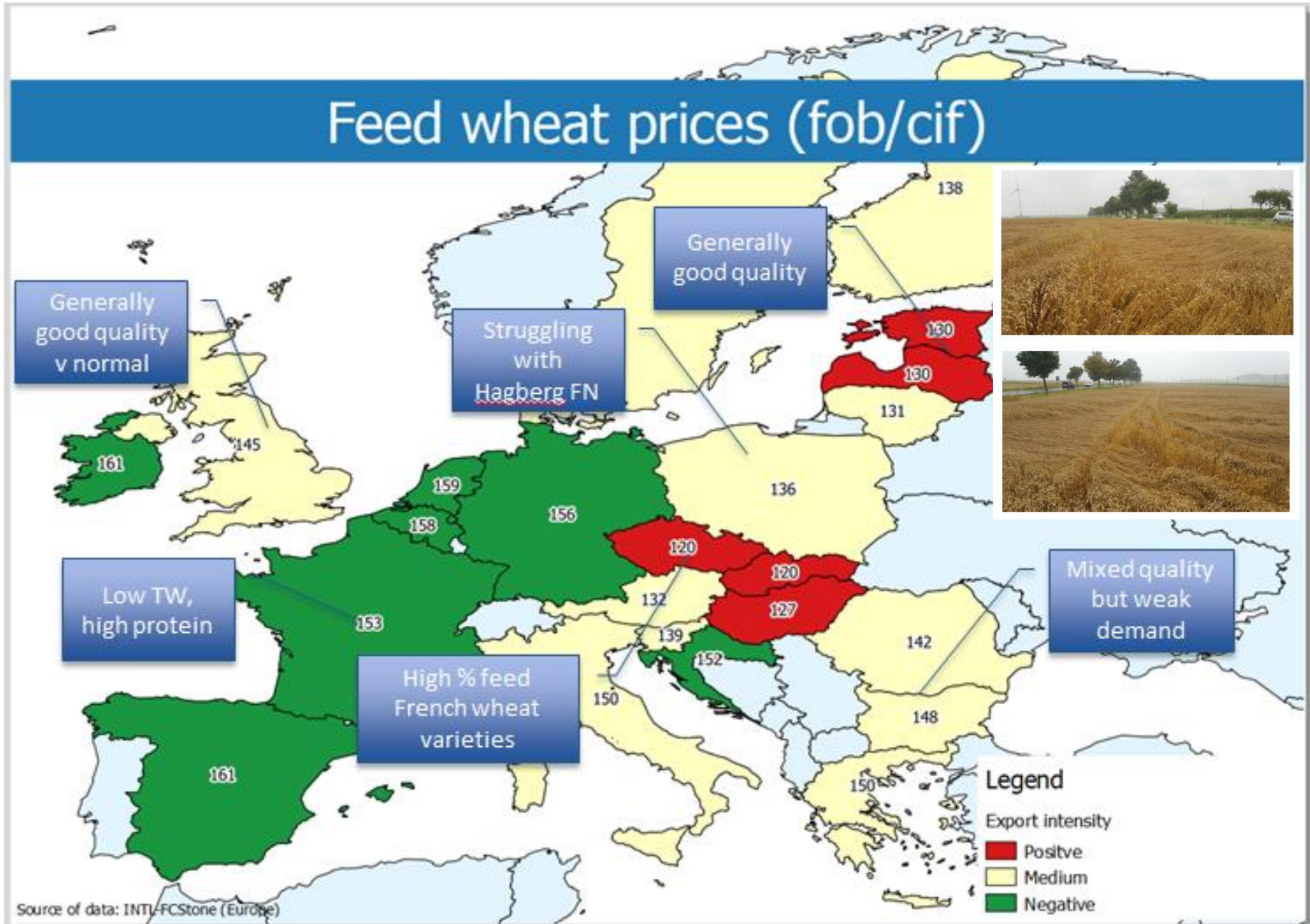
SRW premium to corn (USc/bu)



EU-28 Wheat Production (mmt)

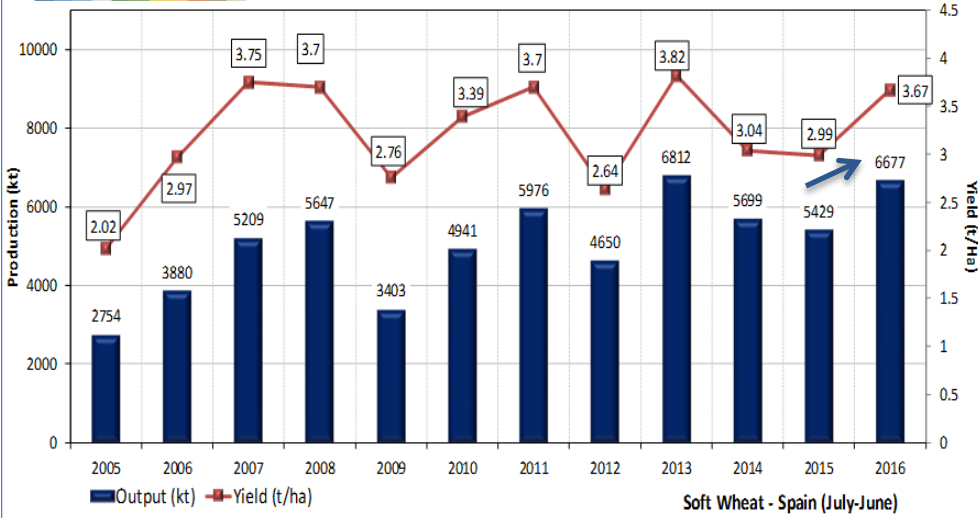
Source: USDA



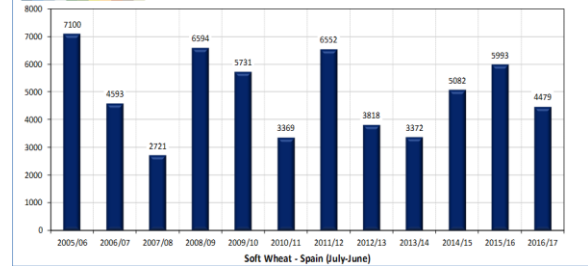


And What about Spain? Big Wheat and barley output at expense of maize

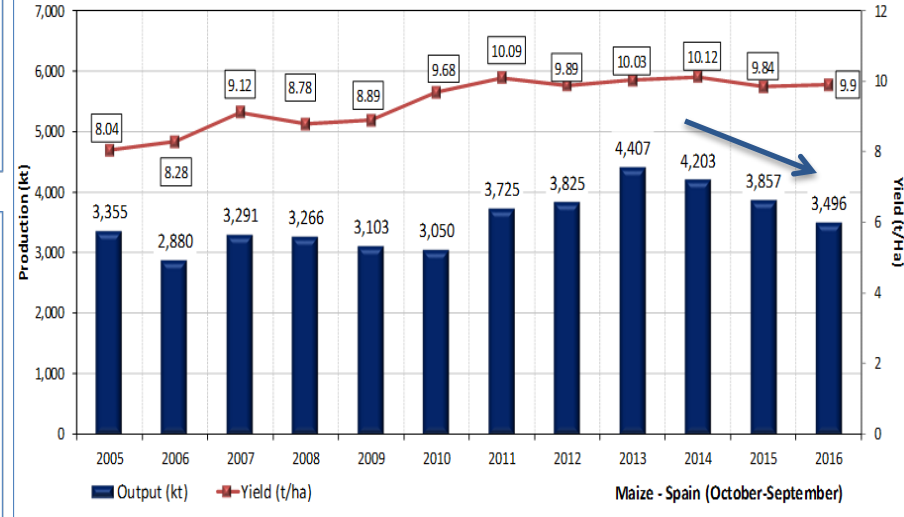
Wheat Production/Yield



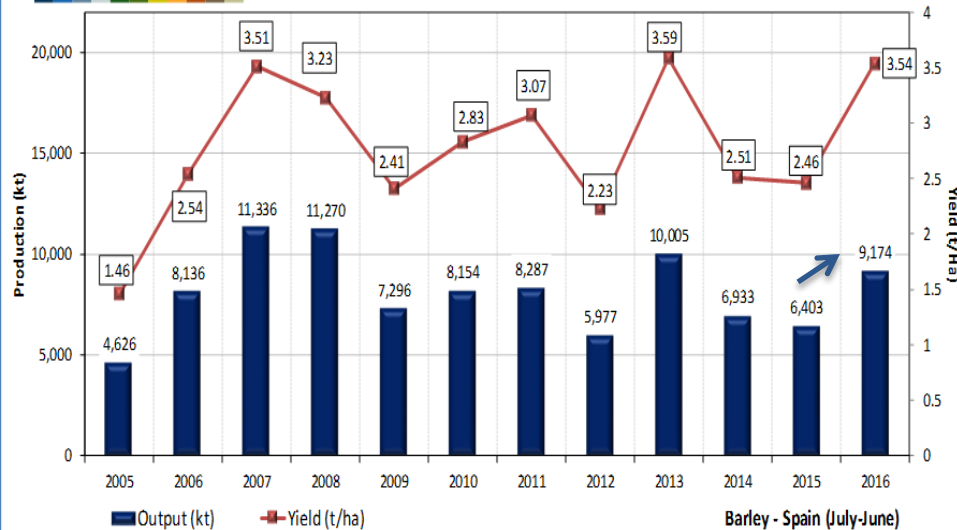
Wheat Imports (kt)



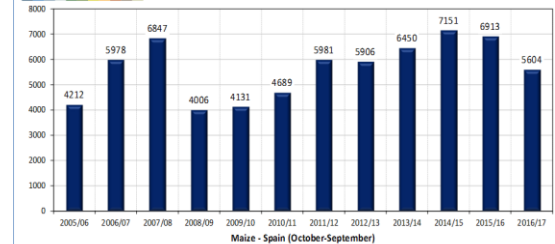
Maize Production/Yield



Barley Production/Yield

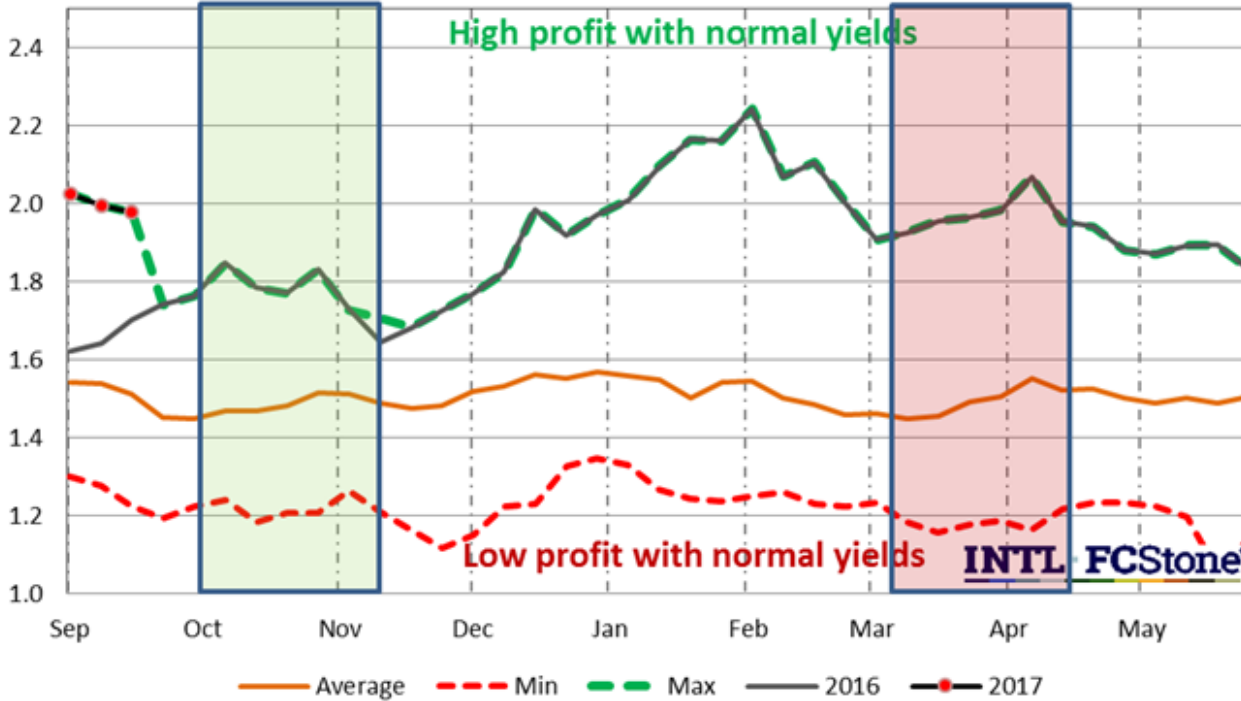


Maize Imports (kt)



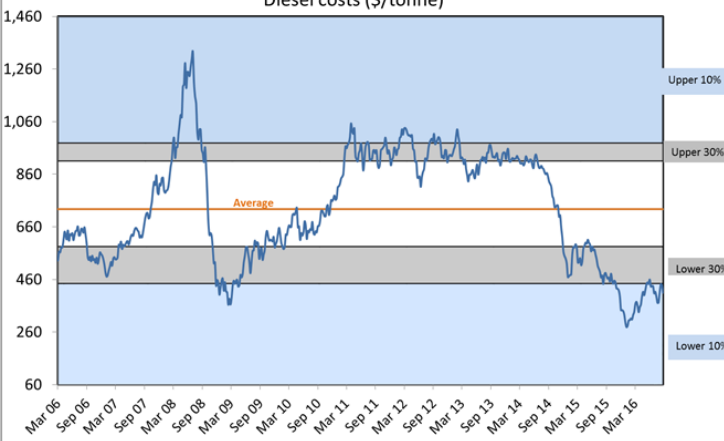
Input costs are very low – Supportive of EU wheat plantings

Forward harvest wheat price to input (Fertiliser and diesel) ratio

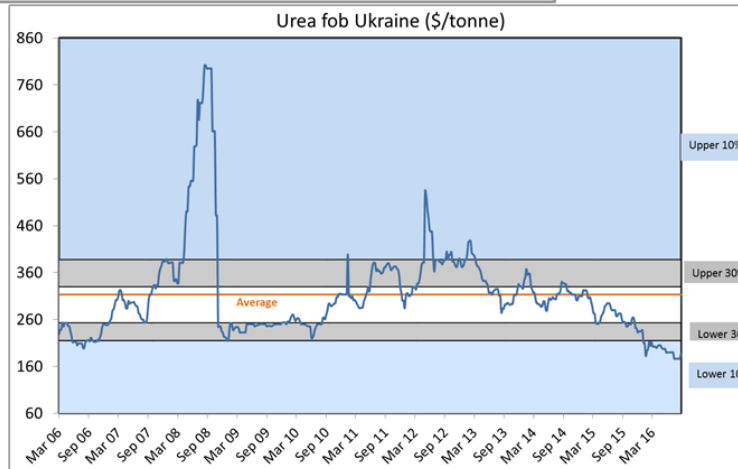


Environment still supports wheat plantings for European farmers

Diesel costs (\$/tonne)



Urea fob Ukraine (\$/tonne)



And with all our bearish price drivers how does Eu price structure look?

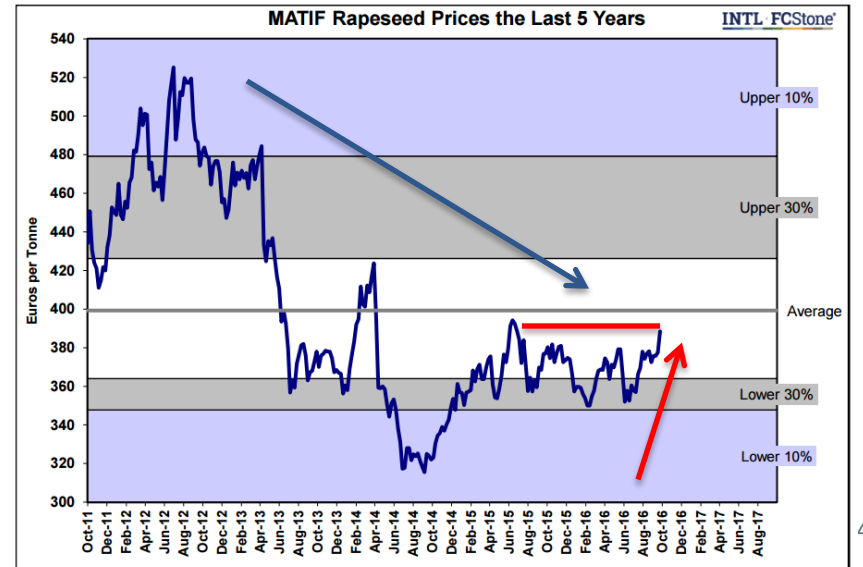
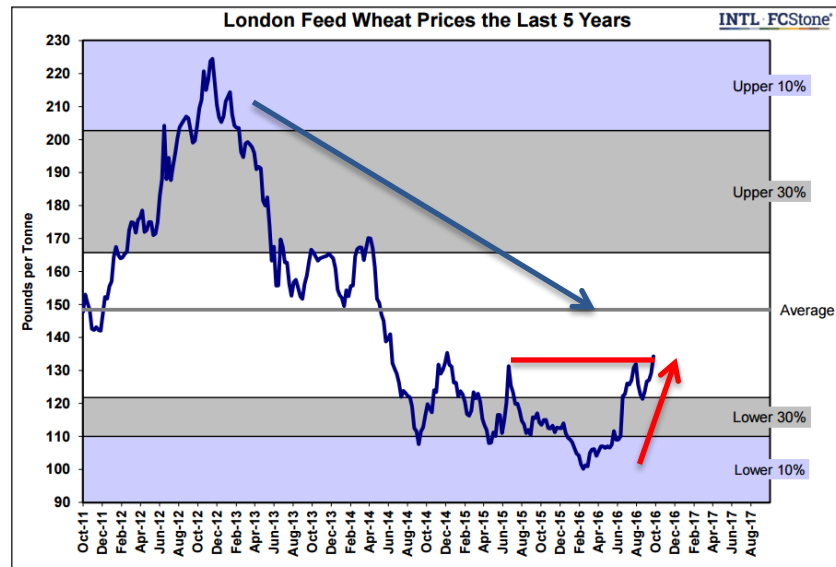
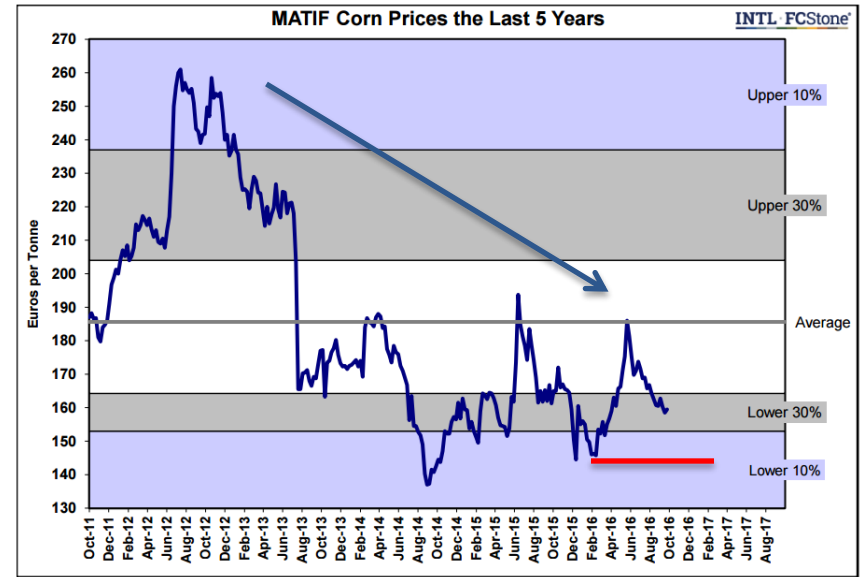
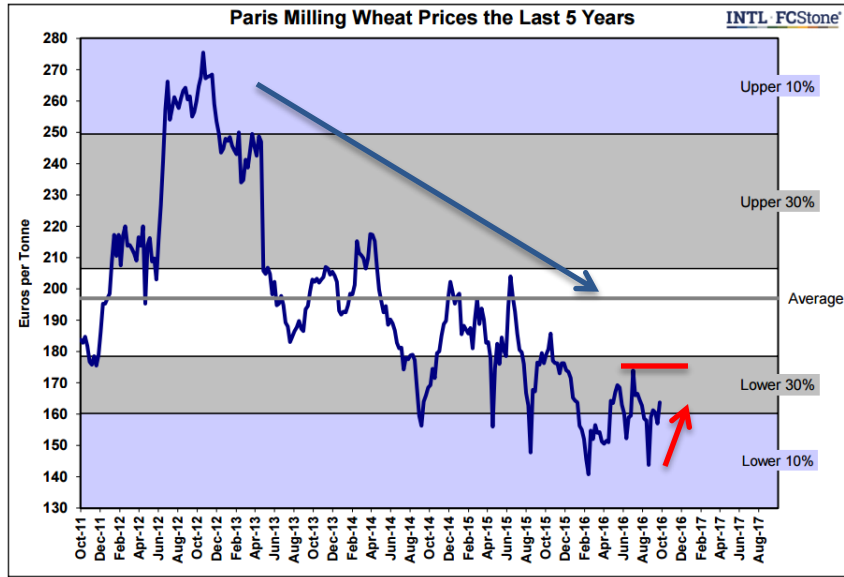
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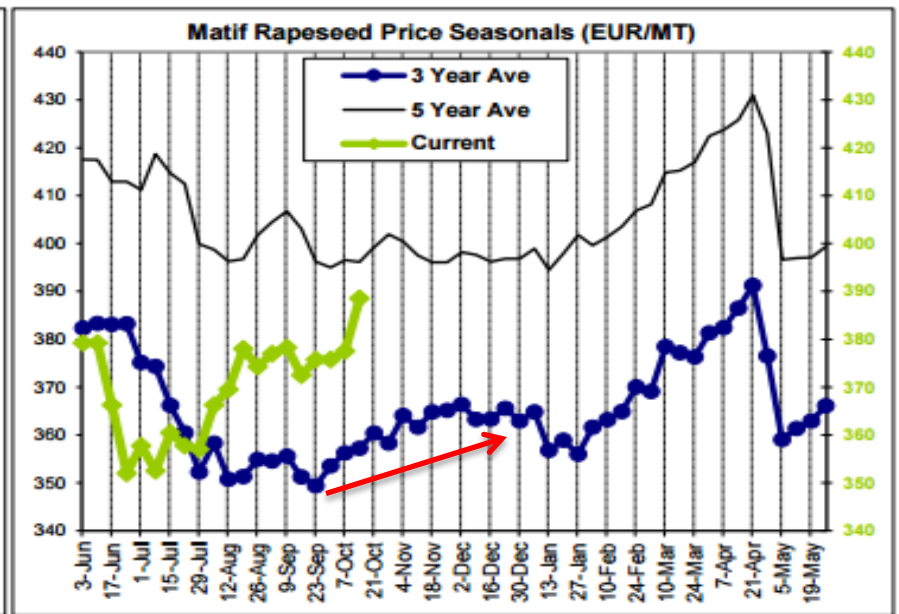
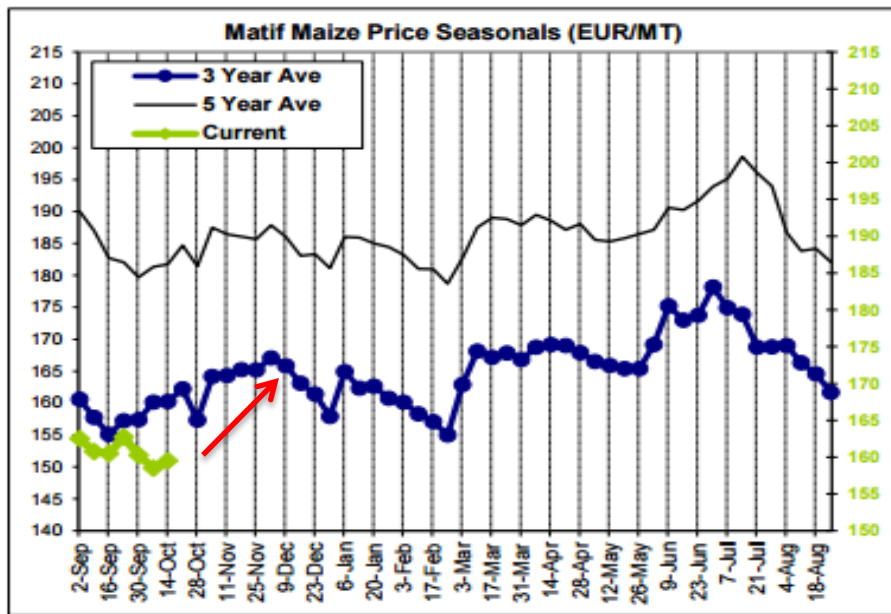
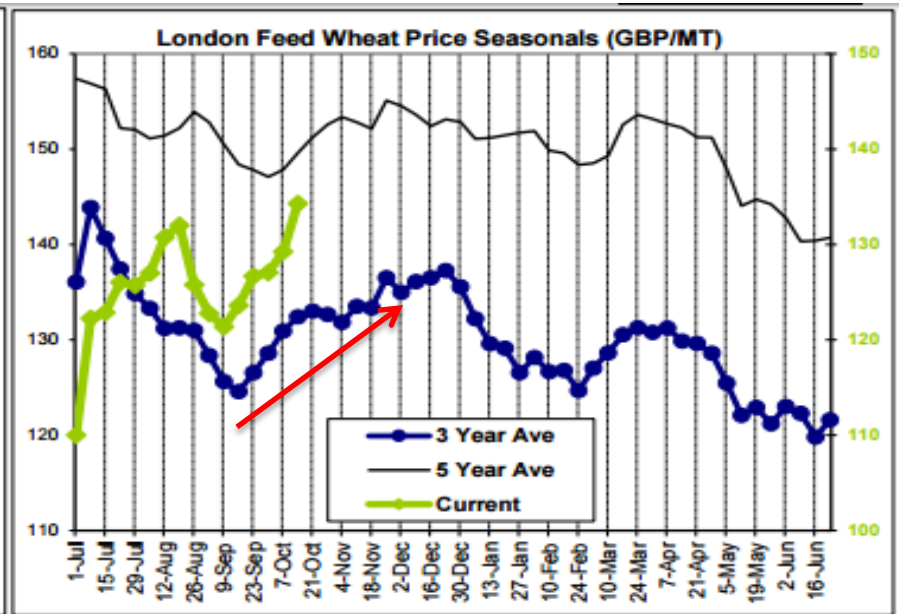
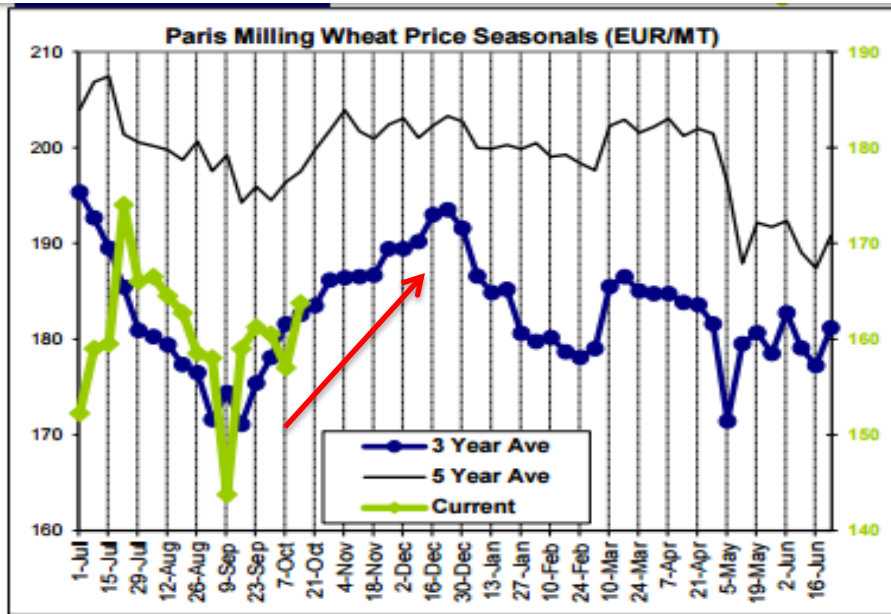
Complacent



European Grain & Oilseed markets – Holding support in most cases



EU Grain & Oilseed Seasonality – Up for Wheat & rape





GRAIN & OILSEED EXTERNAL PRICE DRIVERS ARE WE BEARISH?

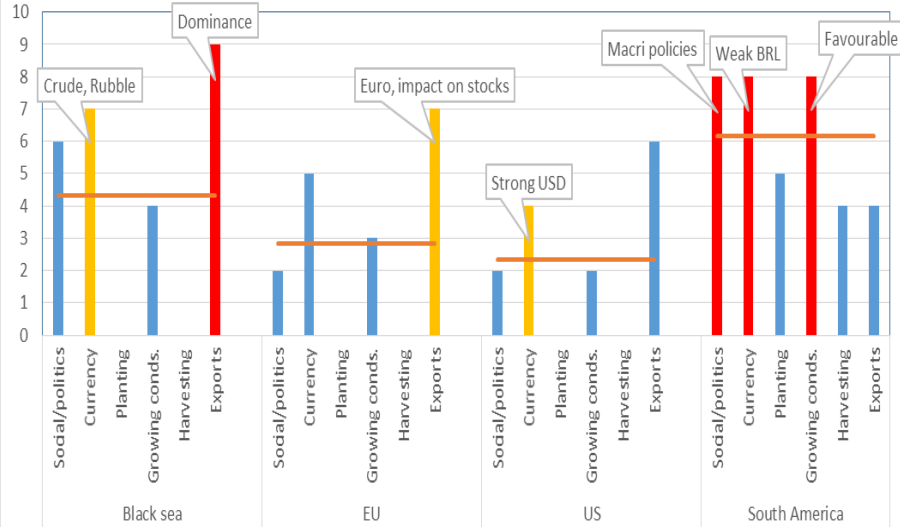
October 2016

Jaime Nolan Miralles

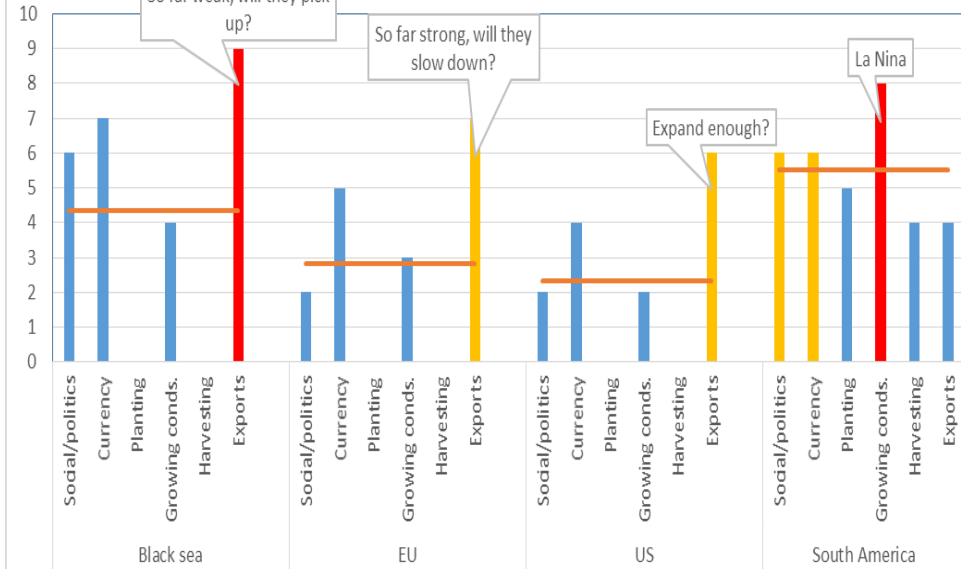
Vice president of OTC & Advisory EMEA

Relevancy weightings:

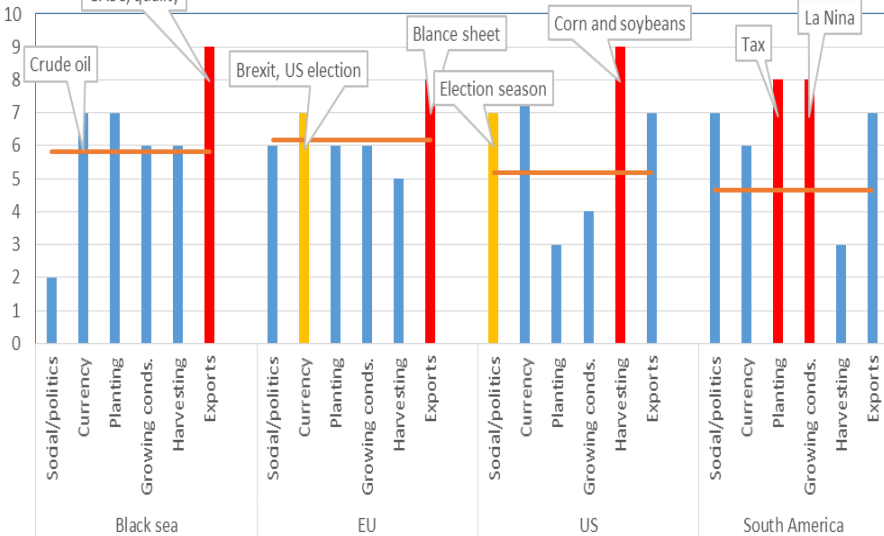
Market relevancy factors - January 2016



Market relevancy factors - January 2017



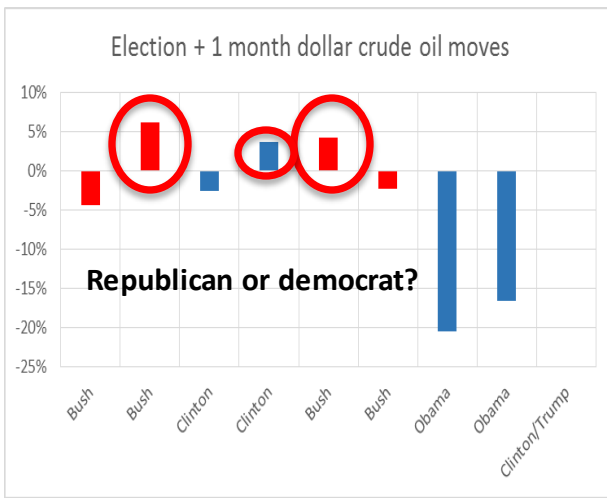
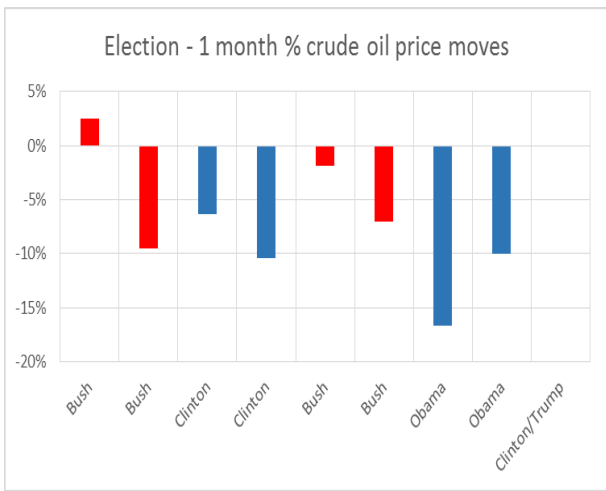
Market relevancy factors - Oct. 2016



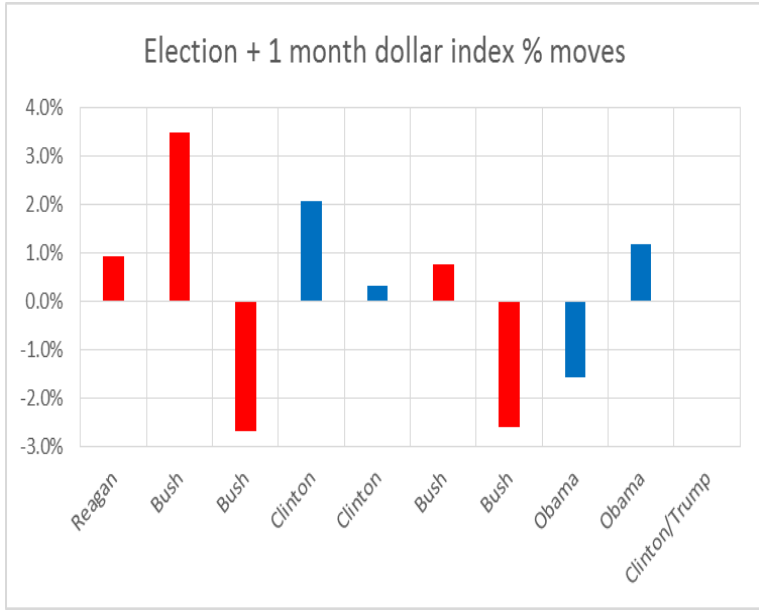
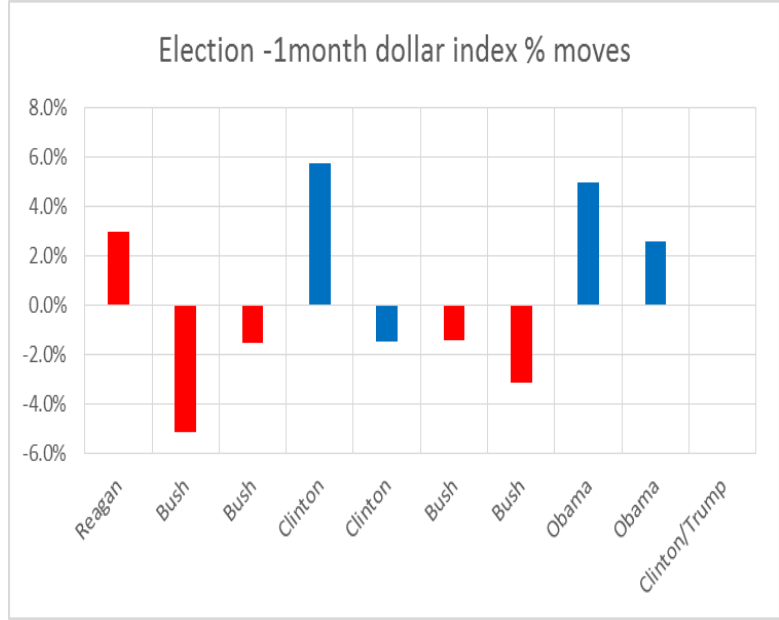
Heading into US election season



Crude Oil pre & post election

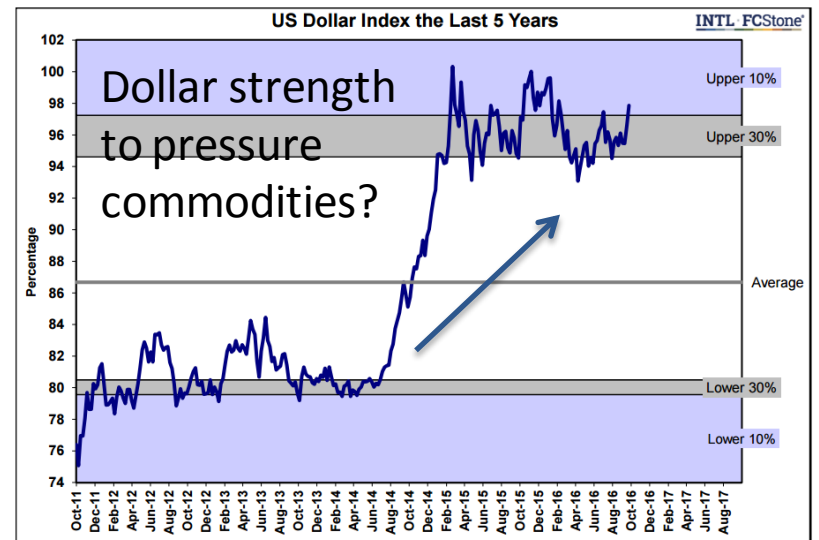
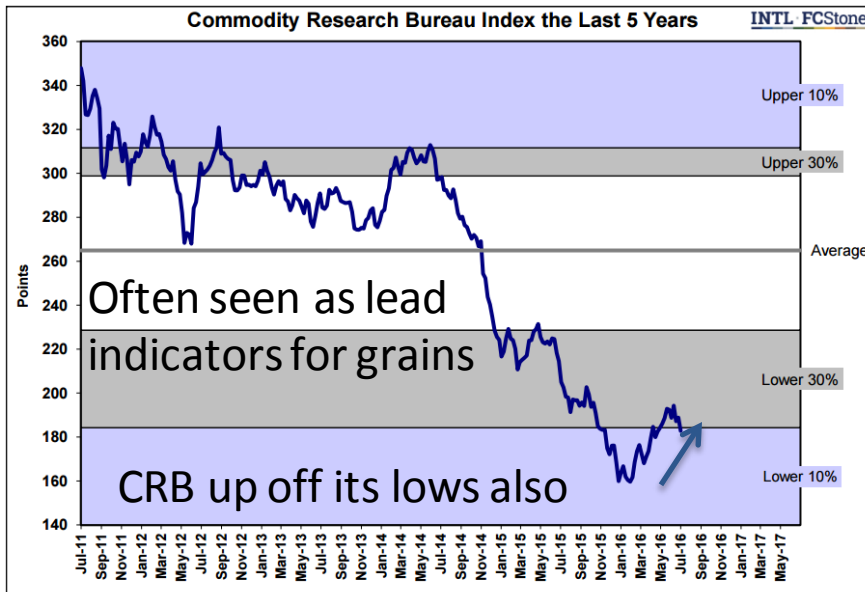
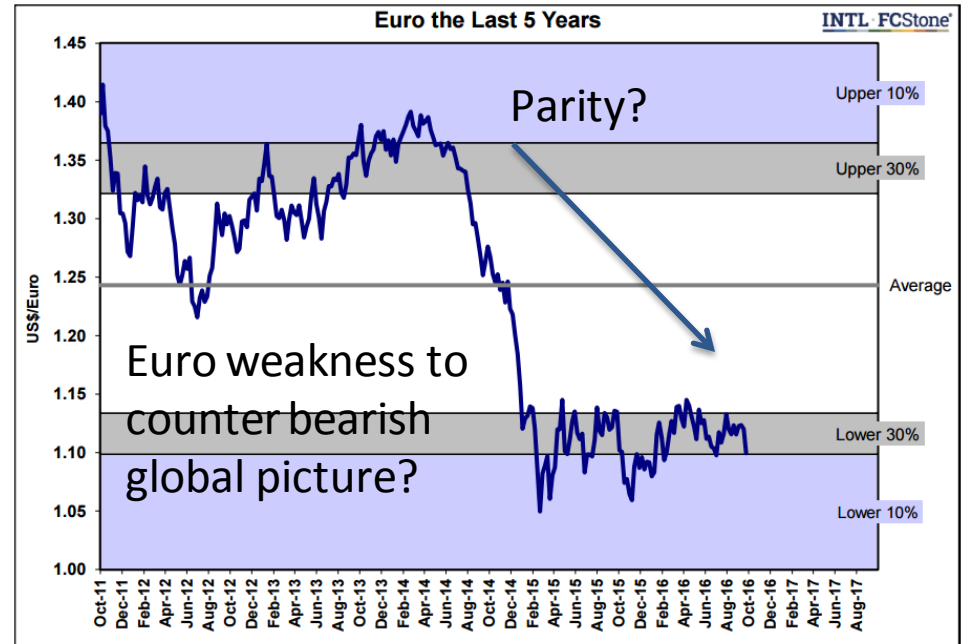
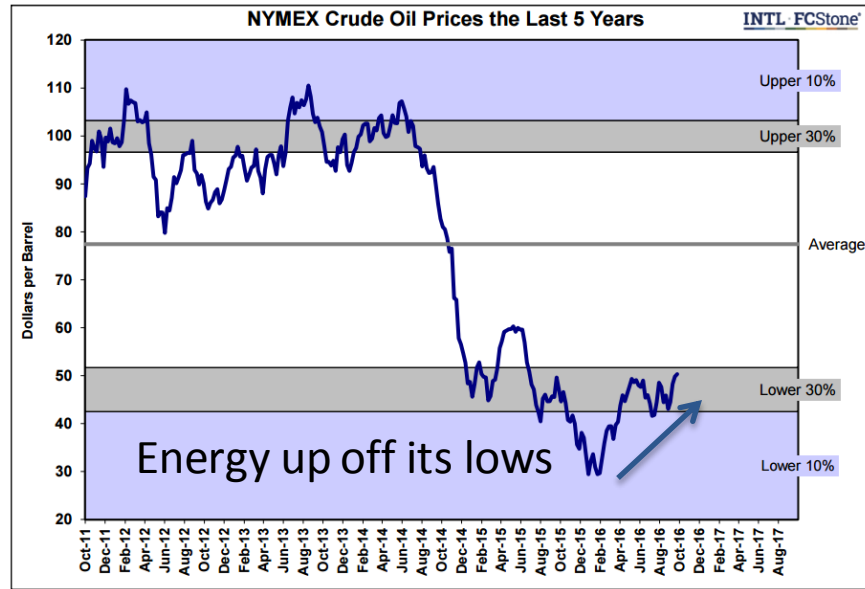


Dollar Index pre & post election

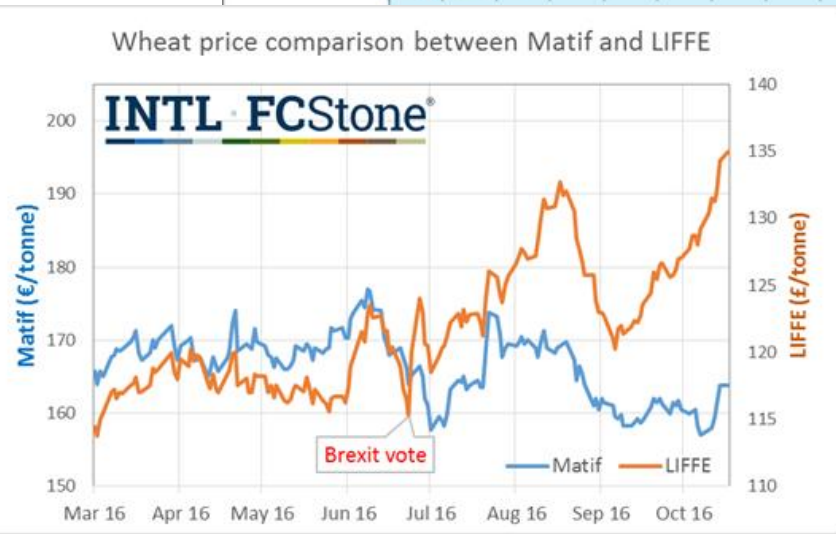
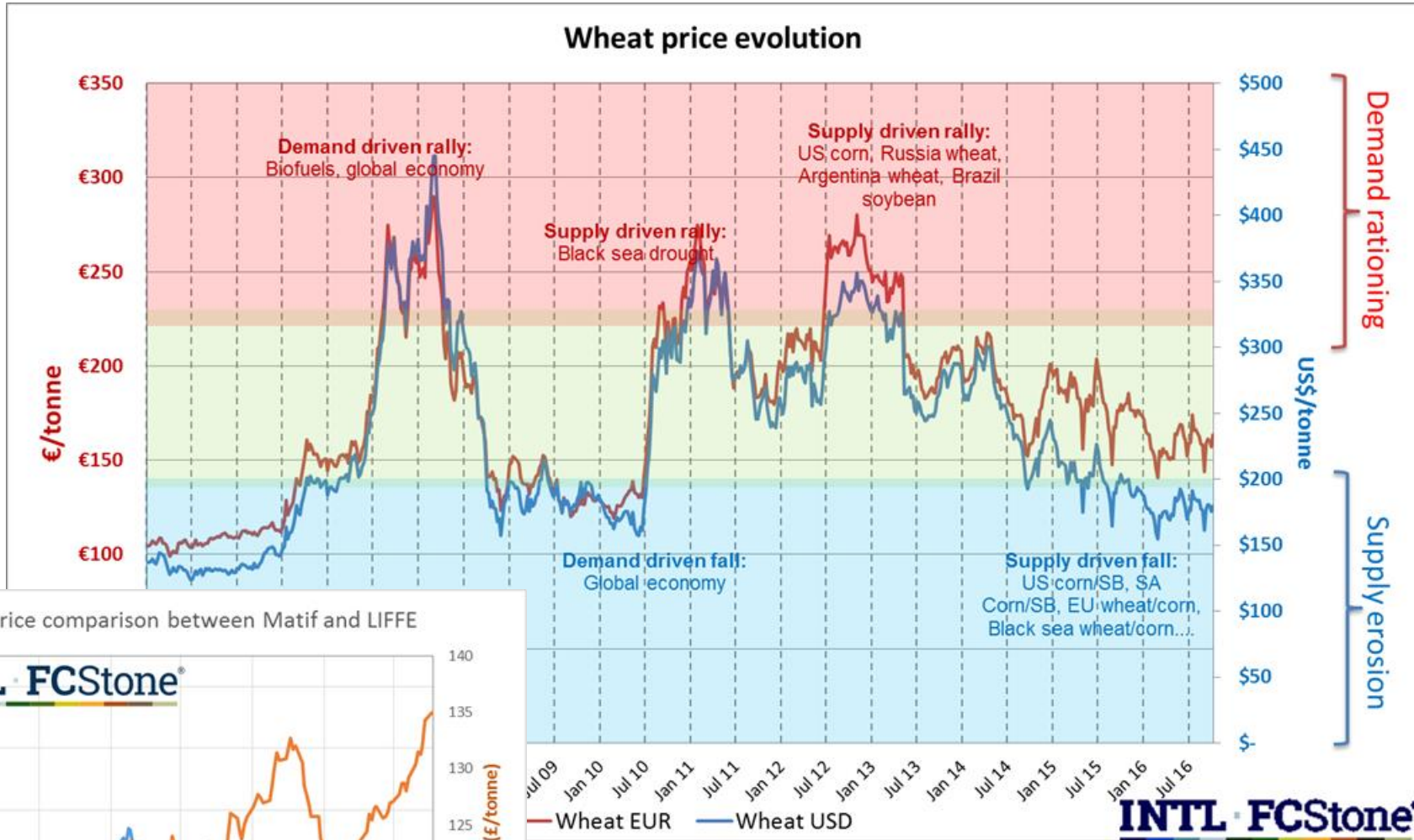


External Market drivers – FX a significant driver

for Europe



FX – Remains a key driver underlying Matif price action and now UK also



Funds – Money flows and their play on the market

Market Estimated Fund Report

matt.zeller@intlfcstone.com
515-273-4053



Each Friday Afternoon, the CFTC updates the Managed Money (Fund) positions as of the preceding Tuesday (Bold number in CFTC column).

October 14, 2016

Funds 30-day		CORN			SOYBEANS			MEAL			OIL			CHI WHEAT			KC WHEAT		
		Daily	CFTC*	Net	Daily	CFTC*	Net	Daily	CFTC*	Net	Daily	CFTC*	Net	Daily	CFTC*	Net	Daily	CFTC*	Net
16-Sep	F	10,000		-141,547	8,000		81,886	4,000		37,340	0		73,469	2,000		-127,643	0		-13,356
19-Sep	M	0		-141,547	4,000		85,886	-3,000		34,340	7,000		80,469	0		-127,643	0		-13,356
20-Sep	T	4,000	-156,033	-137,547	9,000	86,782	94,886	3,000	31,217	37,340	7,000	78,494	87,469	0	-130,562	-127,643	0	-8,554	-13,356
21-Sep	W	0		-156,033	-8,000		78,782	-4,000		27,217	-3,000		75,494	2,000		-128,562	0		-8,554
22-Sep	TH	-6,000		-162,033	0		78,782	-2,000		25,217	4,000		79,494	-1,000		-129,562	0		-8,554
23-Sep	F	0		-162,033	-9,000		69,782	-5,000		20,217	-7,000		72,494	0		-129,562	0		-8,554
26-Sep	M	-11,000		-173,033	-6,000		63,782	-4,000		16,217	-3,000		69,494	-4,000		-133,562	0		-8,554
27-Sep	T	6,000	-177,733	-167,033	9,000	54,612	72,782	4,000	12,283	20,217	0	91,586	69,494	4,000	-134,573	-129,562	0	-5,496	-8,554
28-Sep	W	-5,000		-182,733	-5,000		49,612	0		12,283	-6,000		85,586	0		-134,573	0		-5,496
29-Sep	TH	-3,000		-185,733	4,000		53,612	-2,000		10,283	5,000		90,586	-3,000		-137,573	0		-5,496
30-Sep	F	15,000		-170,733	5,000		58,612	2,000		12,283	0		90,586	4,000		-133,573	0		-5,496
3-Oct	M	15,000		-155,733	8,000		66,612	5,000		17,283	-1,000		89,586	-5,000		-138,573	0		-5,496
4-Oct	T	6,000	-153,096	-149,733	-7,000	61,991	59,612	0	15,025	17,283	0	90,709	89,586	0	-155,196	-138,573	0	-855	-5,496
5-Oct	W	0		-153,096	-6,000		55,991	-1,000		14,025	-3,000		87,709	6,000		-149,196	0		-855
6-Oct	TH	-15,000		-168,096	5,000		60,991	-3,000		11,025	4,000		91,709	-5,000		-154,196	0		-855
7-Oct	F	0		-168,096	0		60,991	-4,000		7,025	3,000		94,709	0		-154,196	0		-855
10-Oct	M	5,000		-163,096	0		60,991	-3,000		4,025	6,000		100,709	5,000		-149,196	0		-855
11-Oct	T	7,000	-121,914	-156,096	0	68,789	60,991	3,000	13,043	7,025	-6,000	79,614	94,709	4,000	-137,243	-145,196	0	-5,867	-855
12-Oct	W	-14,000		-135,914	-11,000		57,789	-5,000		8,043	-2,000		77,614	-6,000		-143,243	0		-5,867
13-Oct	TH	17,000		-118,914	9,000		66,789	5,000		13,043	0		77,614	12,000		-131,243	0		-5,867
14-Oct	F	13,000		-105,914	5,000		71,789	-3,000		10,043	8,000		85,614	3,000		-128,243	0		-5,867

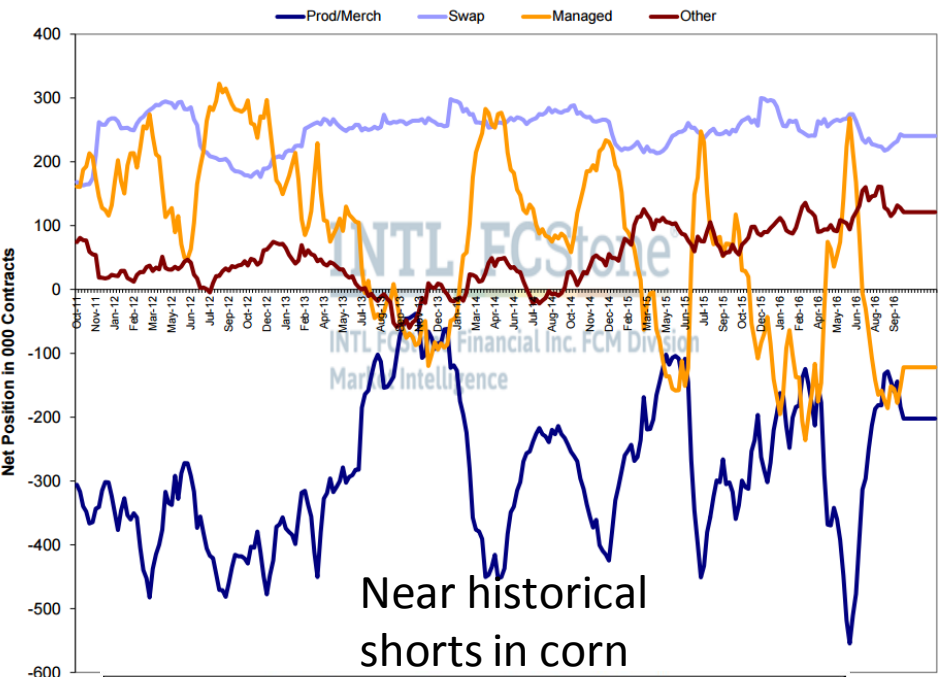
Current Net Positions (Tuesday Disaggregated CFTC Report)

Managed Money: (Futures Only)	-121,914	68,789	13,043	79,614	-137,243	-5,867
Swap Dealers: (Futures Only)	240,539	88,054	69,064	79,374	60,042	29,722

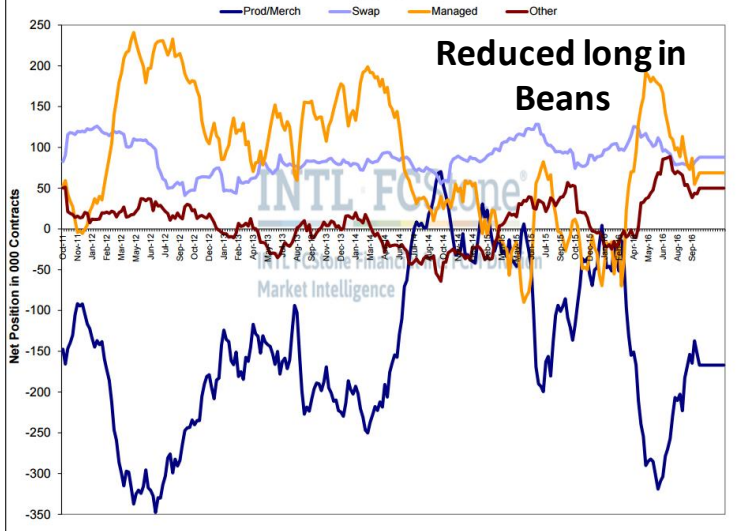
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Funds – Money flows and their play on the market

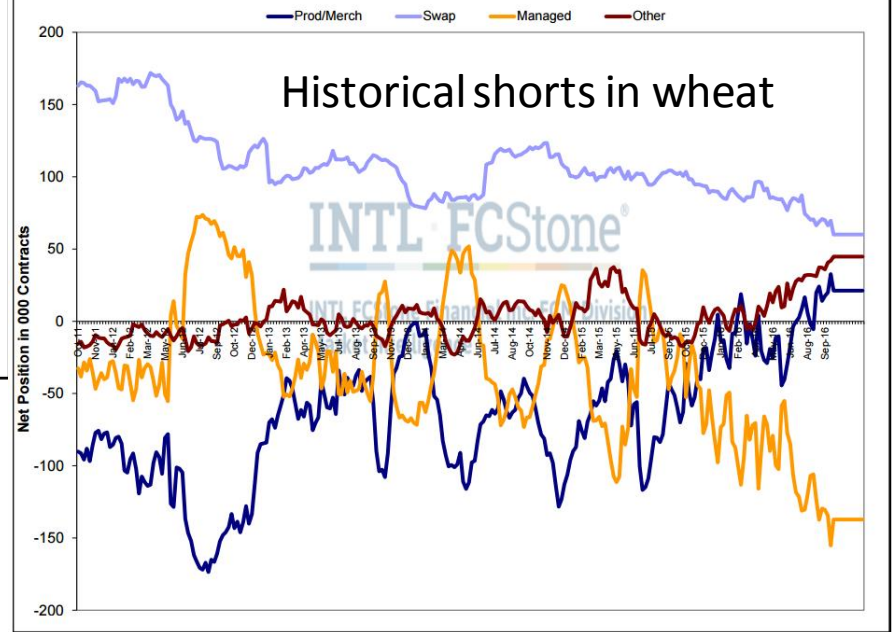
CBOT Corn - Disaggregated CFTC Net Positions



CBOT Soybeans - Disaggregated CFTC Net Positions

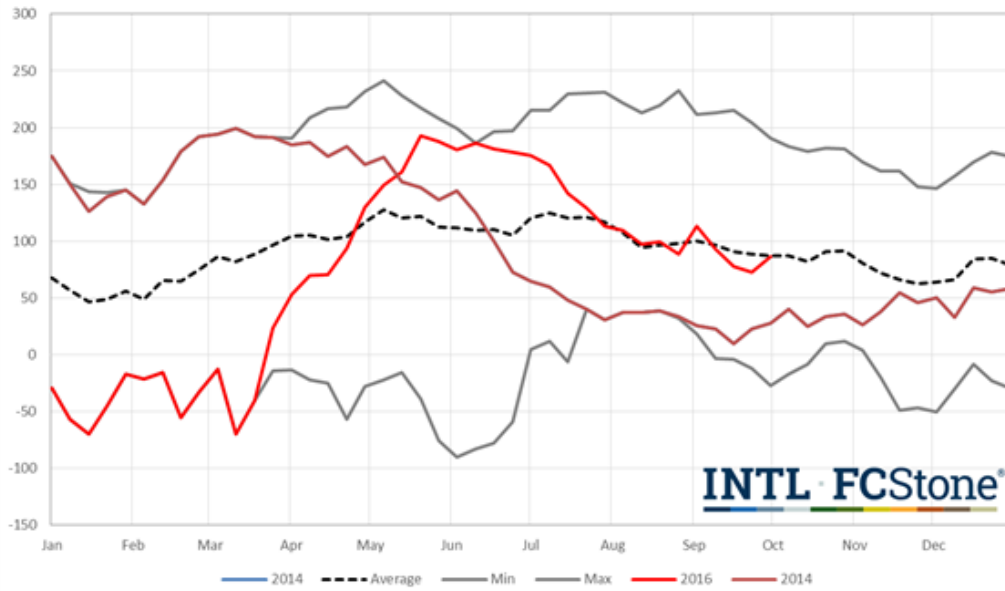


CBOT Wheat - Disaggregated CFTC Net Positions

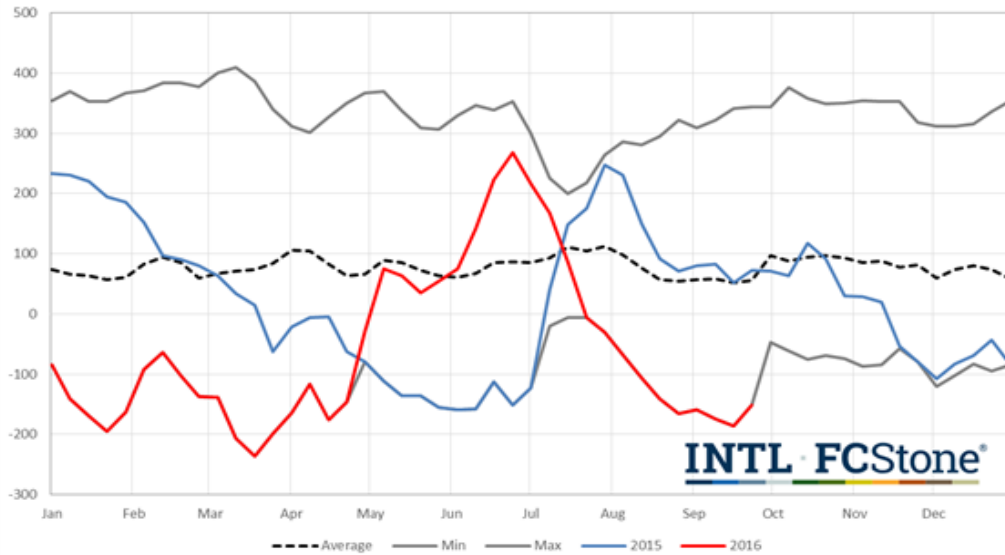


Funds – Money flows seasonalised

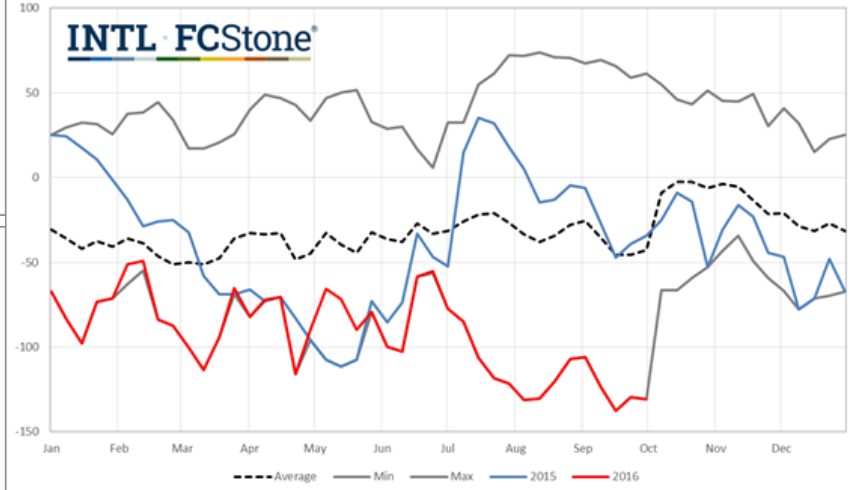
non-Commercial/fund soybean position (000 contracts)



non-Commercial/fund corn position (000 contracts)

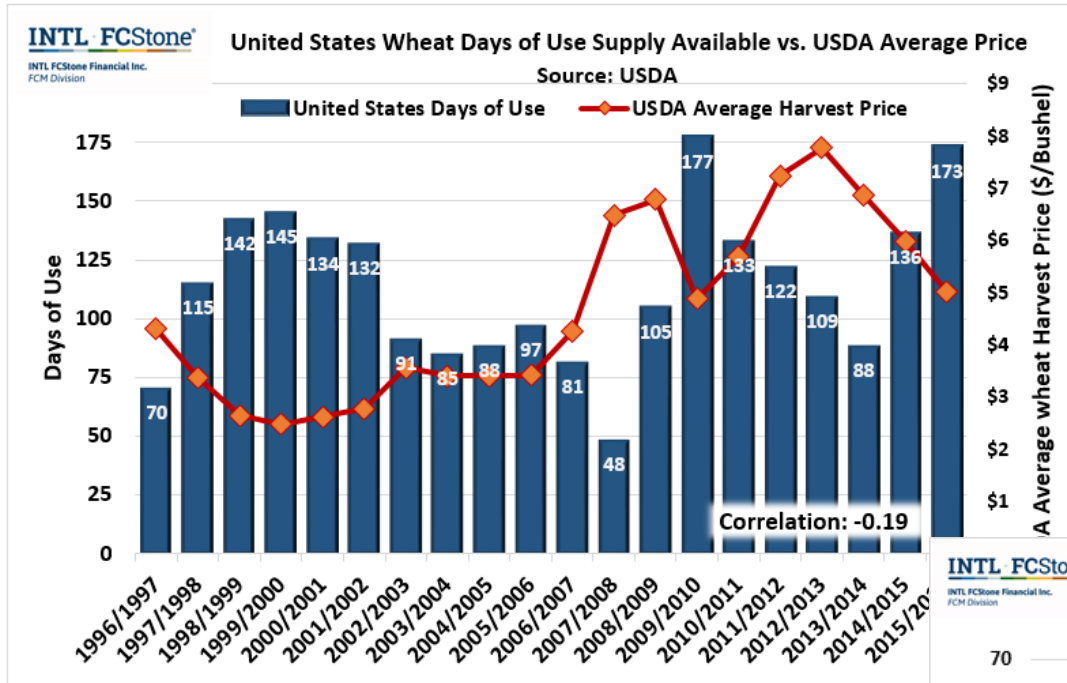


non-Commercial/fund wheat position (000 contracts)

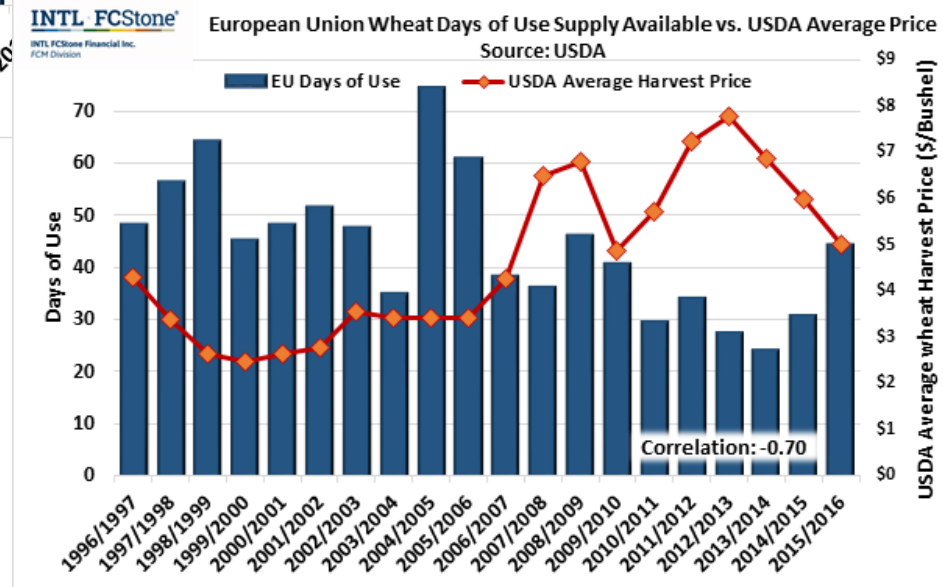


But Did you know?

Correlation Between Cash Wheat Prices and U.S. Stocks is Weak



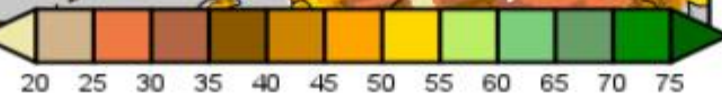
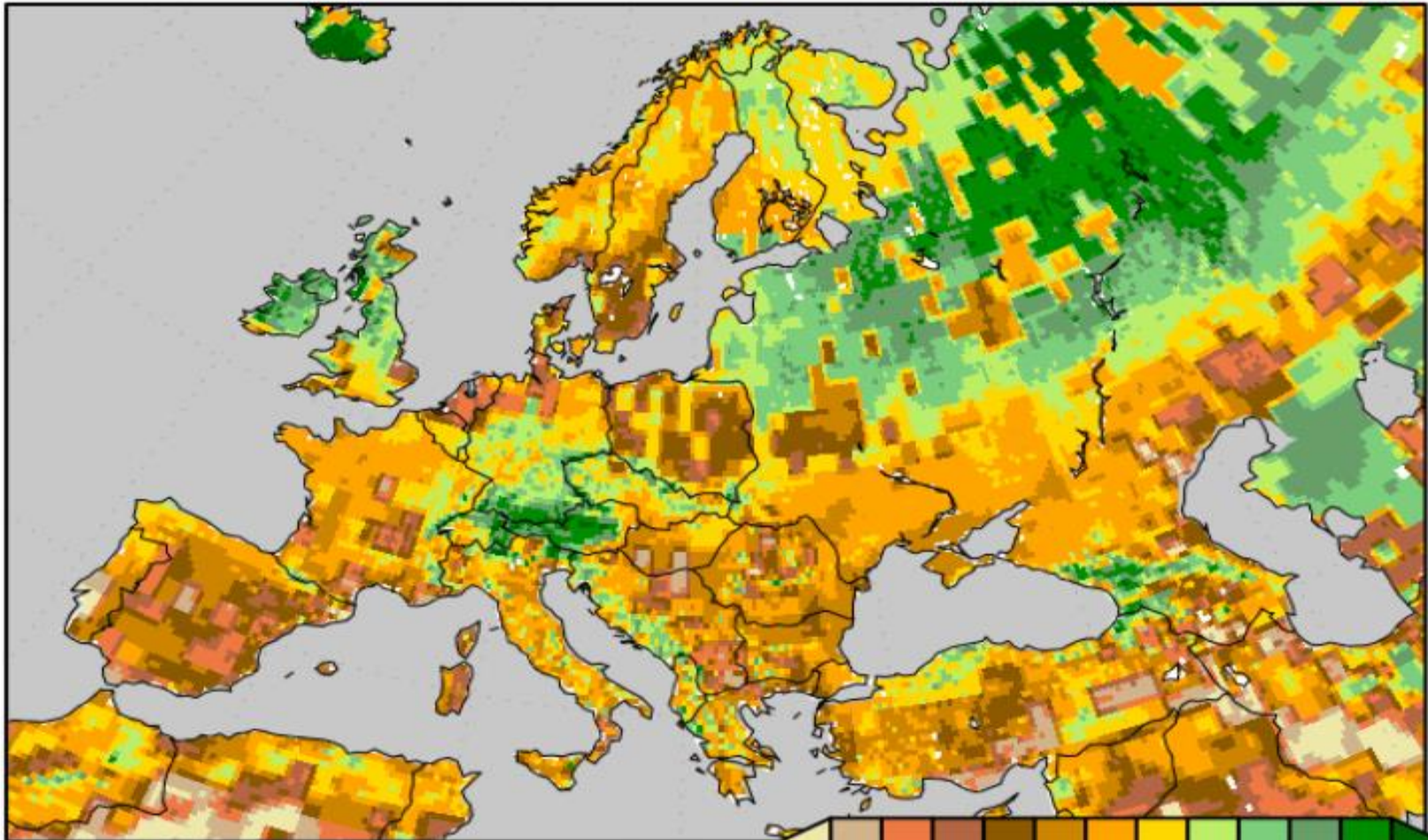
The EU Wheat Balance sheet retains strong influence over US physical price



Initial Soil Moisture

Liquid Water in top 2 meters of soil

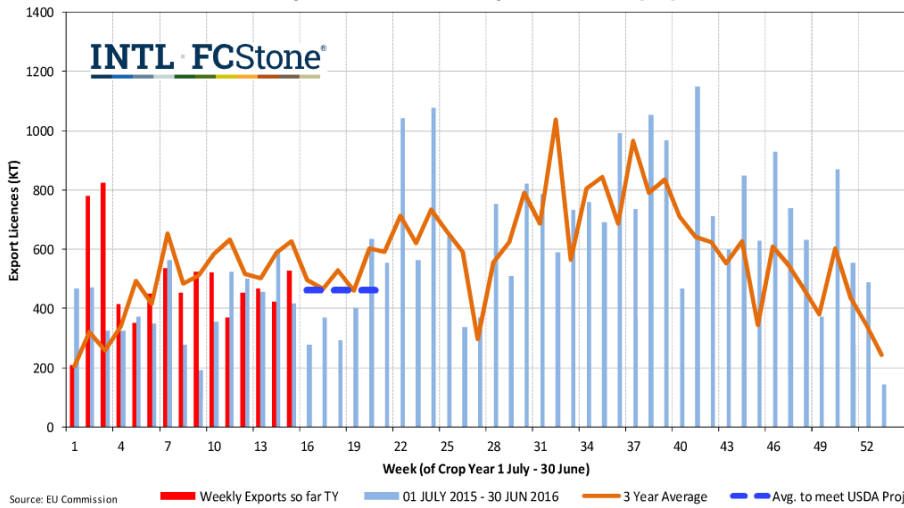
Valid time: Mon, 10 OCT 2016 at 00Z



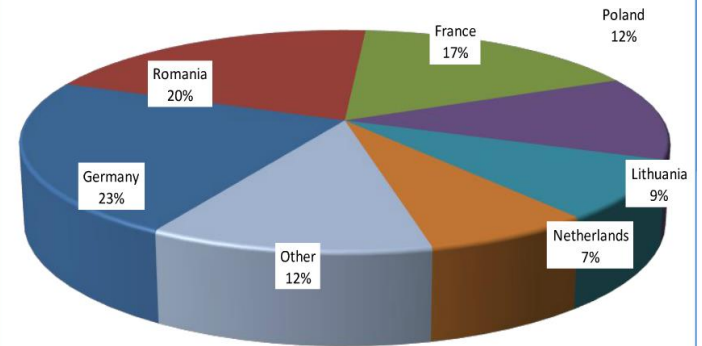
Centimeters

European Wheat – Are we bearish?

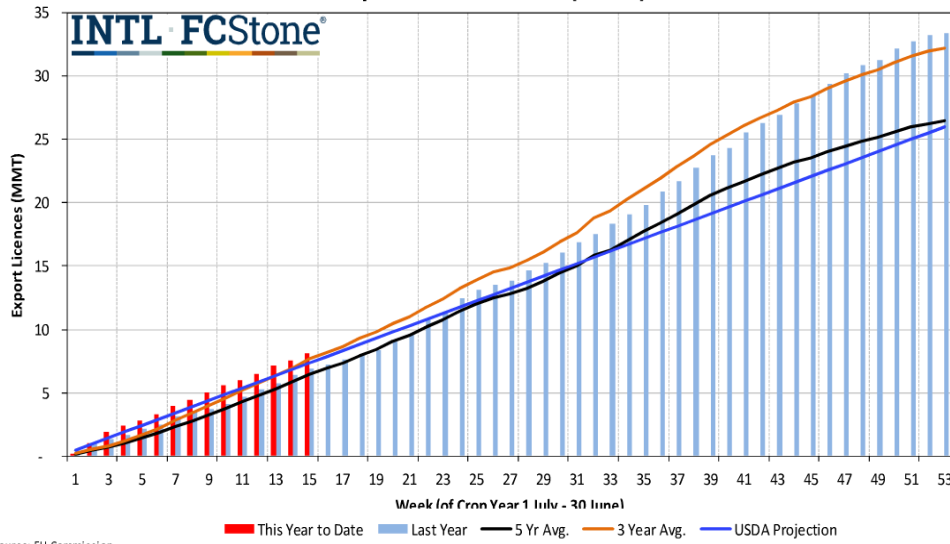
Weekly EU Soft Wheat Export Licences (KT)



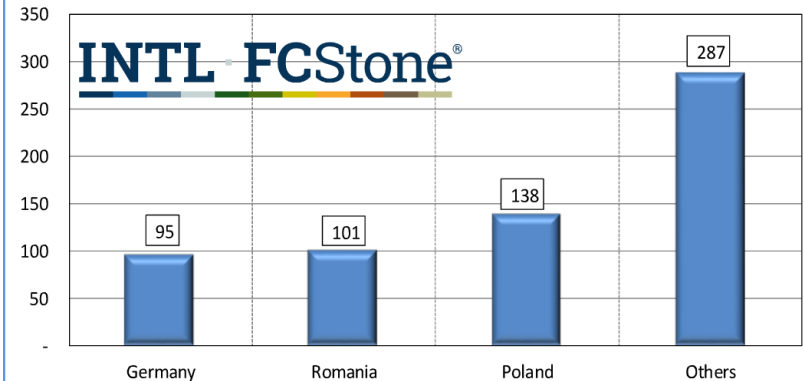
Cumulative EU Soft Wheat Exports (%)



Cumulative EU Total Wheat Export Performance (MMT)

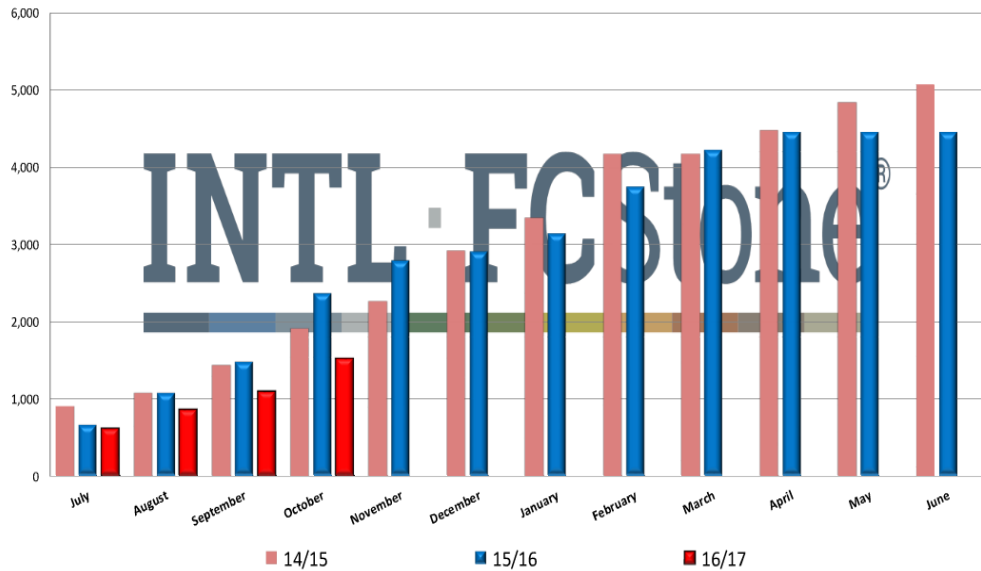


Weekly EU Wheat Export Origins (kt)

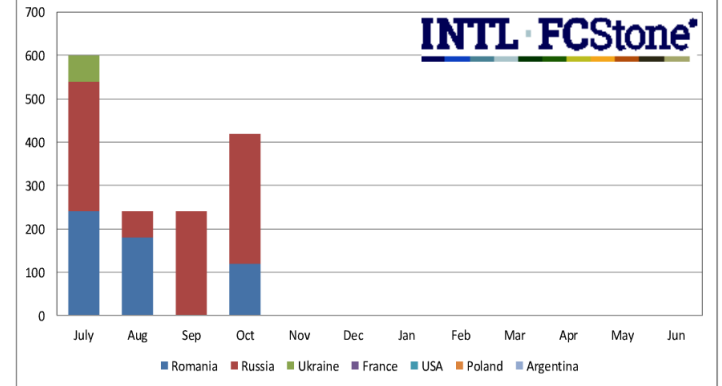


Key Wheat demand in global market

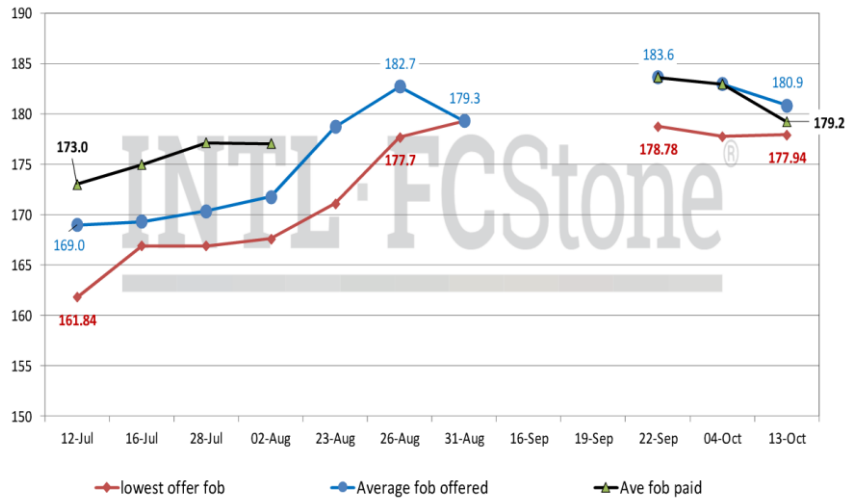
GASC Monthly Milling Wheat by Volume (KT)



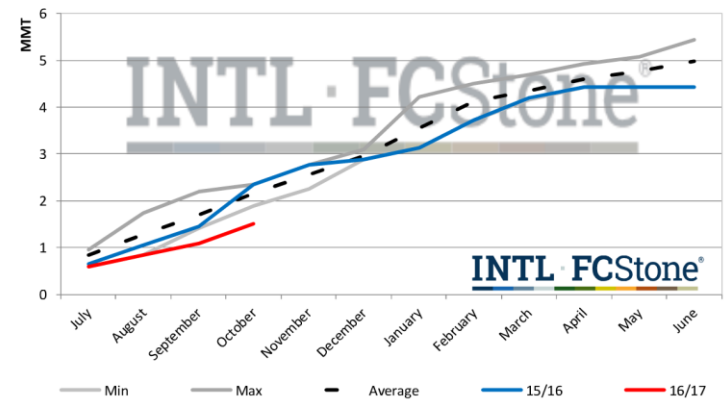
Winning Egyptian wheat tenders by origin 2016/17



GASC fob offers Tenders 2016/17 (\$/tonne)

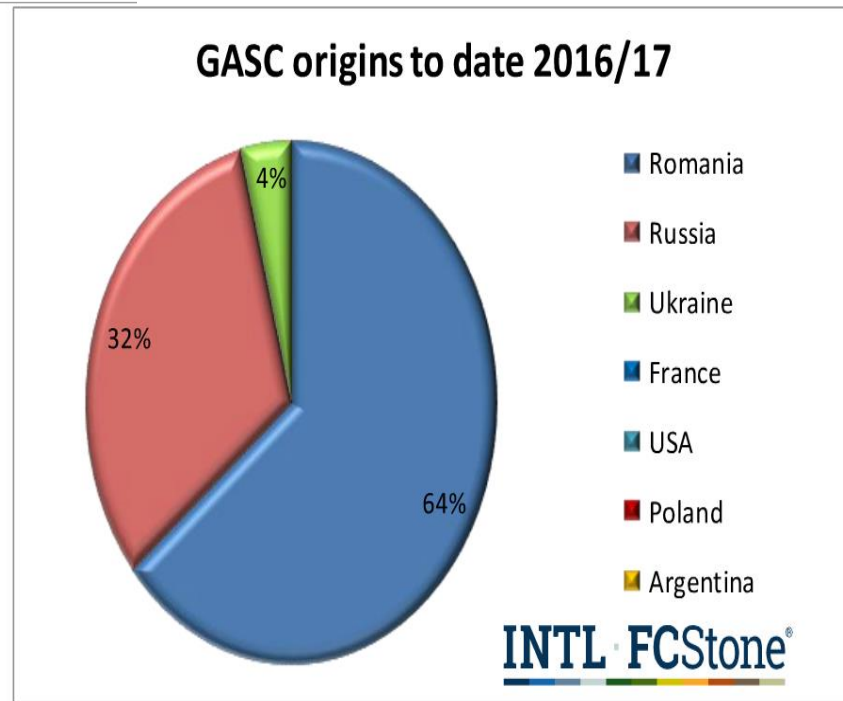
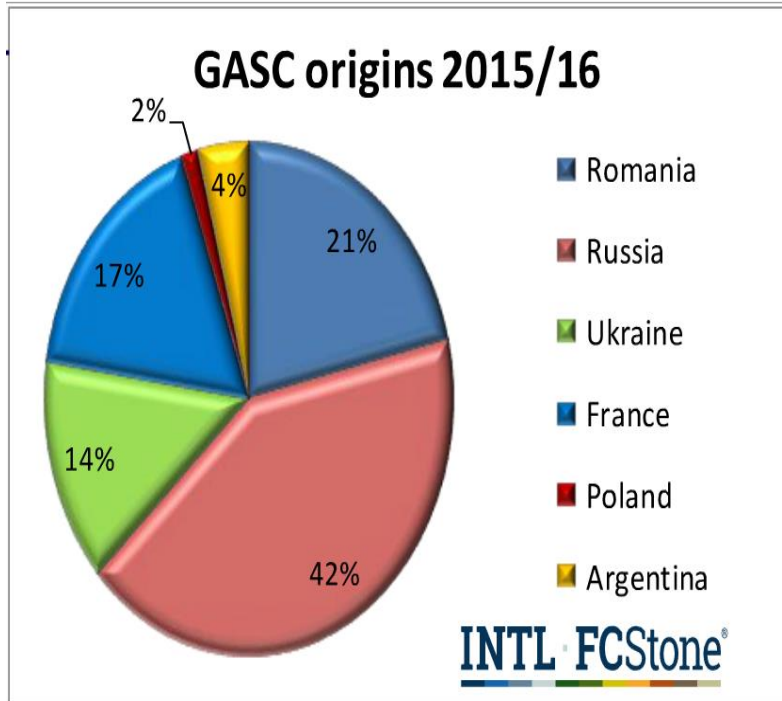
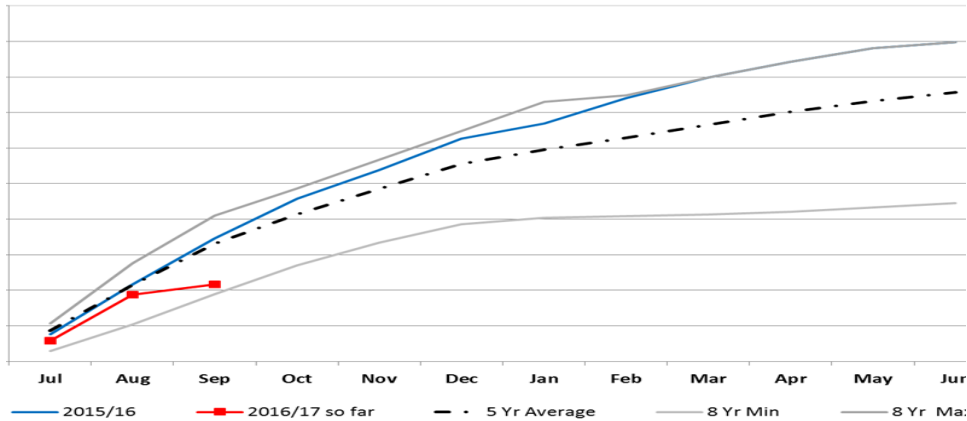


GASC Tender Monthly Comparison (MMT)

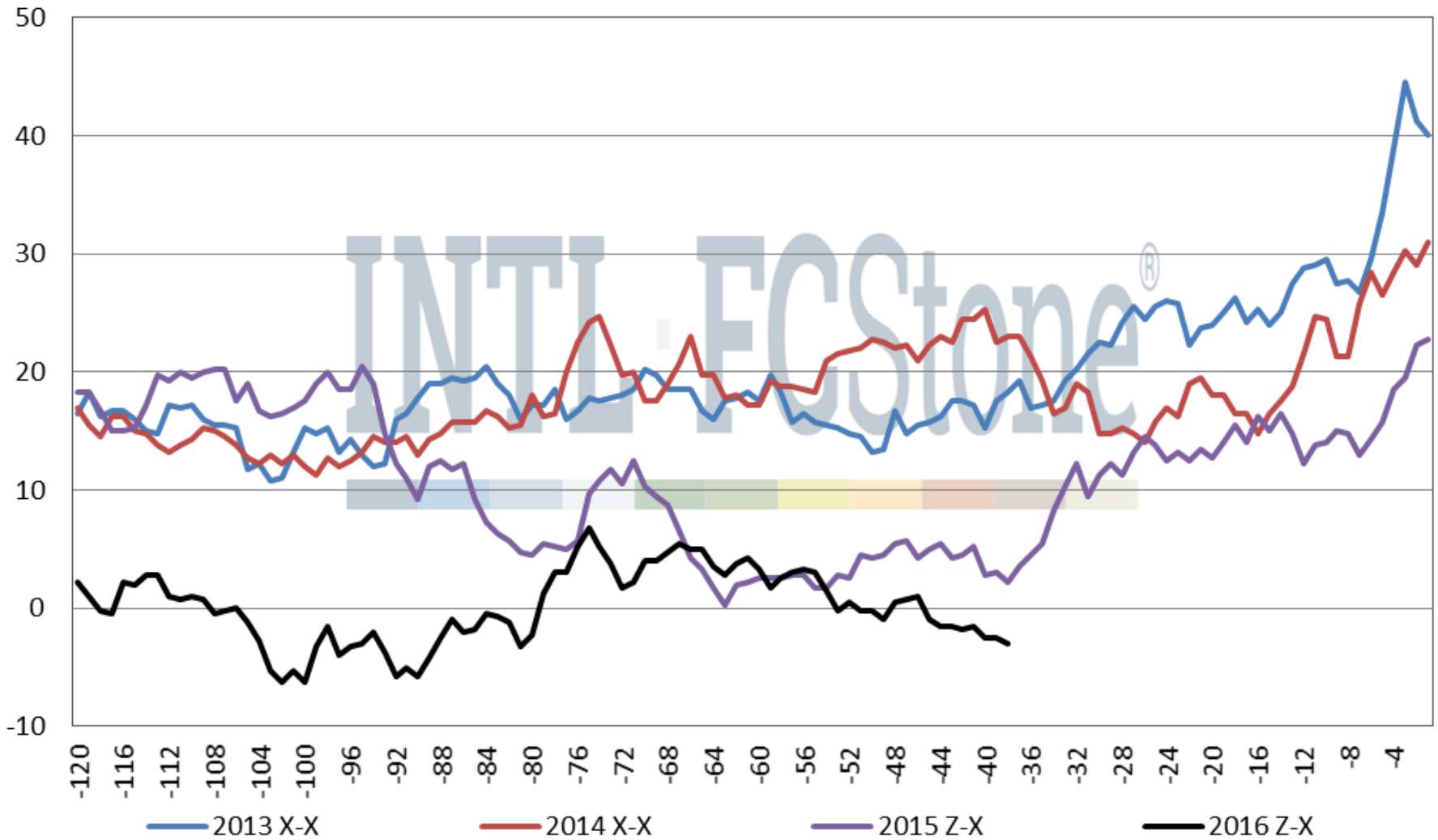


European Wheat – Are we bearish?

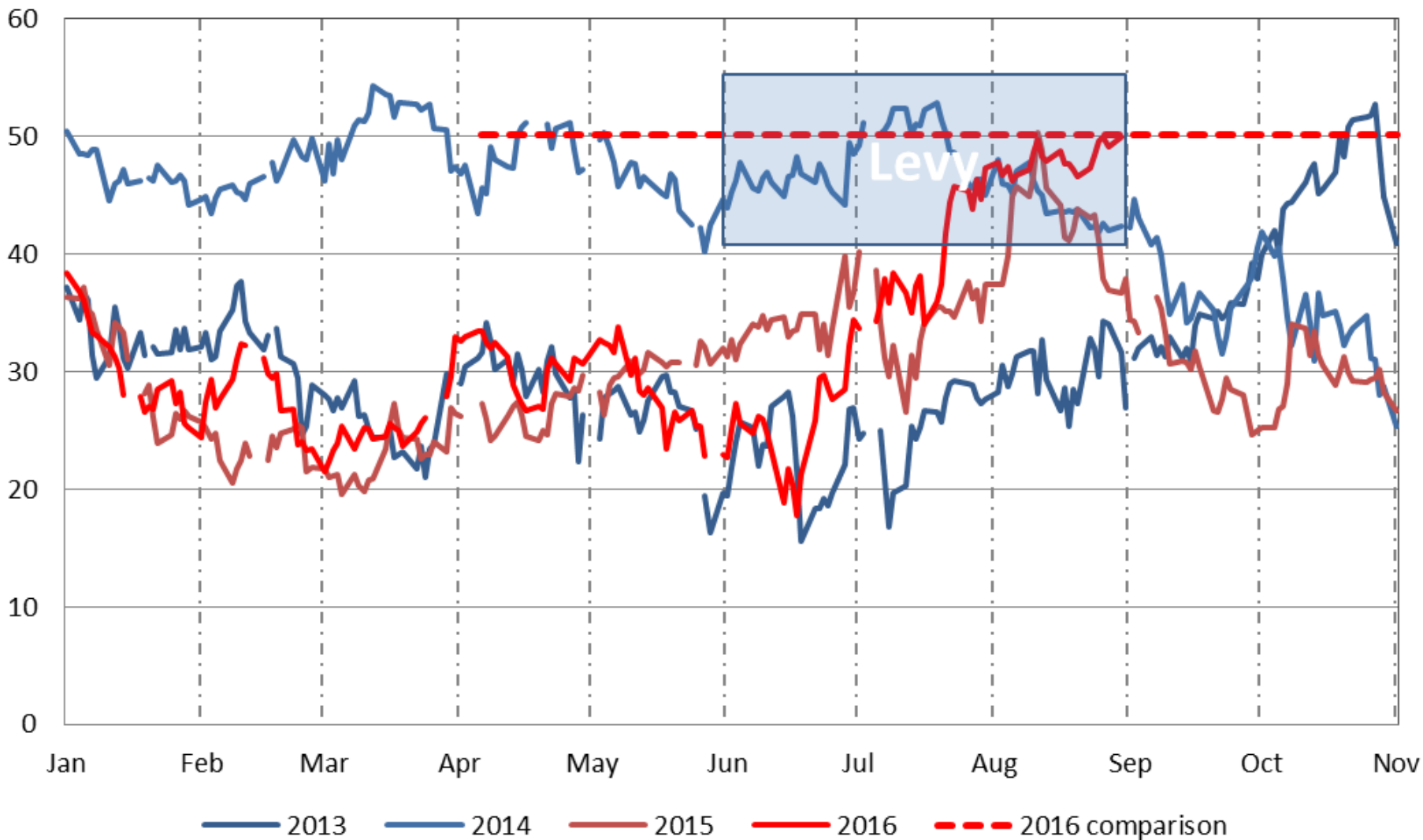
Russian Cumulative Wheat Export Pace Comparison (MMT)



New crop Matif wheat-maize commodity spread

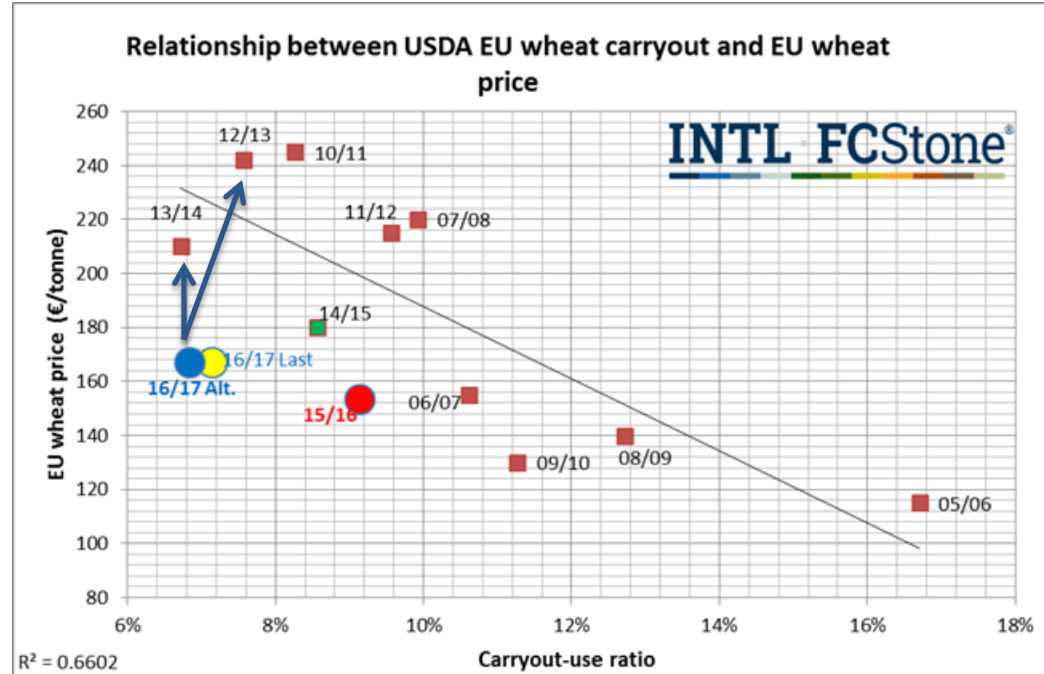
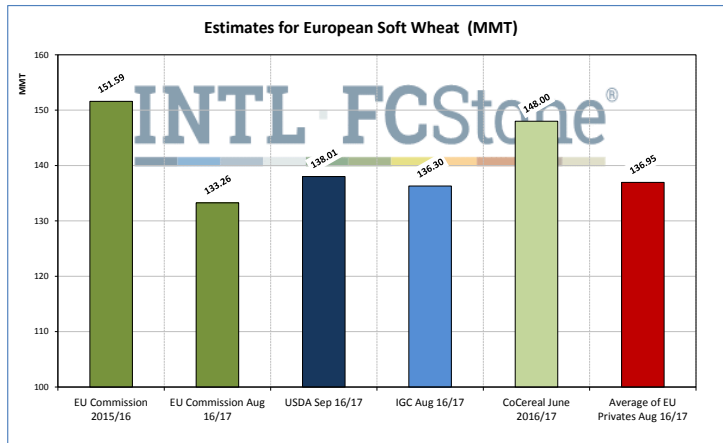


New crop Matif-CME maize spread (€/tonne)



European Wheat – Are we bearish?

USDA EU wheat balance sheets (mmt)									
	Beginning stocks	Production	Imports	Feed	non-feed	Total domestic	Exports	End stocks	Stocks:use ratio
16/17 Alt.	15.1	144.0	7.0	60.0	69.0	129.0	26.0	11.1	7%
16/17 Last	14.0	143.2	7.0	58.0	70.7	128.7	25.0	10.5	7%
15/16	12.7	160.0	6.9	60.0	69.9	129.9	34.7	15.1	9%
14/15	10.0	156.5	6.0	54.5	69.0	123.5	35.4	13.6	8.6%
13/14	10.8	144.4	4.0	49.5	67.6	117.1	32.0	10.0	6.7%
12/13	13.8	133.8	5.3	51.0	68.5	119.5	22.6	10.8	7.6%
11/12	12.1	138.2	7.4	57.5	69.7	127.2	16.7	13.8	9.6%
10/11	16.7	136.7	4.6	52.5	70.3	122.8	23.1	12.1	8.3%
09/10	19.5	139.7	5.4	57.0	68.6	125.6	22.3	16.7	11.3%
08/09	12.9	151.9	7.7	60.5	67.1	127.6	25.4	19.5	12.7%
07/08	14.9	120.8	6.8	52.4	64.8	117.2	12.4	12.9	9.9%
06/07	24.0	125.7	5.2	60.2	66.0	126.2	13.9	14.9	10.6%
05/06	28.266	132.9	6.8	63.2	65.0	128.2	15.7	24.0	16.7%



European Wheat – Are we bearish?

Mar. 17 matif wheat Historical annual (21 day close-close) and options implied volatility



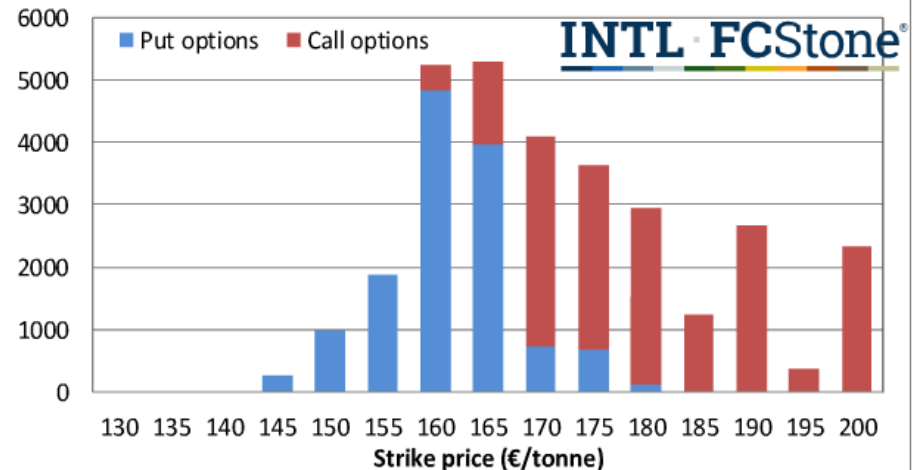
Mar. 17 matif wheat futures price (€/tonne)



Volatility smile: Mar. 17 Matif wheat



Mar. 17 options open interest (total contracts)



European rapeseed – Are we bearish?

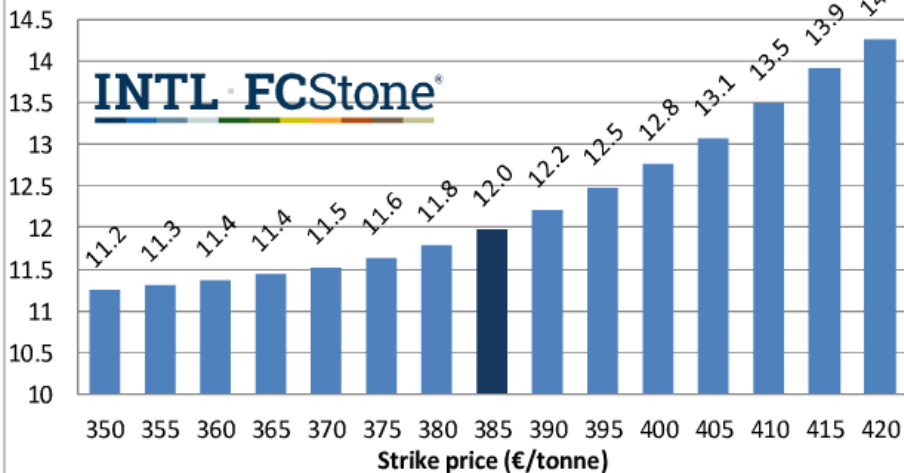
Feb. 16 matif rapeseed Historical annual (21 day close-close) and options implied volatility



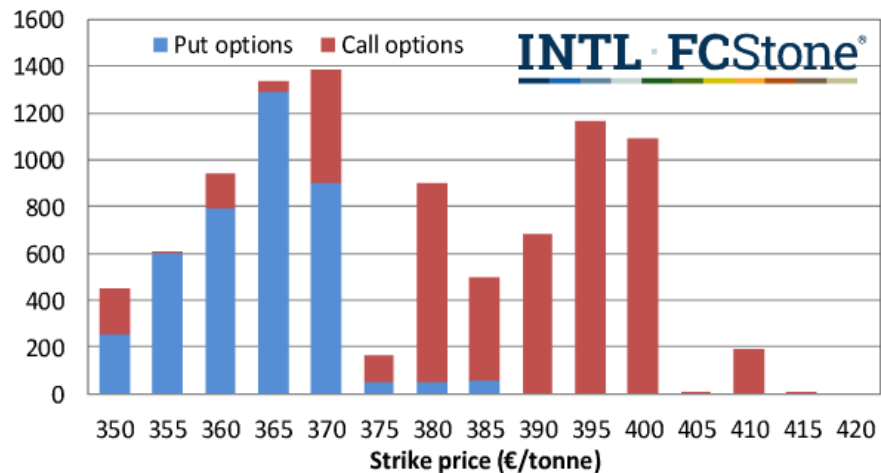
Feb. 16 matif rapeseed futures price (€/tonne)



Volatility smile: Feb. 17 rapeseed

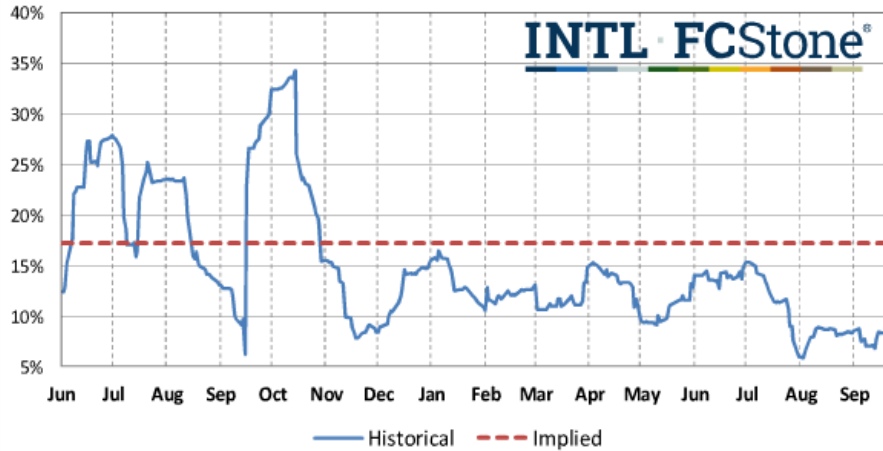


Feb. 17 options open interest (total contracts)



European maize – Are we bearish?

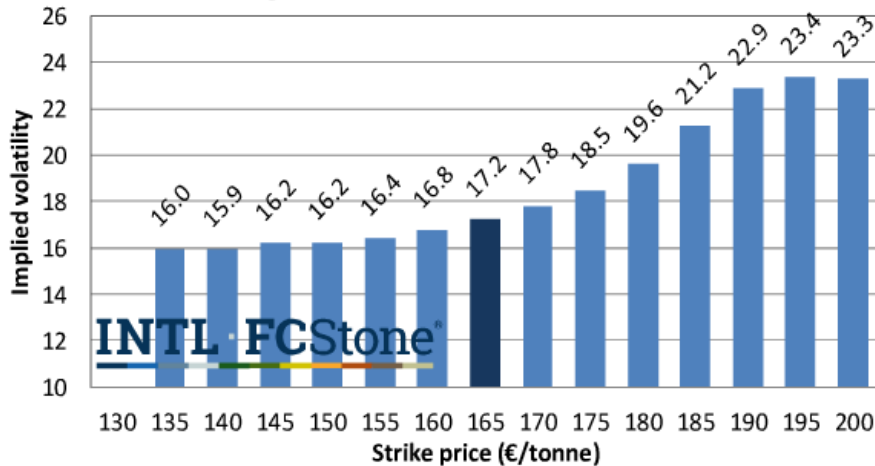
Jan. 17 matif maize historical annual (21 day close-close) and options implied volatility



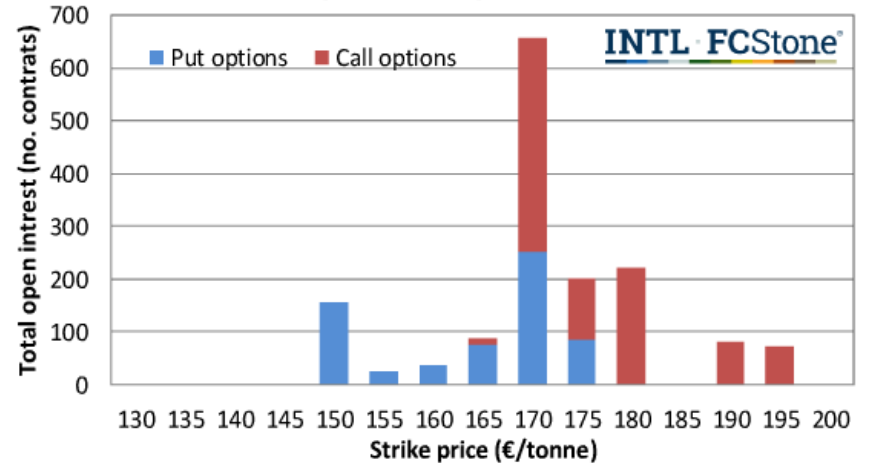
Jan. 17 matif maize futures price



Volatility smile: Jan. 17 Matif maize

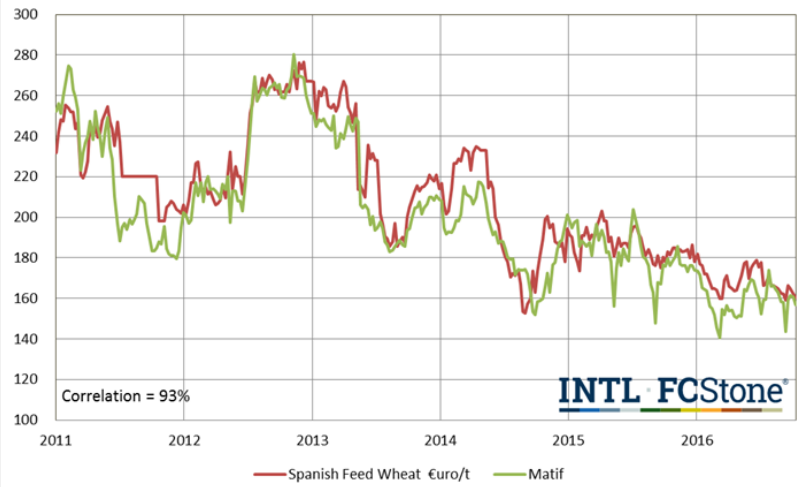


Jan. 17 options open interest

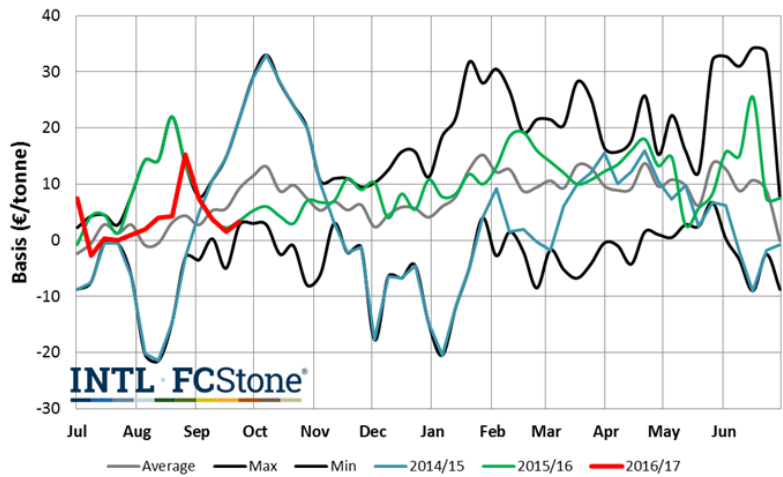


Spanish cash markets and basis

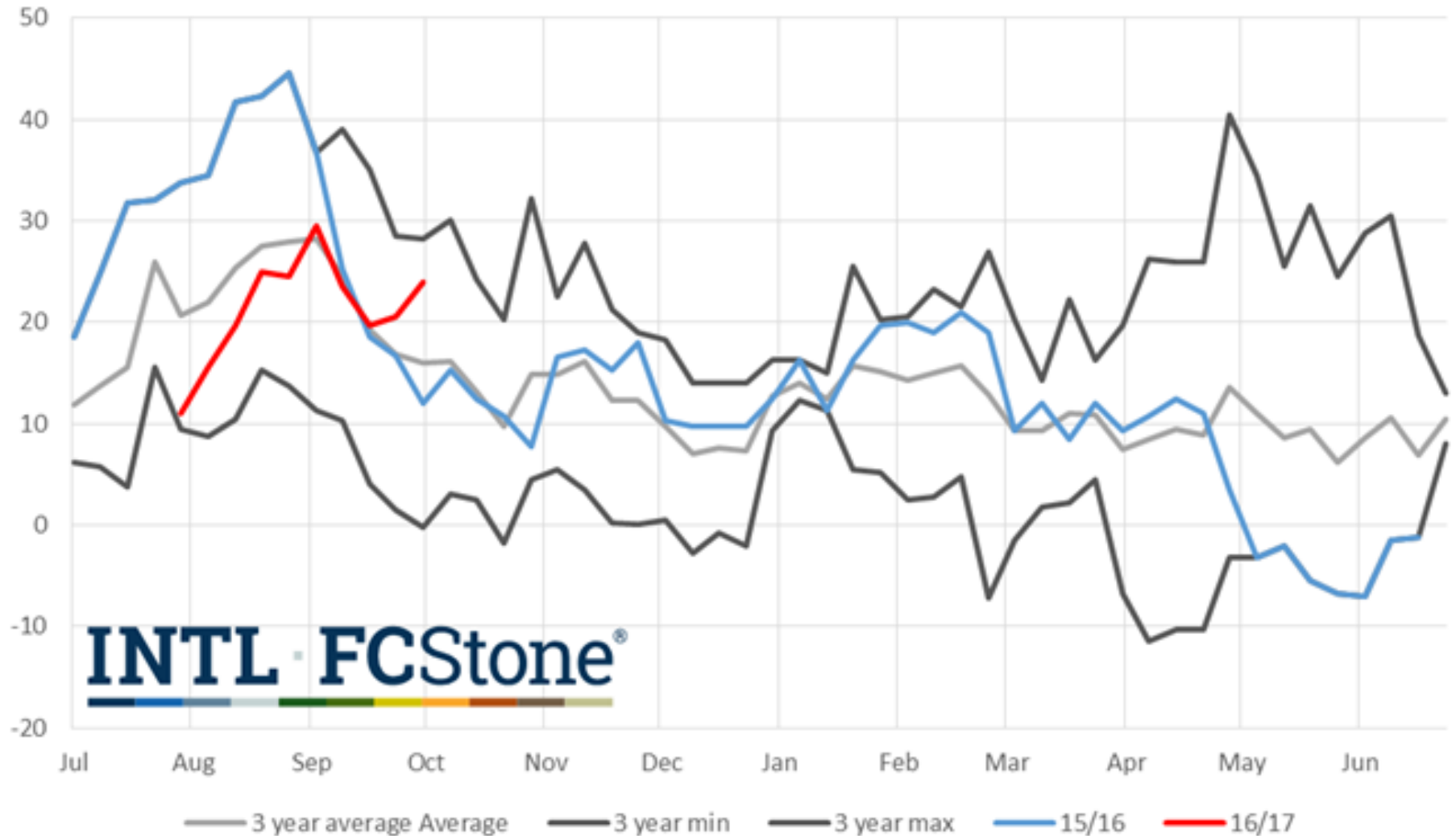
Wheat price comparison (€/tonne)



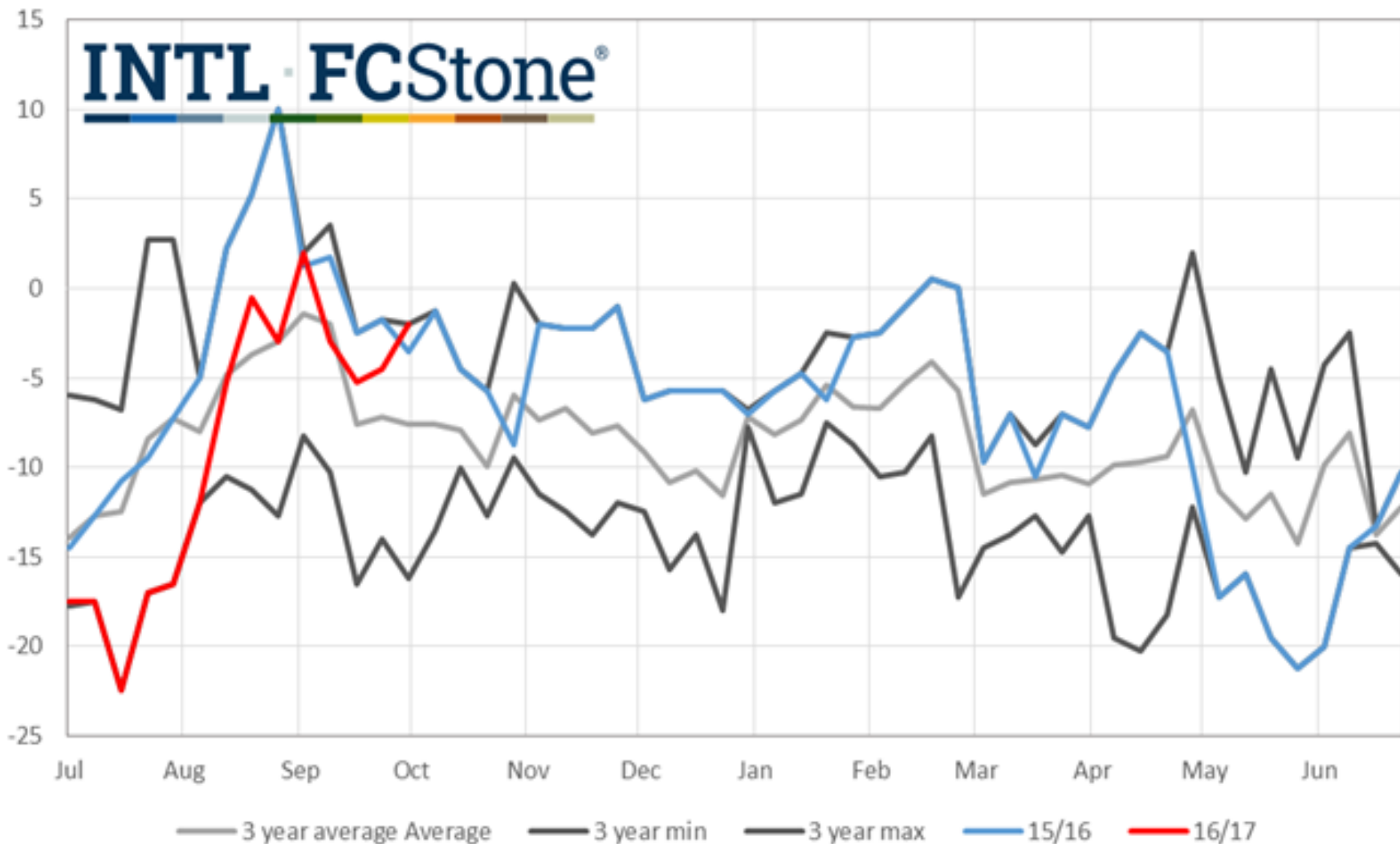
Spanish Feed Wheat (Tarragona) Basis Matif



South East Germany E wheat (>14.5% pro) basis (€/tonne)

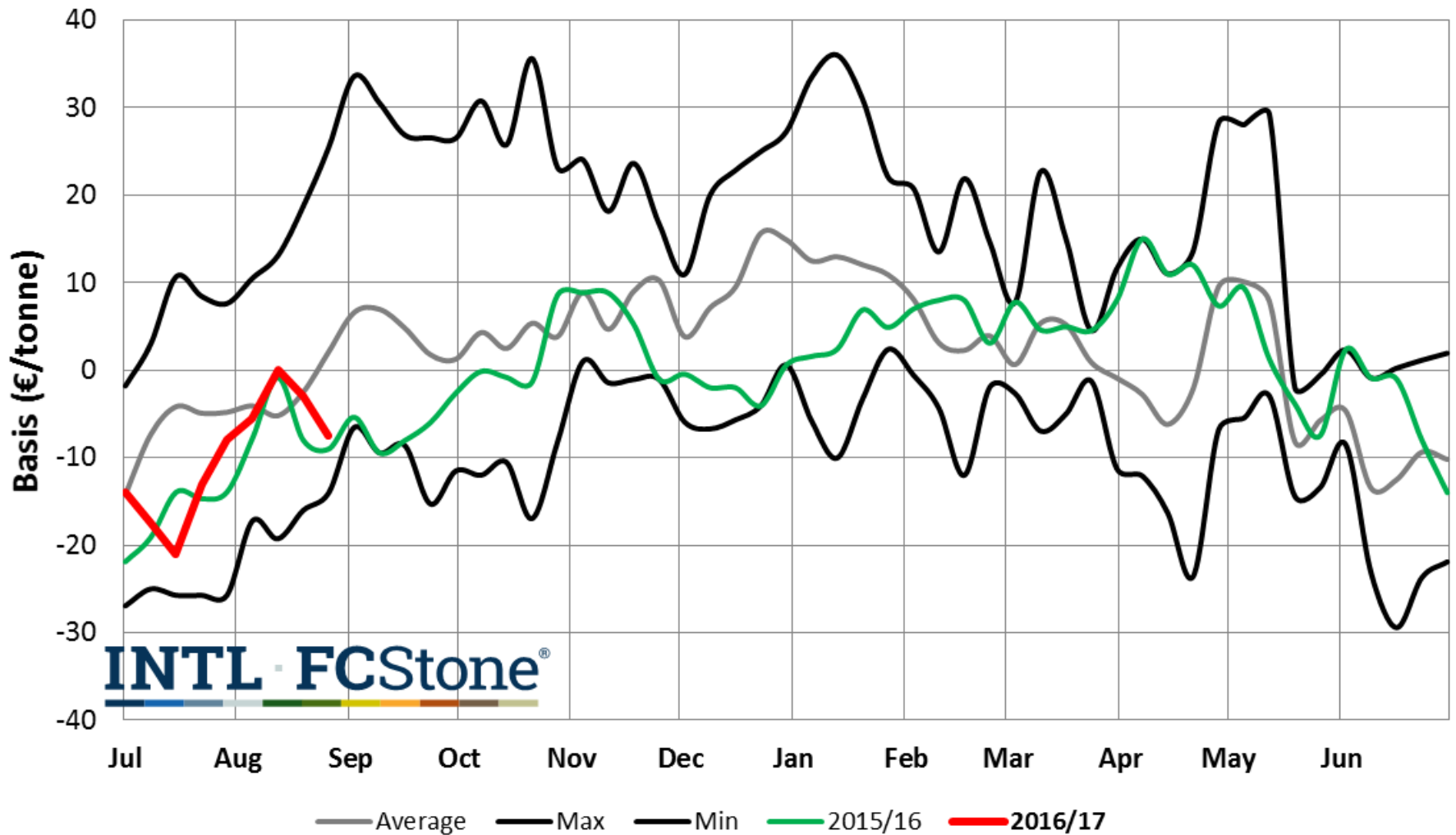


South East Germany bread wheat (11.5% pro) basis (€/tonne)

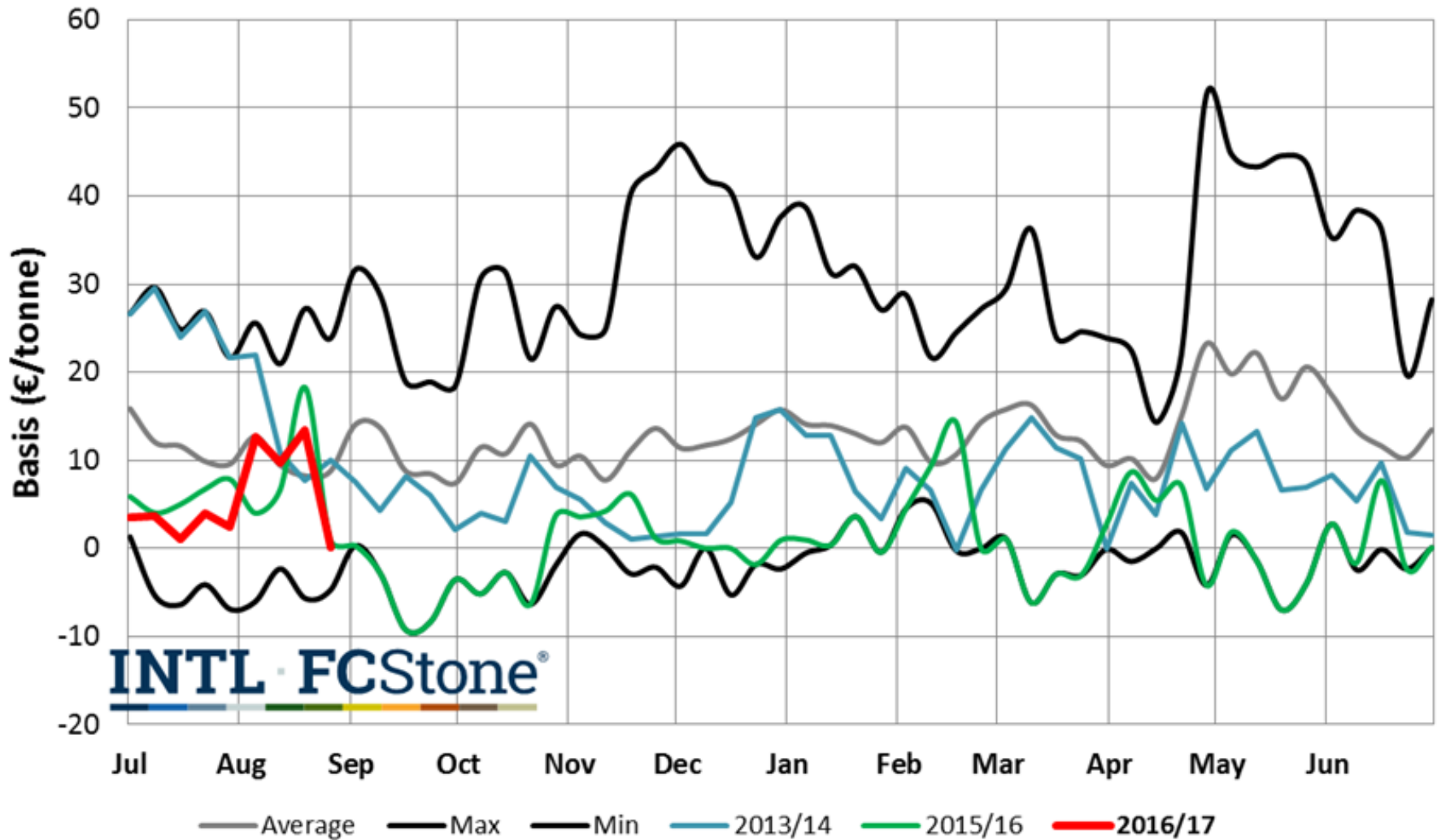


10% More production in wheat – Sharply lower demand – Premiums??

Black sea 12.5% Pro Wheat basis

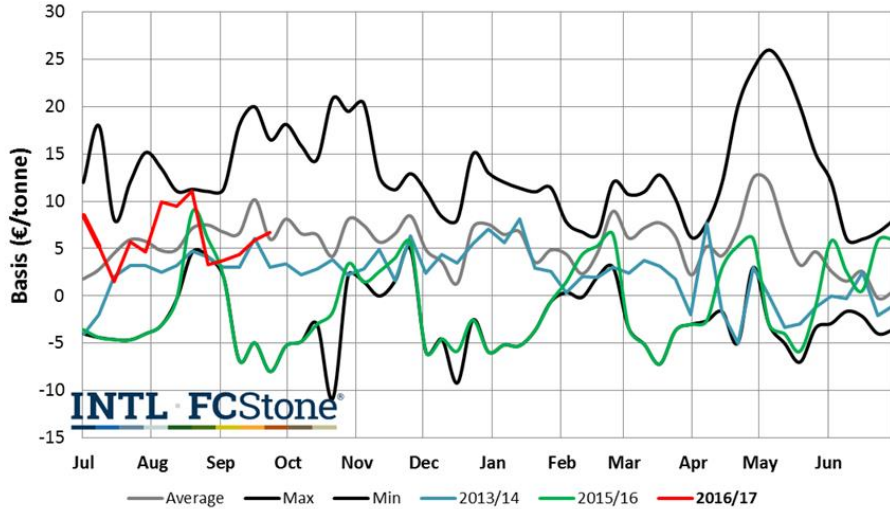


South Coast UK Milling Wheat basis Matif (f)

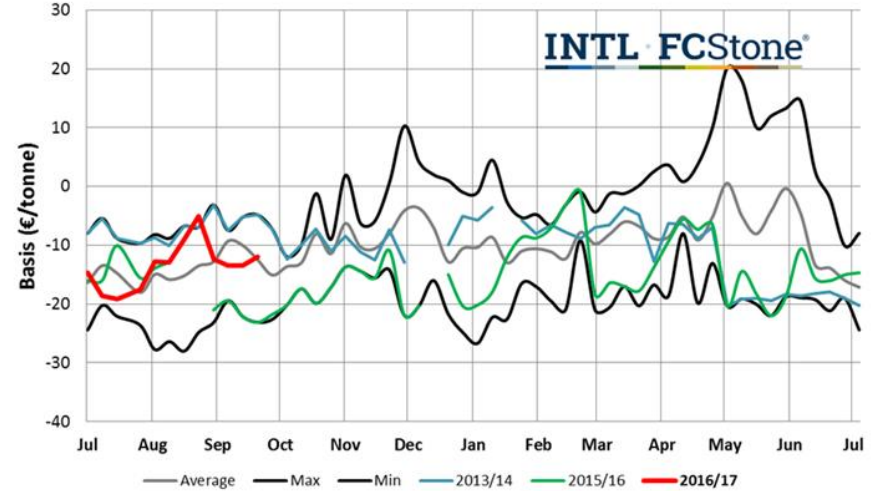


And finally France...

French 11% Pro Wheat basis Matif (f)



E. Coast UK Feed Wheat basis Matif



Wheat price comparison (€/tonne)



Wheat price comparison (€/tonne)



Conclusions

Thank you!