

Global Wheat Market Outlook

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2012 Global Droughts/Floods - Just A Starting Point!

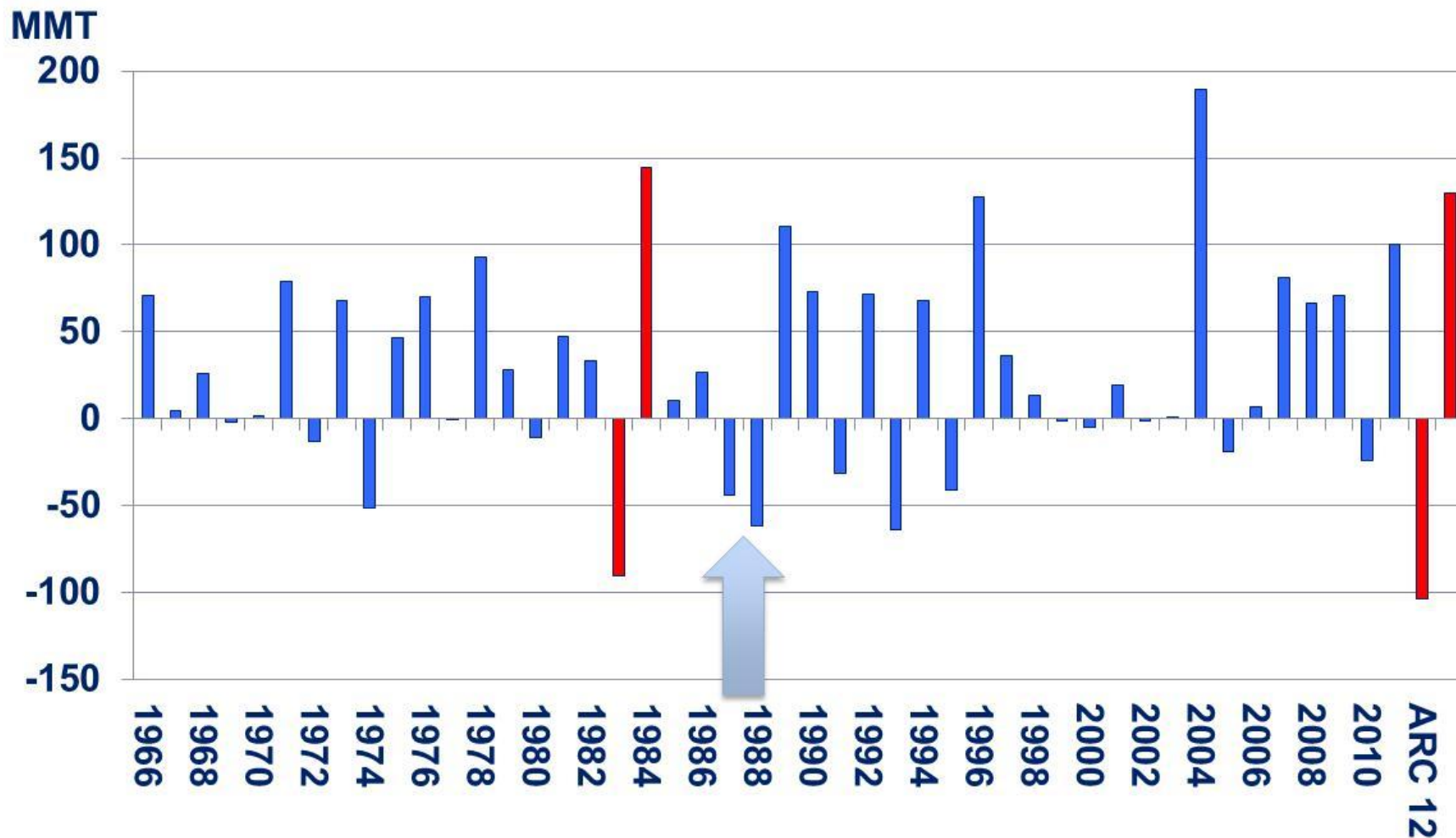


- **Central U.S. drought the worst since 1956 – over 50 years ago. Since May WASDE, some 100 MMTs of corn and 9 MMTs of soy has been lost.**
- **The loss of 32-34 MMTs of soy in 2 Hemisphere's (2012) set the stage for a dramatic demand rationing rally in world oilseed prices that peaked in September.**
- **Russian crop losses amount to 27-29 MMTs with wheat production to be below the 2010 export ban level at 38 MMTs.**
- **For corn and soybeans, this is a global supply bull market requiring demand rationing.**
- **The wheat market is in transition, with tight exporter stocks pushing prices higher.**
- **Our fear is that extreme world weather conditions will persist in '13!**

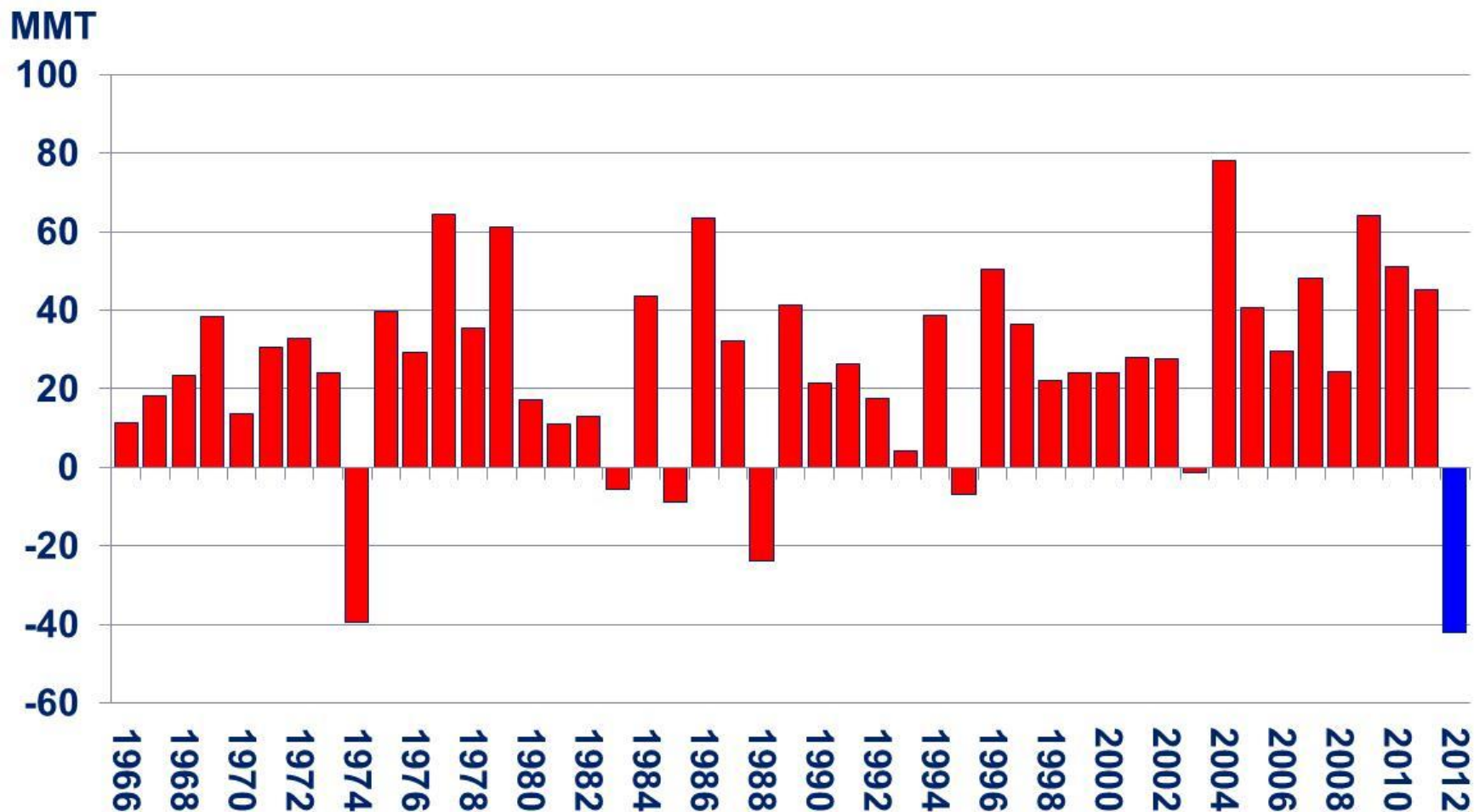
Change in Global Grain Crops

Record Decline from Prior Year!

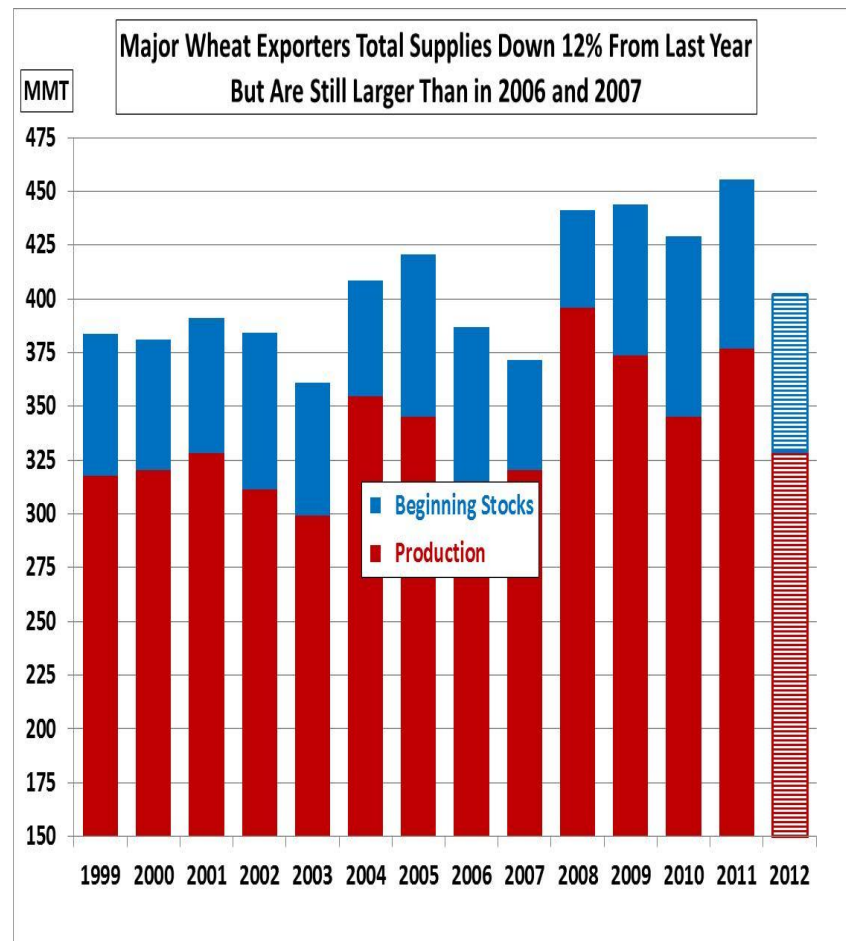
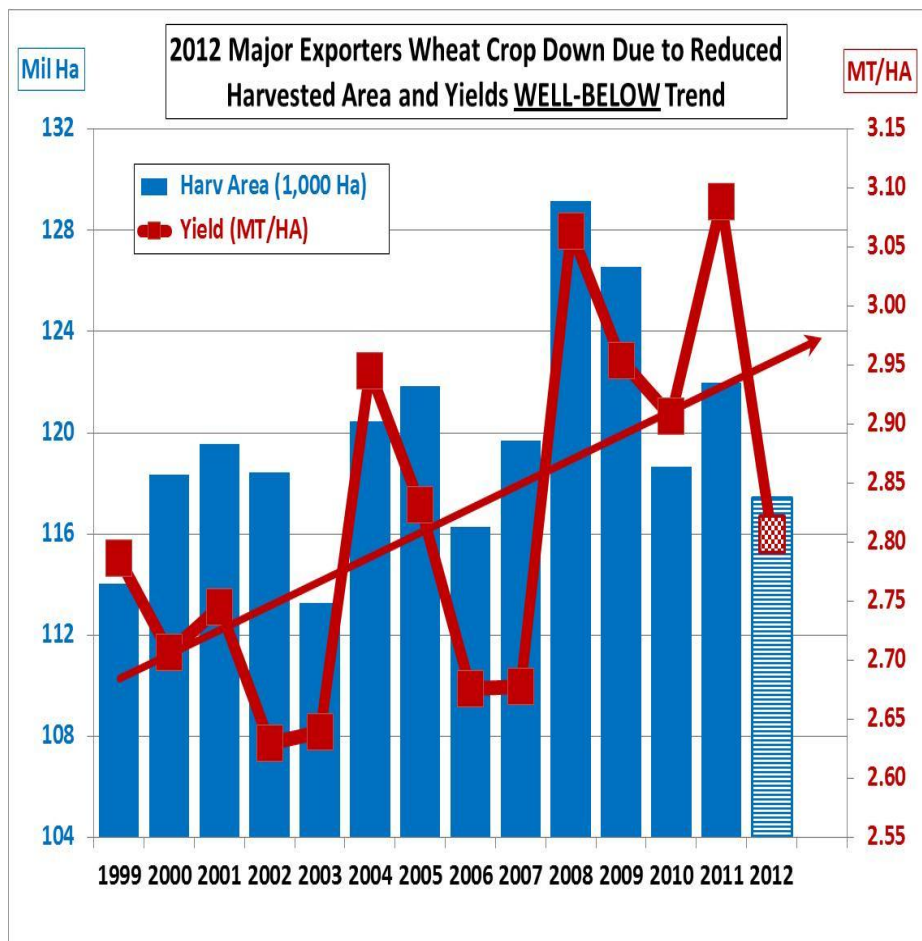
If There is “Normal” Global Weather, Big Recovery in 2013



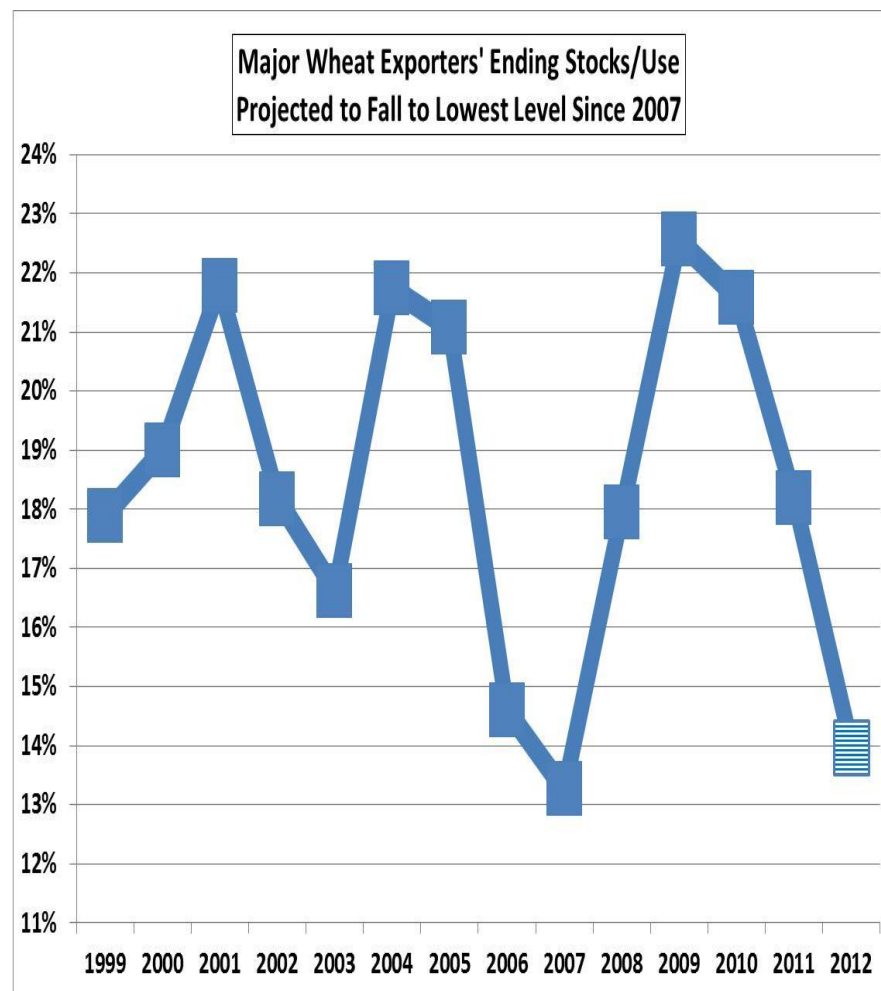
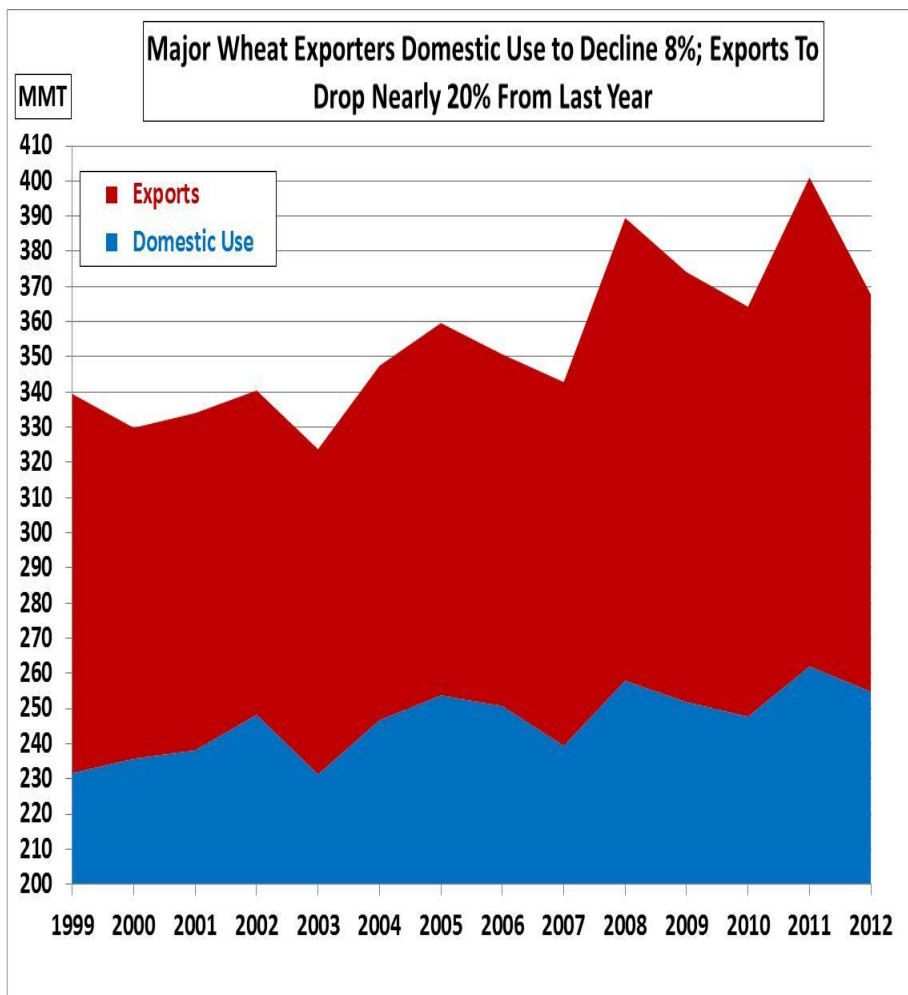
2012/13 World Grain Stocks Drop By a Record 41 MMTs!



Big Drop in Production For the World's Major Wheat Exporters

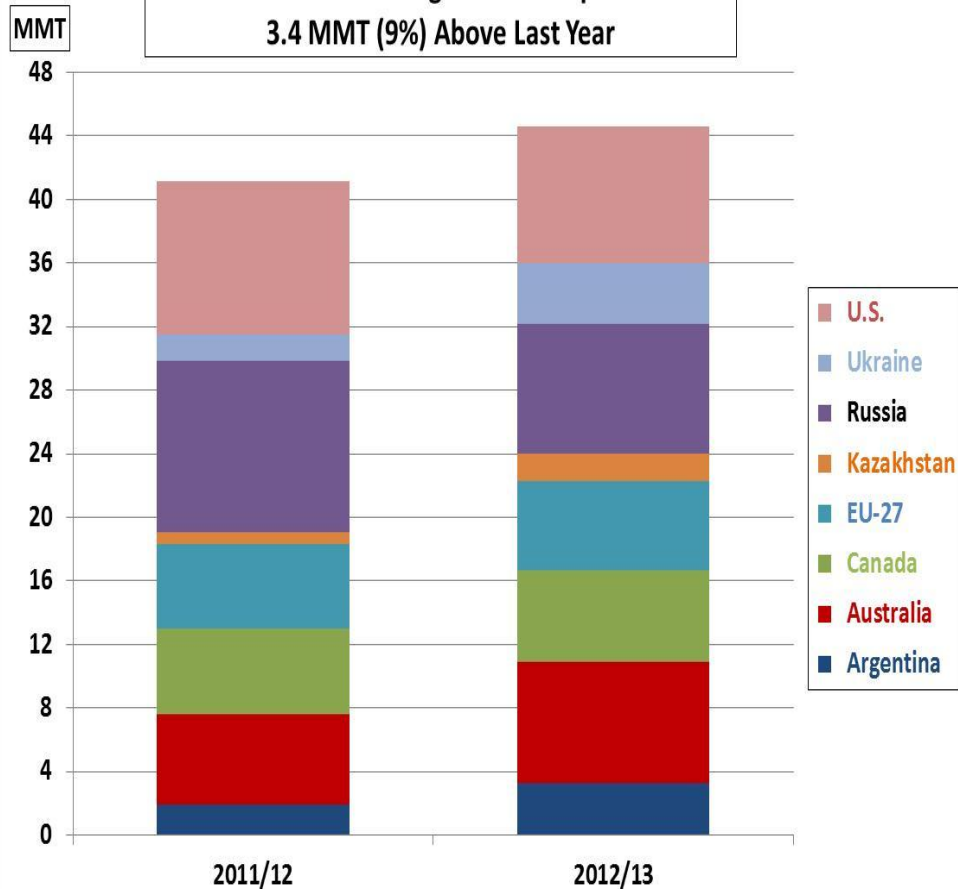


Even With Big Drop in Domestic Use and Exports, Major Wheat Exporters Stocks Fall Sharply

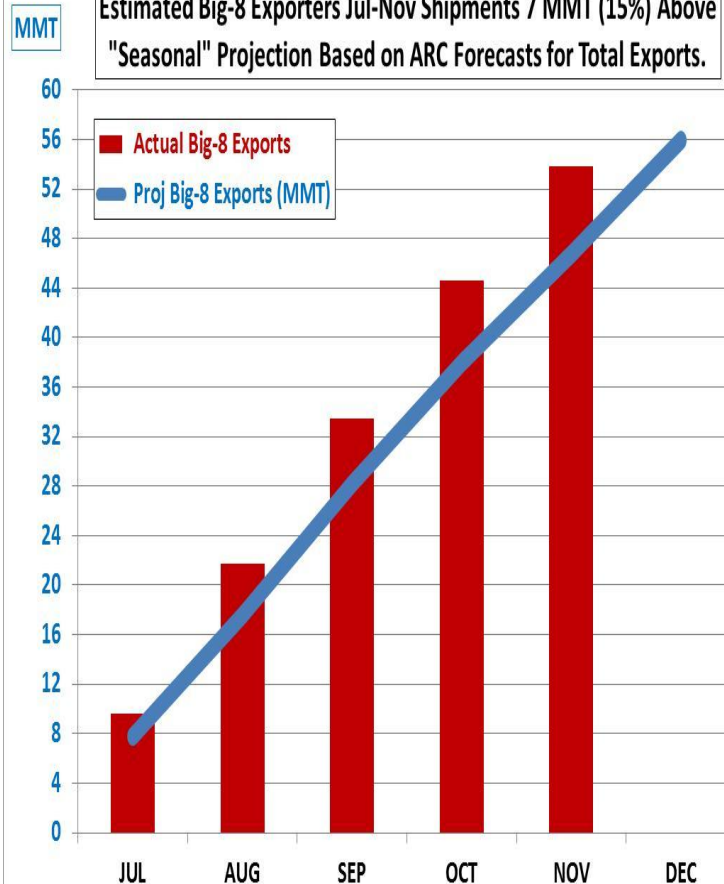


USDA Projects World Wheat Exports to FALL 14 MMT (9%) But Shipments From Major Exporters Are UP 3.4 MMT (9%) From Year Ago?

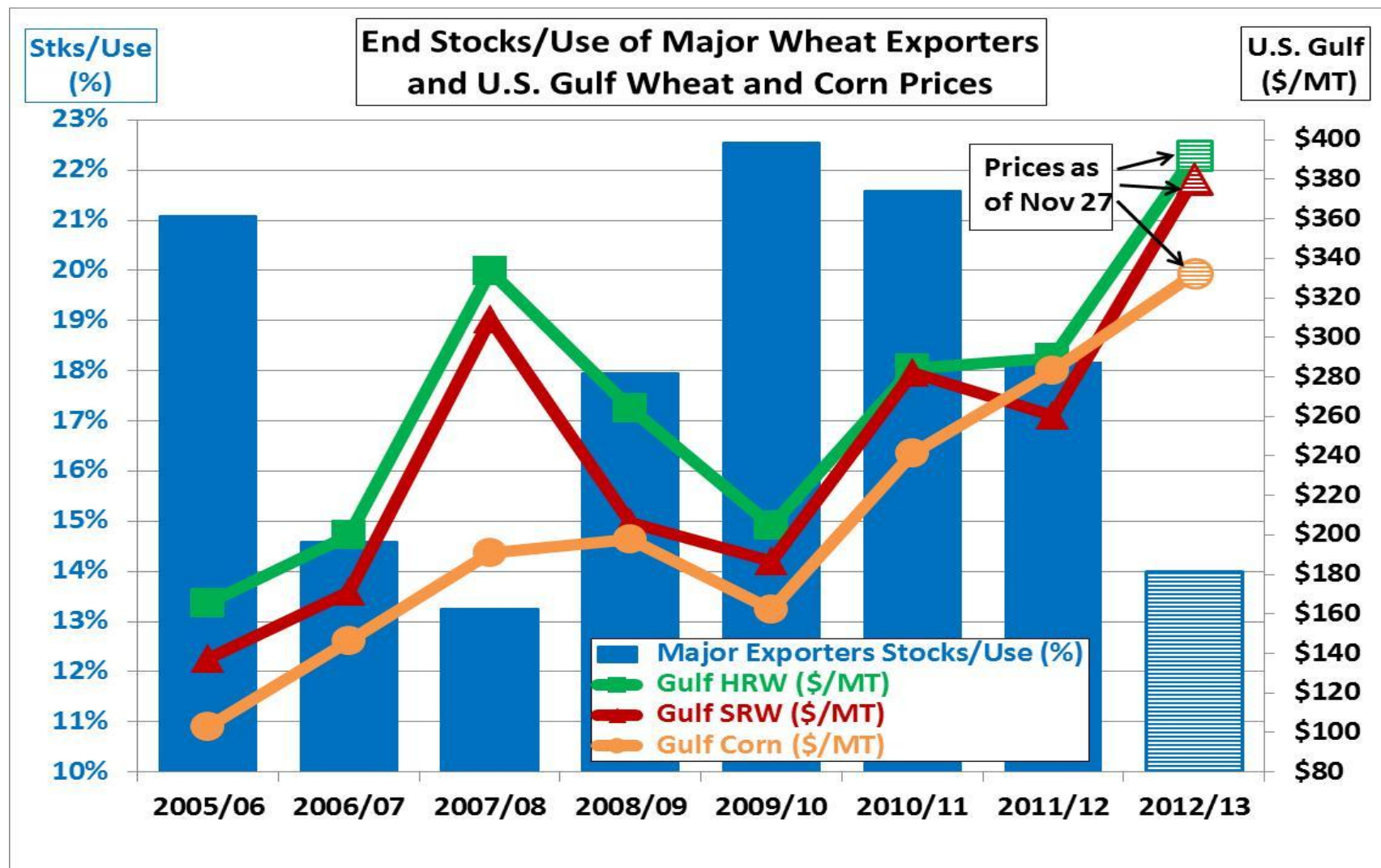
Estimated Cumulative Big-8 Wheat Exports Jul-Nov
3.4 MMT (9%) Above Last Year



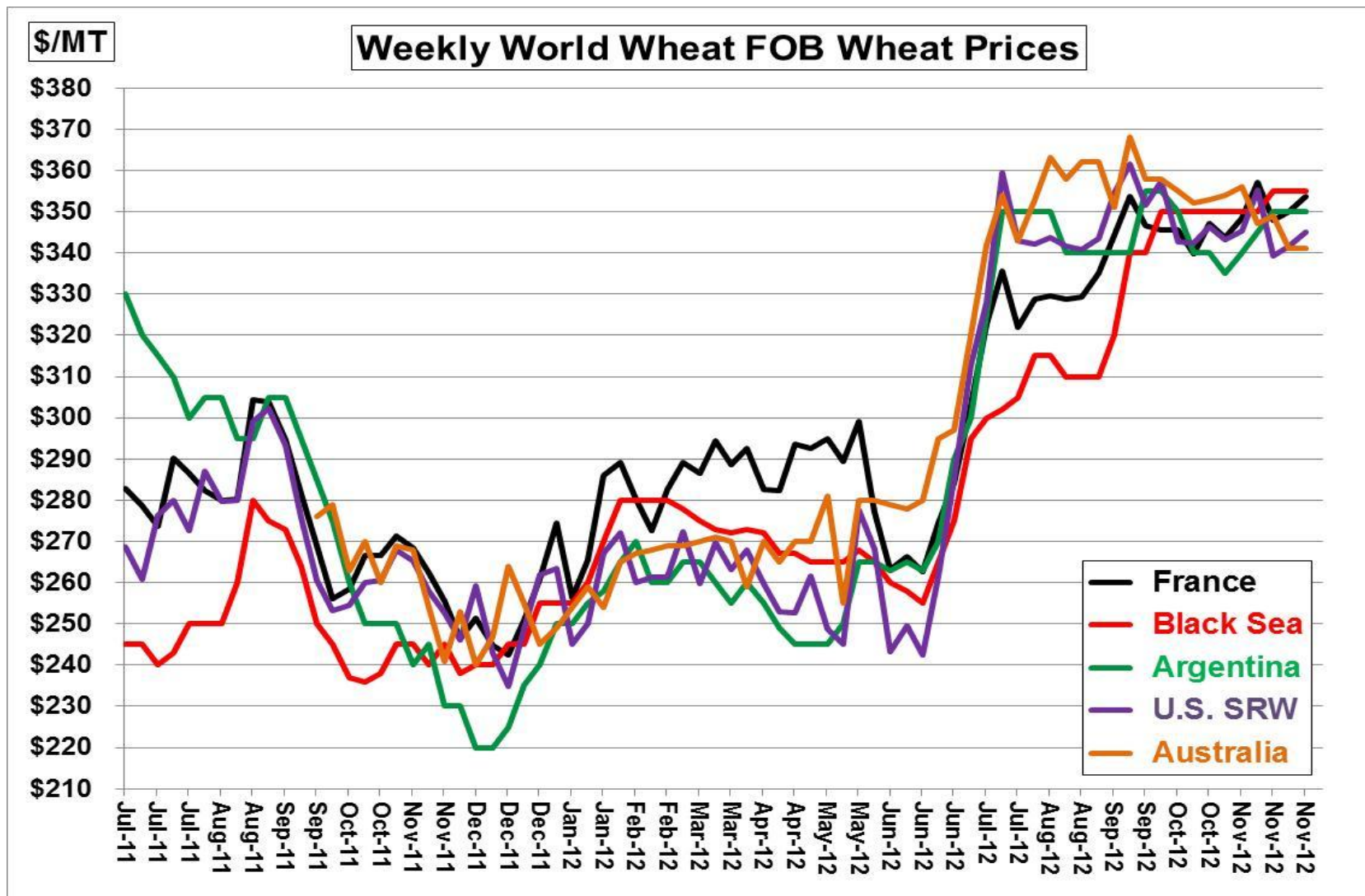
Estimated Big-8 Exporters Jul-Nov Shipments 7 MMT (15%) Above
"Seasonal" Projection Based on ARC Forecasts for Total Exports.



U.S. FOB Wheat Prices Correlated With Ratio of Major Exporters' Stocks/Use

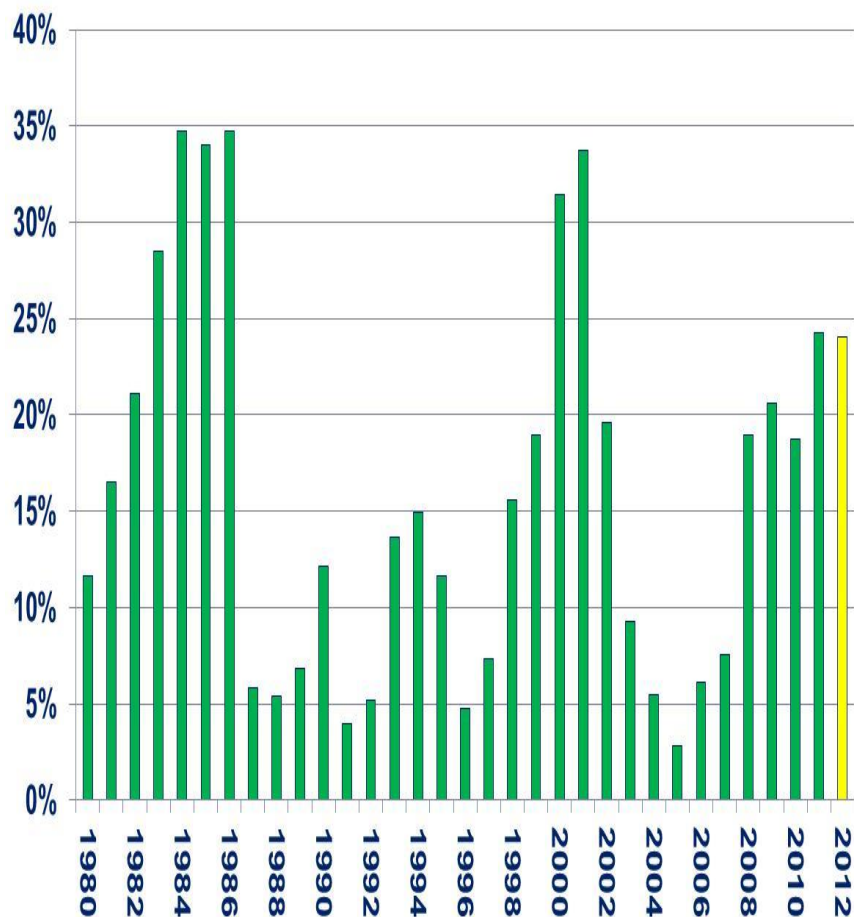


Global Wheat FOB Prices Have Converged

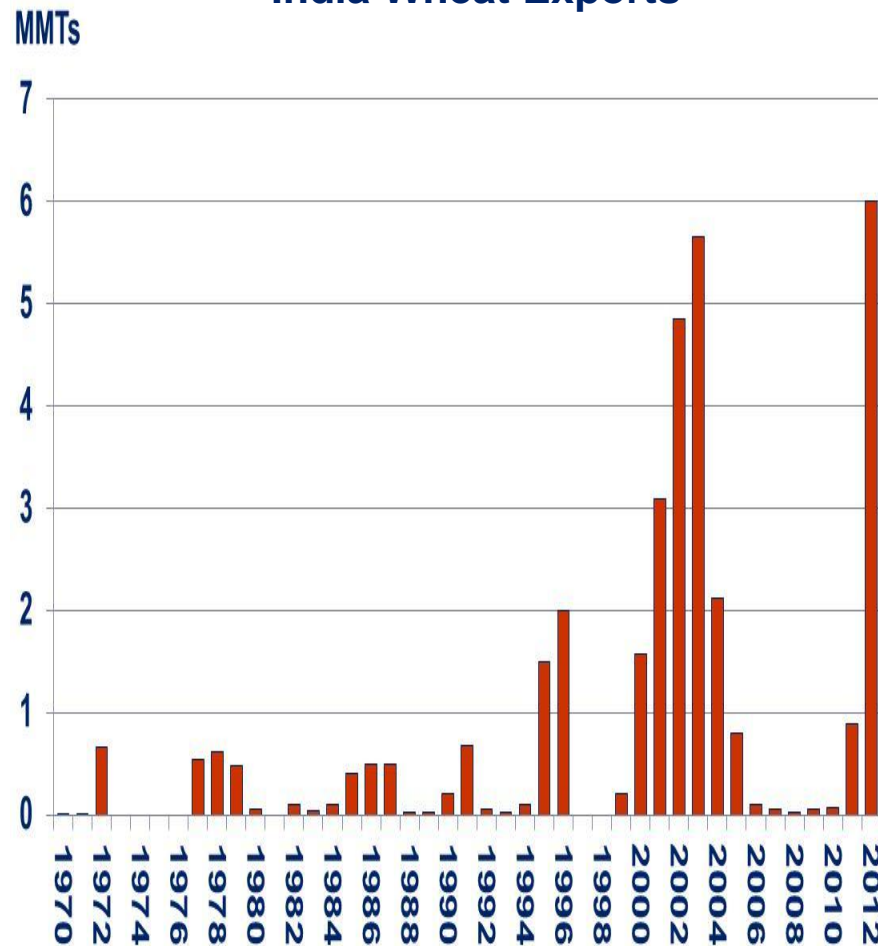


India: Record Crops = Record Govt Stocks = Record Exports? Logistics & Quality Concerns Hinder Export Capacity

India Wheat Stock/Use Ratio



India Wheat Exports

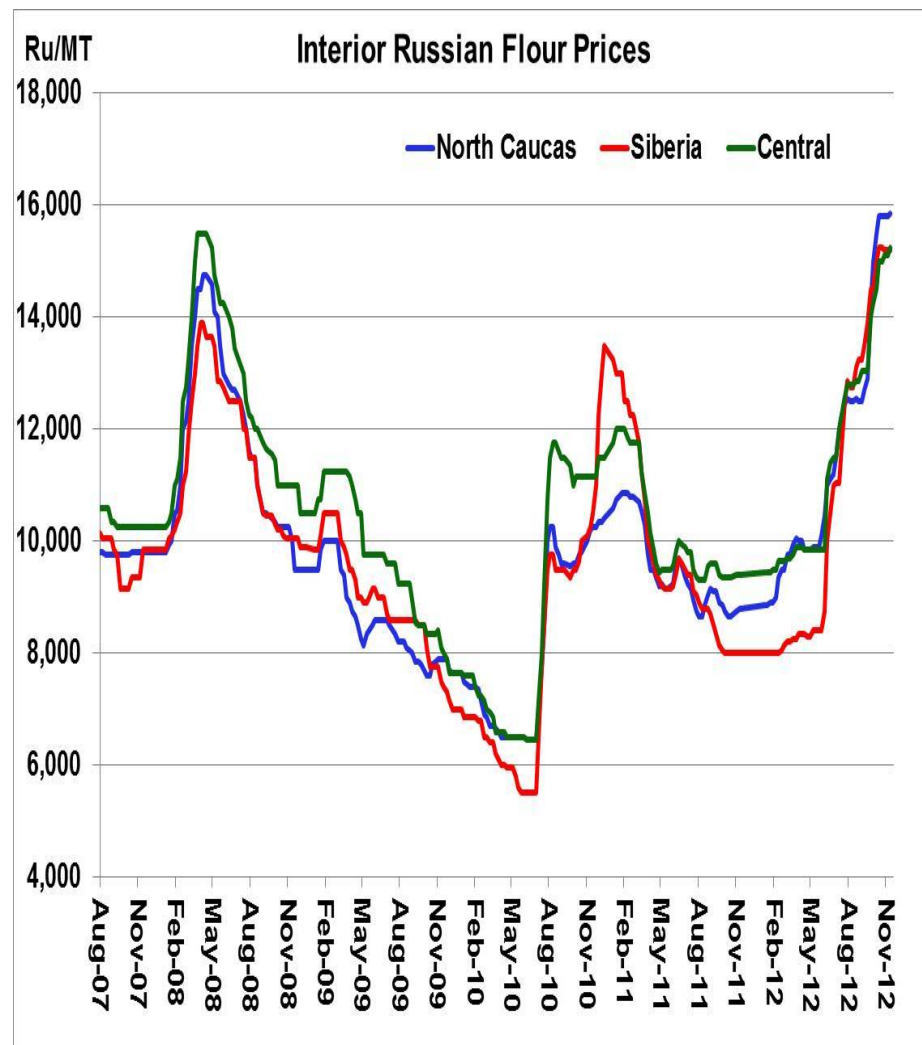
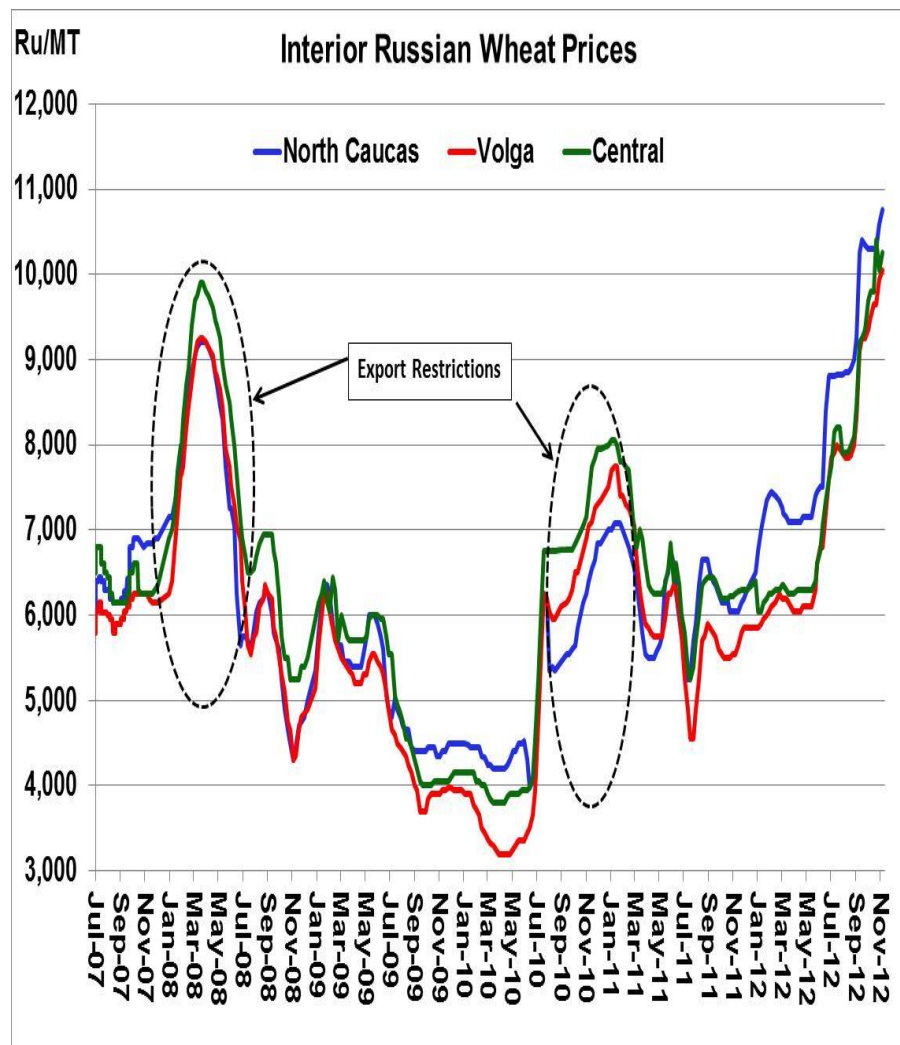


FSU-12 Drought Pushes Russian Domestic Wheat Prices To Record



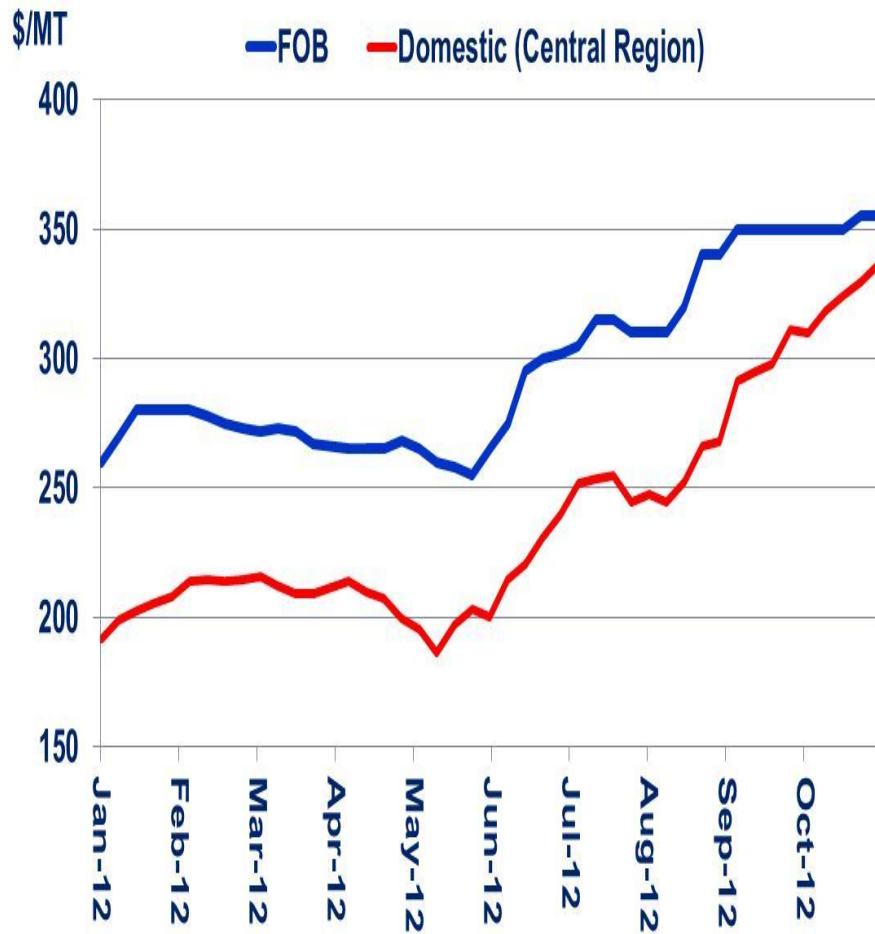
What Will Russia Do Now?

Domestic Prices at Record Levels

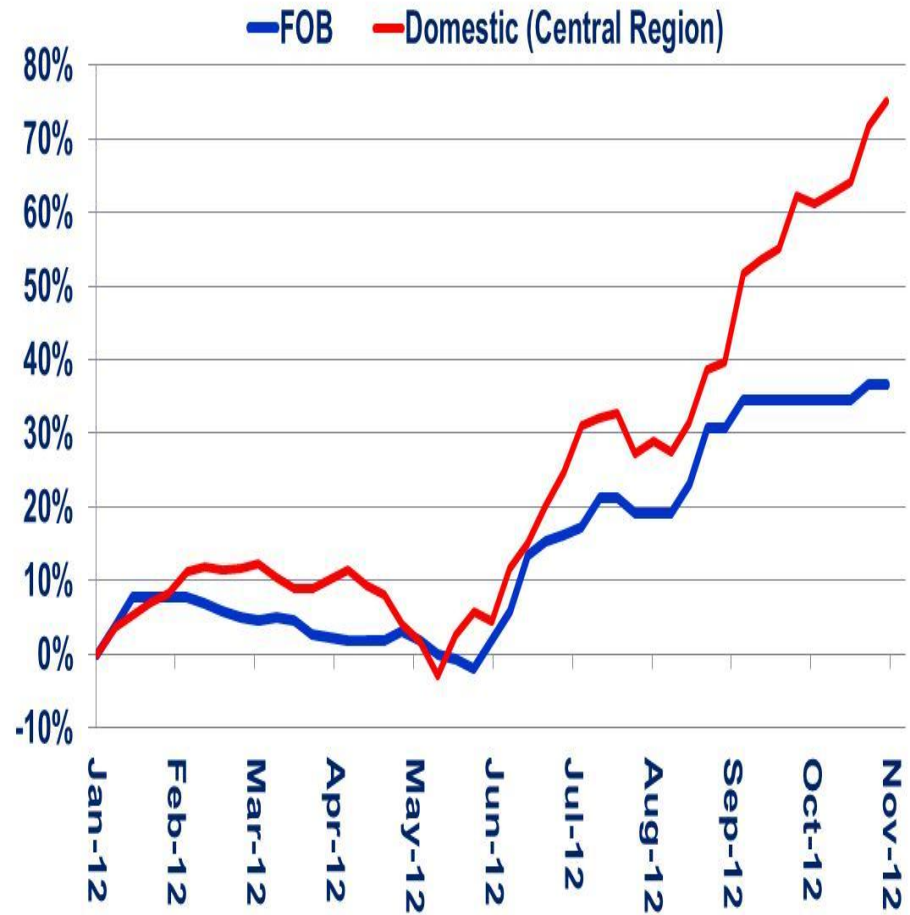


Russian Domestic Wheat Price Fast Approaching FOB Price

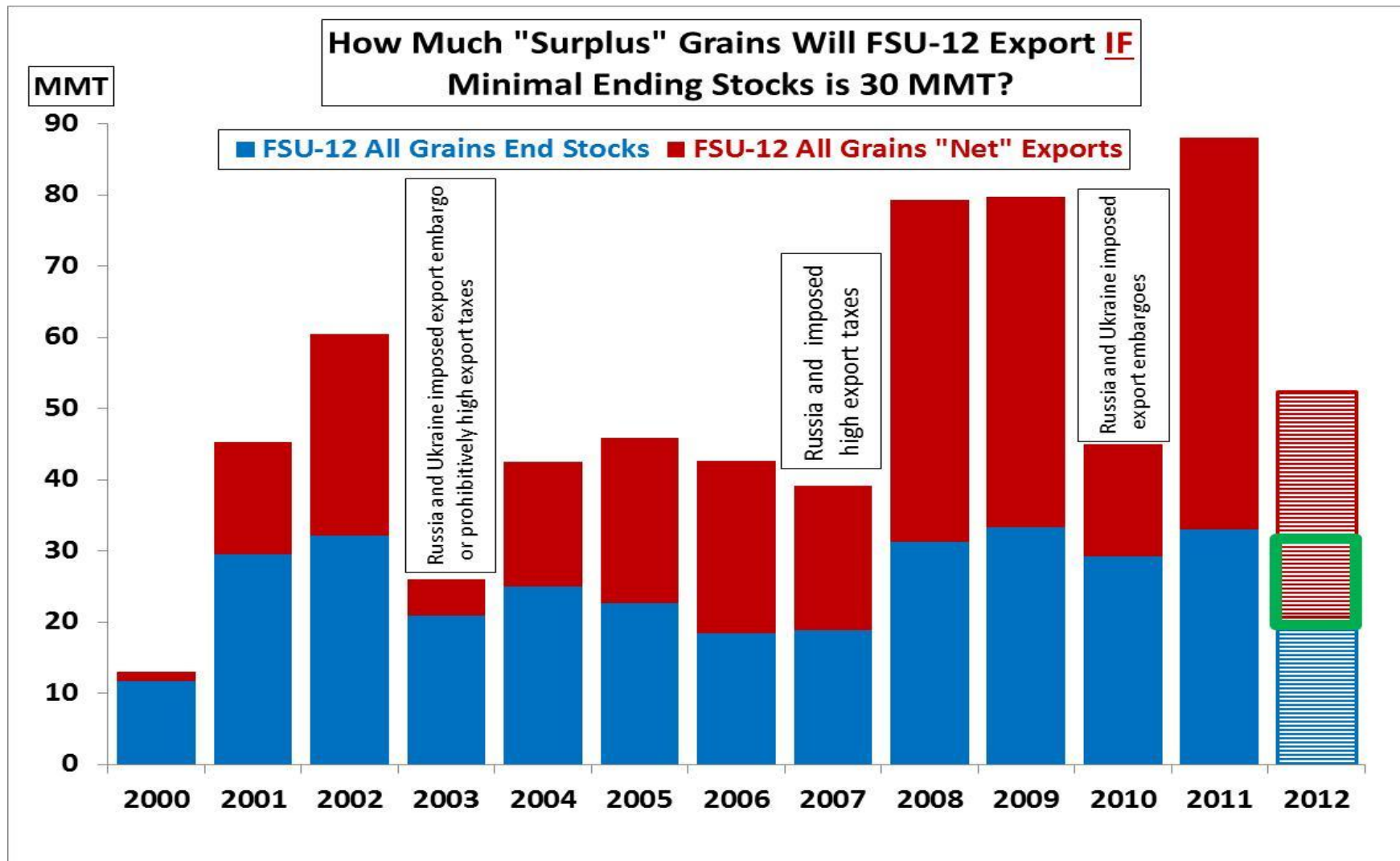
Russian Domestic & FOB Wheat Prices



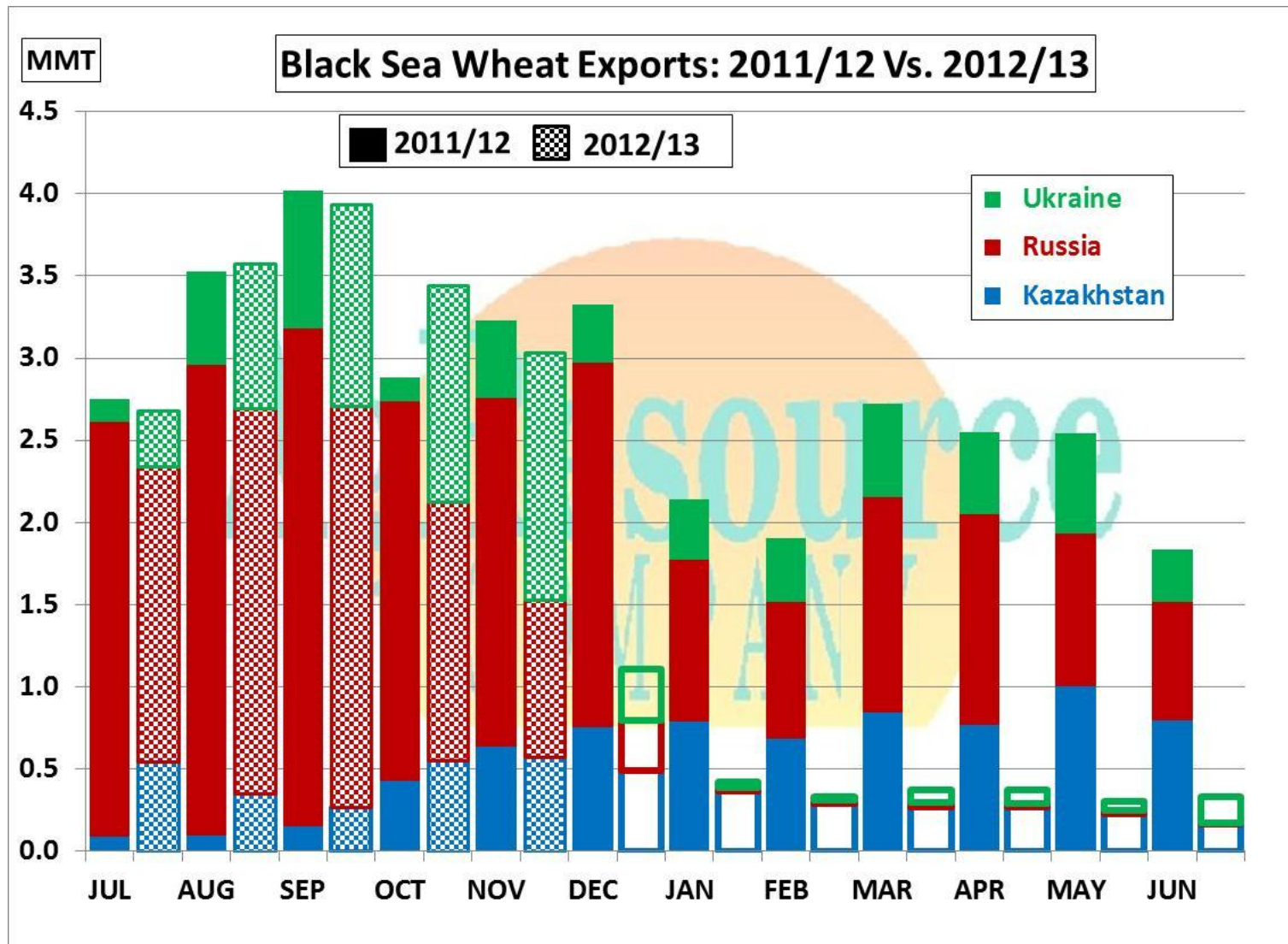
Change in Russian Prices Since Jan 1



Importers Still Unsure If/When FSU-12 Wheat Exports Will be Restricted



Even Without Restrictions, FSU-12 Has Little Wheat Left to Export



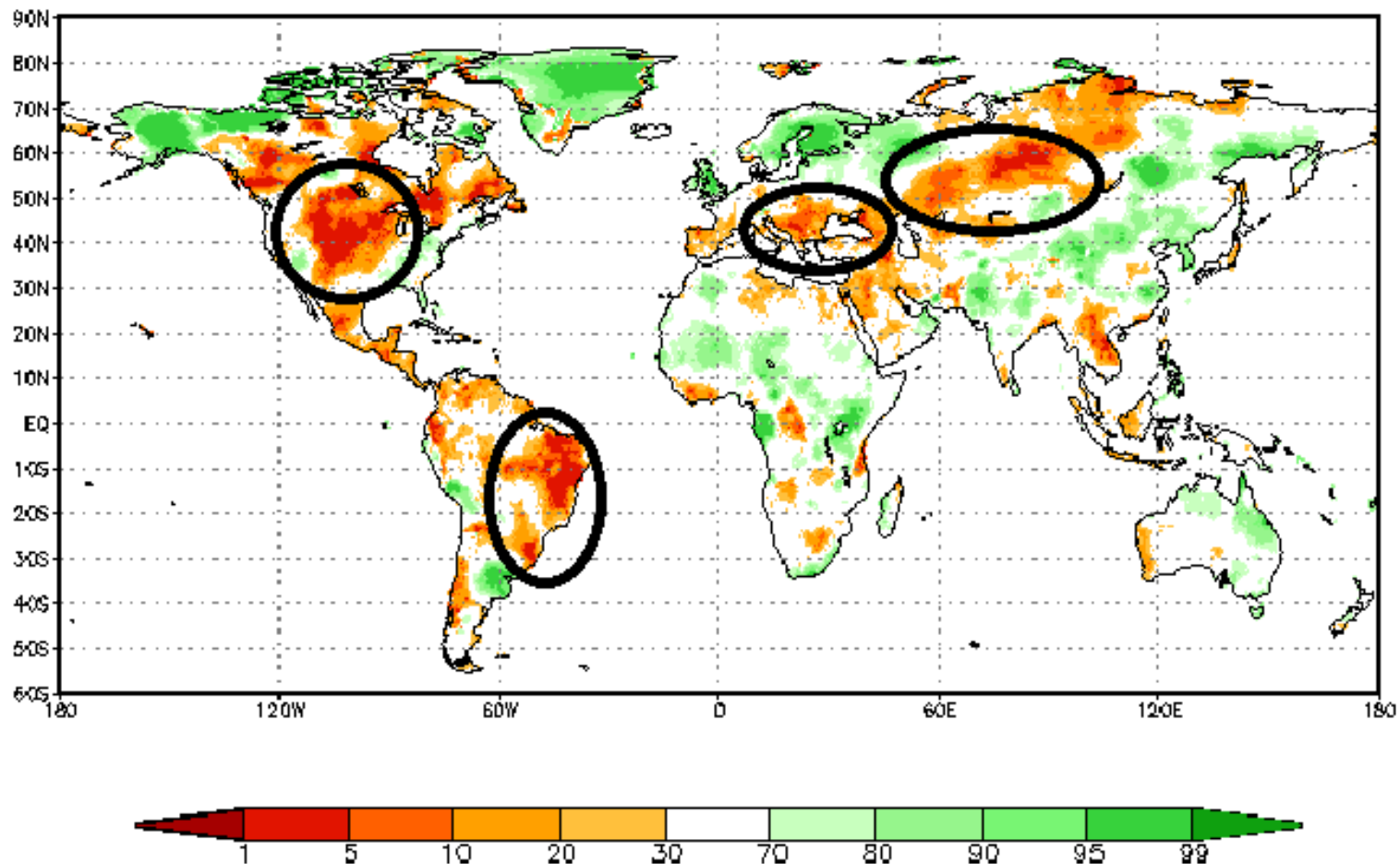


As Usual, Global Weather Is the Key To Wheat Price Outlook



There Are Several “Hot Spots” Besides The U.S. in 2013 Global Wheat Outlook

Calculated Soil Moisture Ranking Percentile
OCT 2012



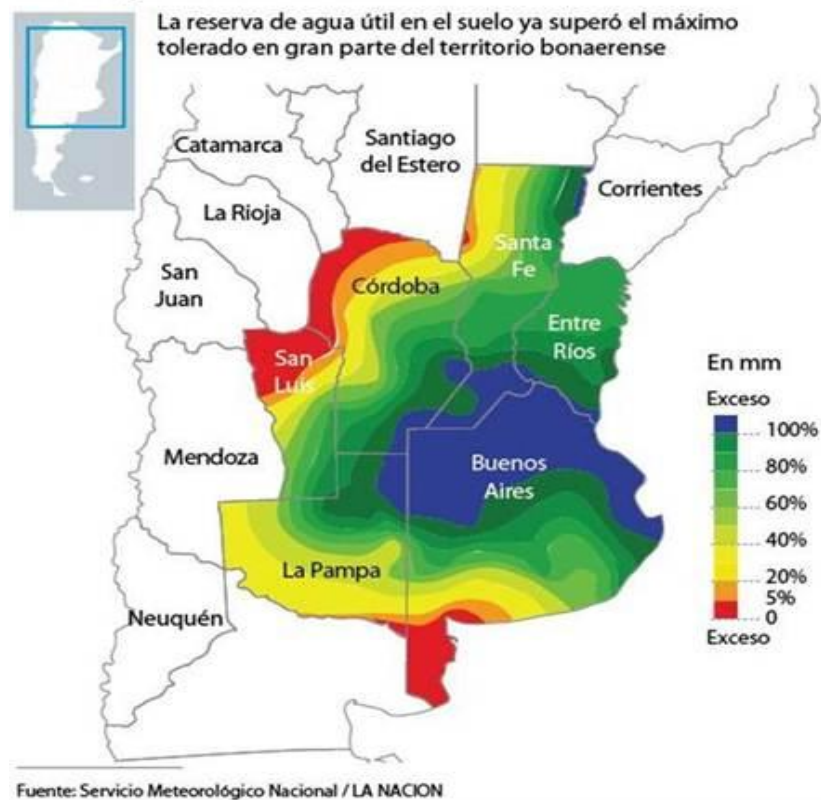
Global Wheat's Weather Problems Also Include Too Much Rain

“The Summer That Never Was in UK” Will Boost UK’s Imports. Continued Rains Will Reduce 2013 Area Seeded by 12-15%.

14 Mln Ha Affected by Flooding in Arg’s Buenos Aires and Santa Cruz. How Much Damage Did Wheat Crop Suffer?

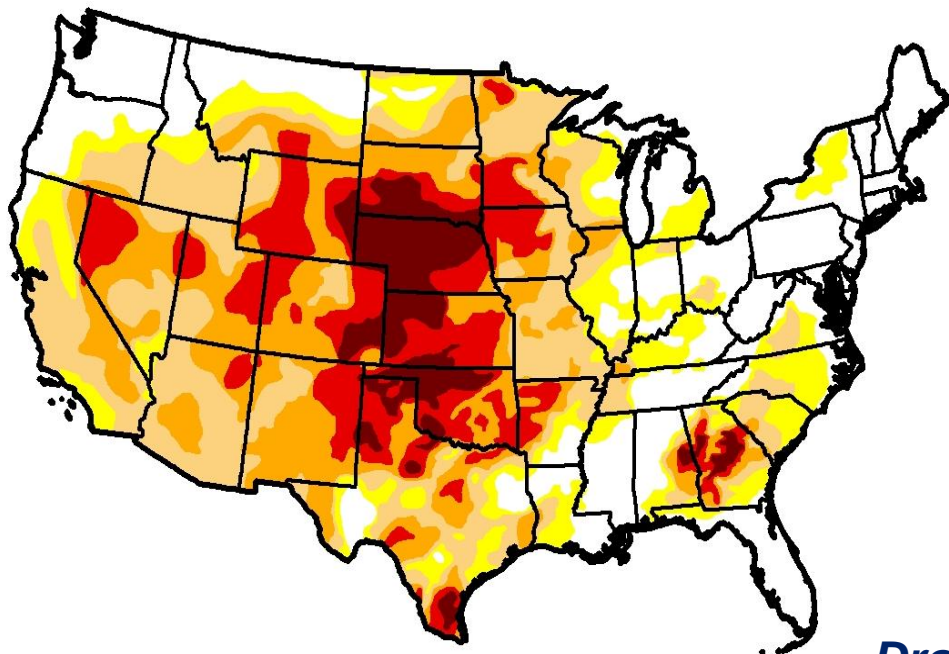


El castigo de la inundación

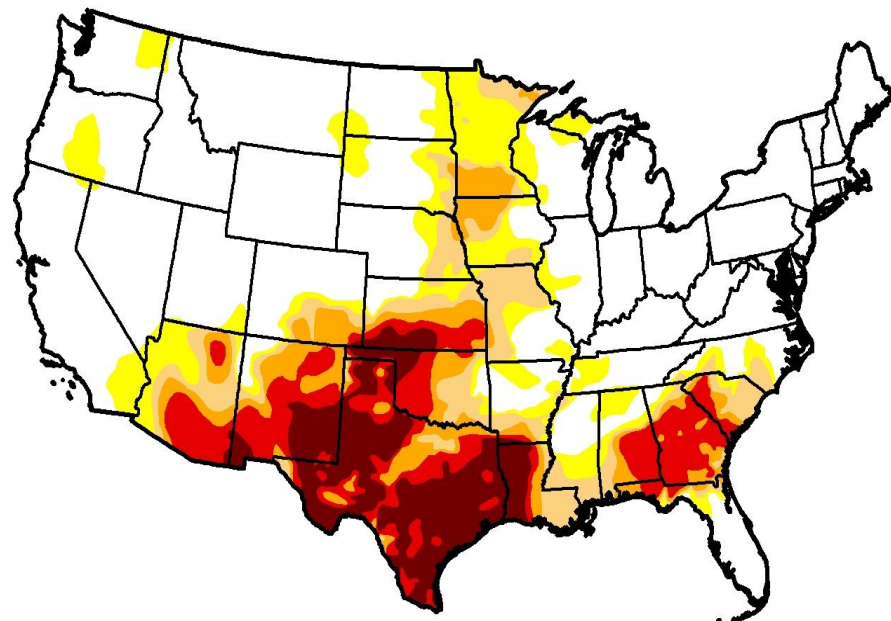


US Drought Monitor – 2012 vs 2011






November 20, 2012



November 22, 2011

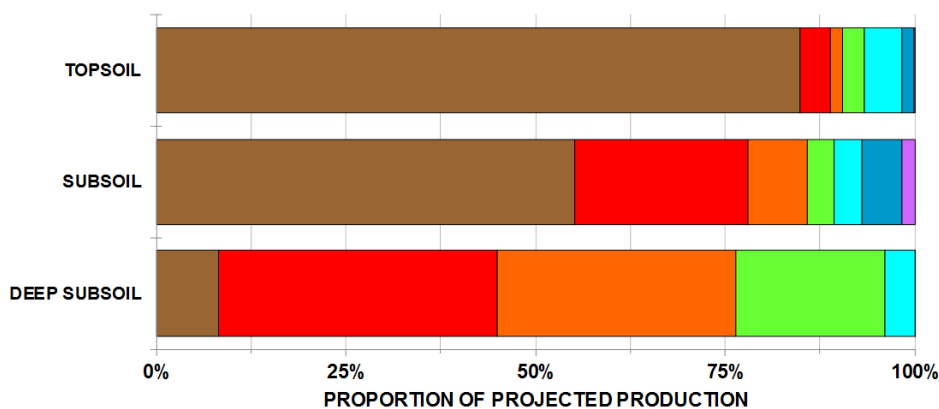


Drought Severity

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

Heart of U.S. HRW Belt is Driest on Record

Soil Moisture (Relative To U.S. HRW Wheat Production)
Based on Precipitation (Ending Yesterday at 6 AM Central Time (1200 UTC))

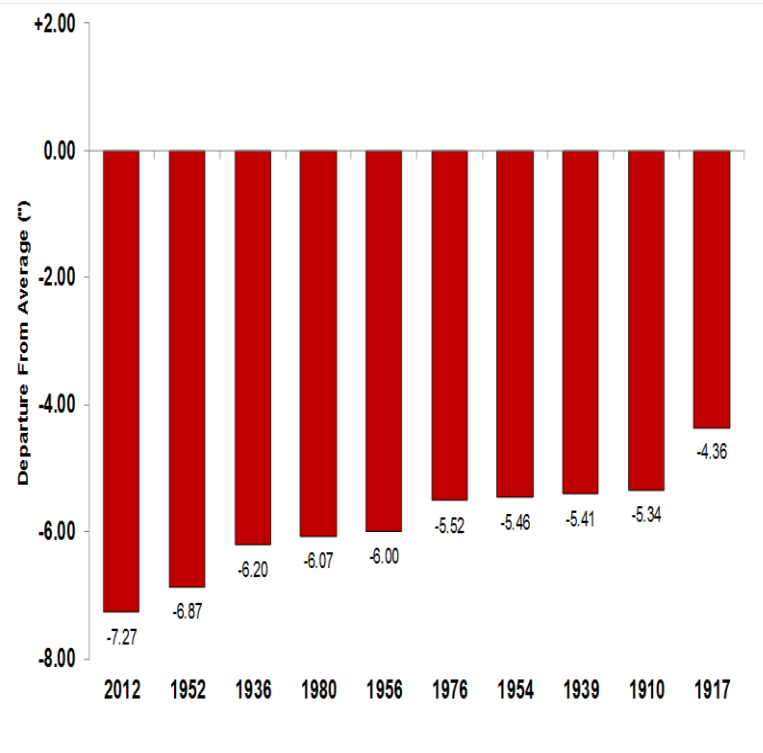


Soil Moisture:	Intensely Dry	Very Dry	Slightly Dry	Normal	Slightly Wet	Very Wet	Intensely Wet
Precipitation (Percent of Average):	(0% - 25%)	(25% - 50%)	(50% - 75%)	(75% - 125%)	(125% - 200%)	(200% - 300%)	(300% +)
TOPSOIL	85%	4%	2%	3%	5%	2%	0%
SUBSOIL	55%	23%	8%	3%	4%	5%	2%
DEEP SUBSOIL	8%	37%	31%	20%	4%	0%	0%



Topsoil, subsoil, and deep subsoil moisture are calculated through a proprietary geographic information system analysis of precipitation at the subcounty level over the last 14, 30, and 90 days, respectively. Precipitation is weighted by average U.S. crop production over the last five years. As provided by the USDA, corn and soybeans include all corn and soybeans grown in the U.S.; HRW wheat is defined as winter wheat in the Plains; SRW wheat is defined as winter wheat in the Corn Belt and Delta; spring wheat is "other spring wheat". Dry, normal, and wet soil moisture are defined as crops that receive less than 75%, 75% - 125%, and more than 125% of its average precipitation, respectively.

10 Driest June-November Periods* in Kansas-Nebraska-Oklahoma
1895 - 2012 (Last 118 Years)



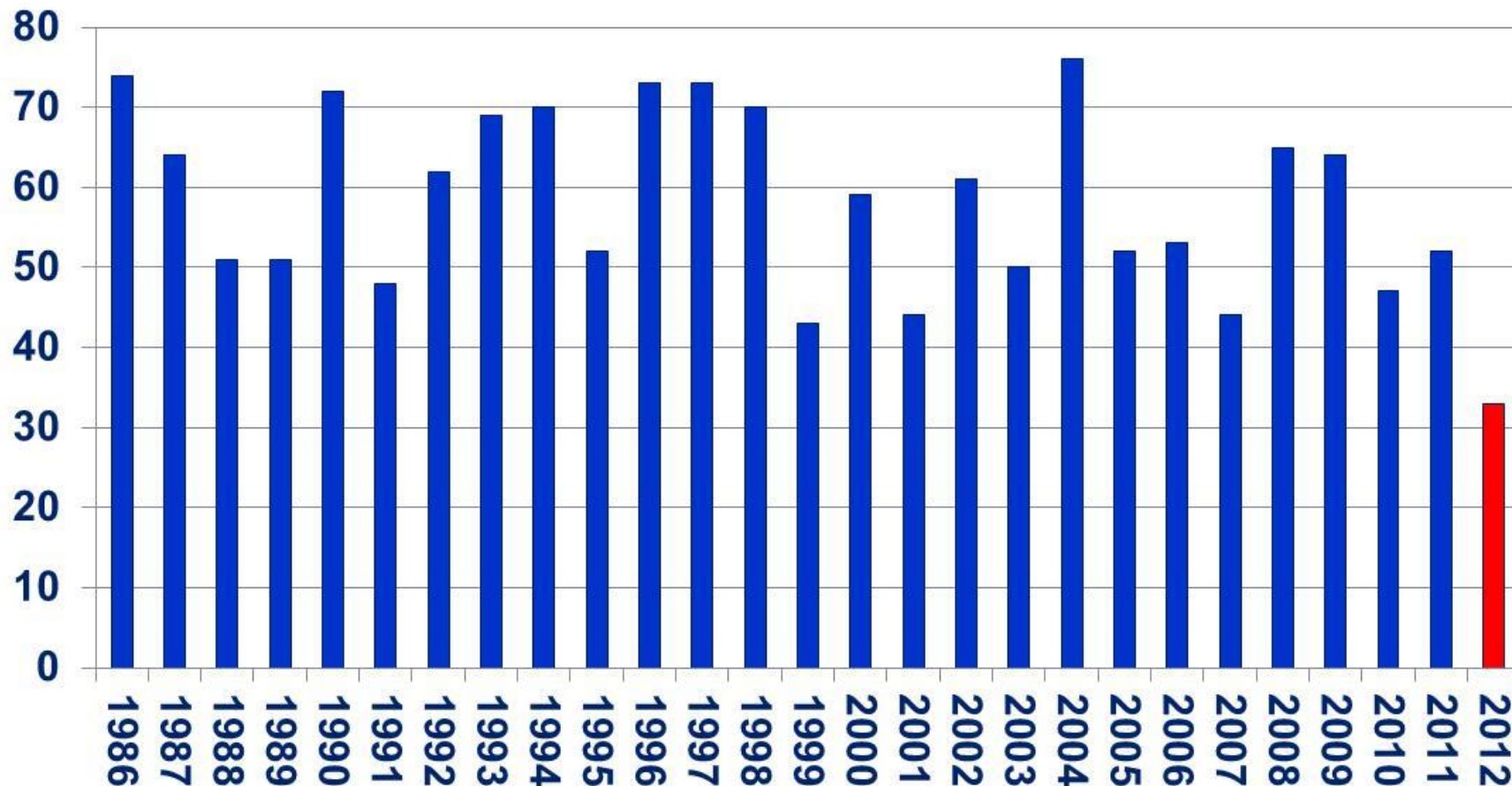
Data source: National Climatic Data Center

* November 2012 precipitation is preliminary



U.S. Winter Wheat Crop Conditions as of Late-November

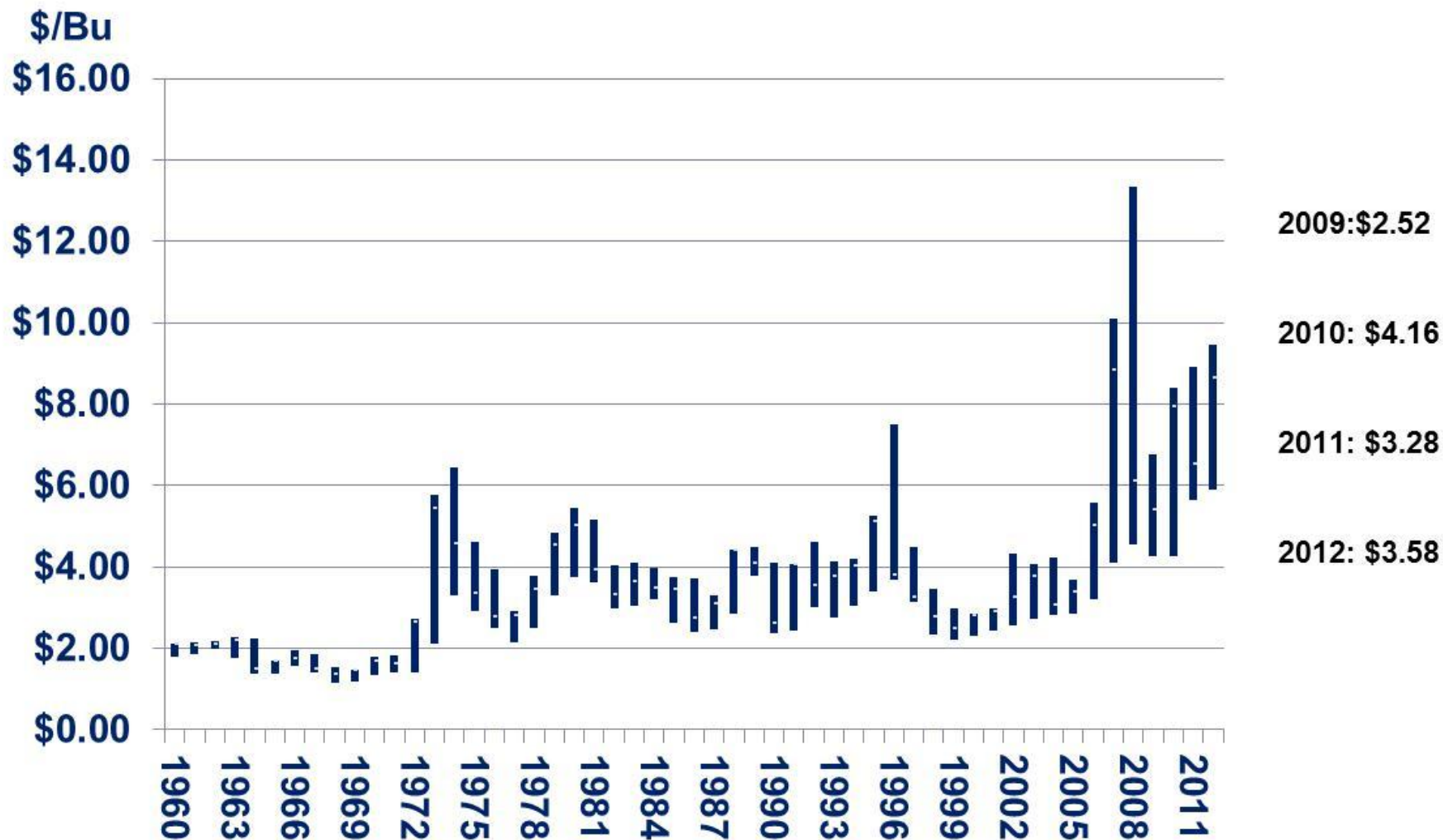
% GD/EX



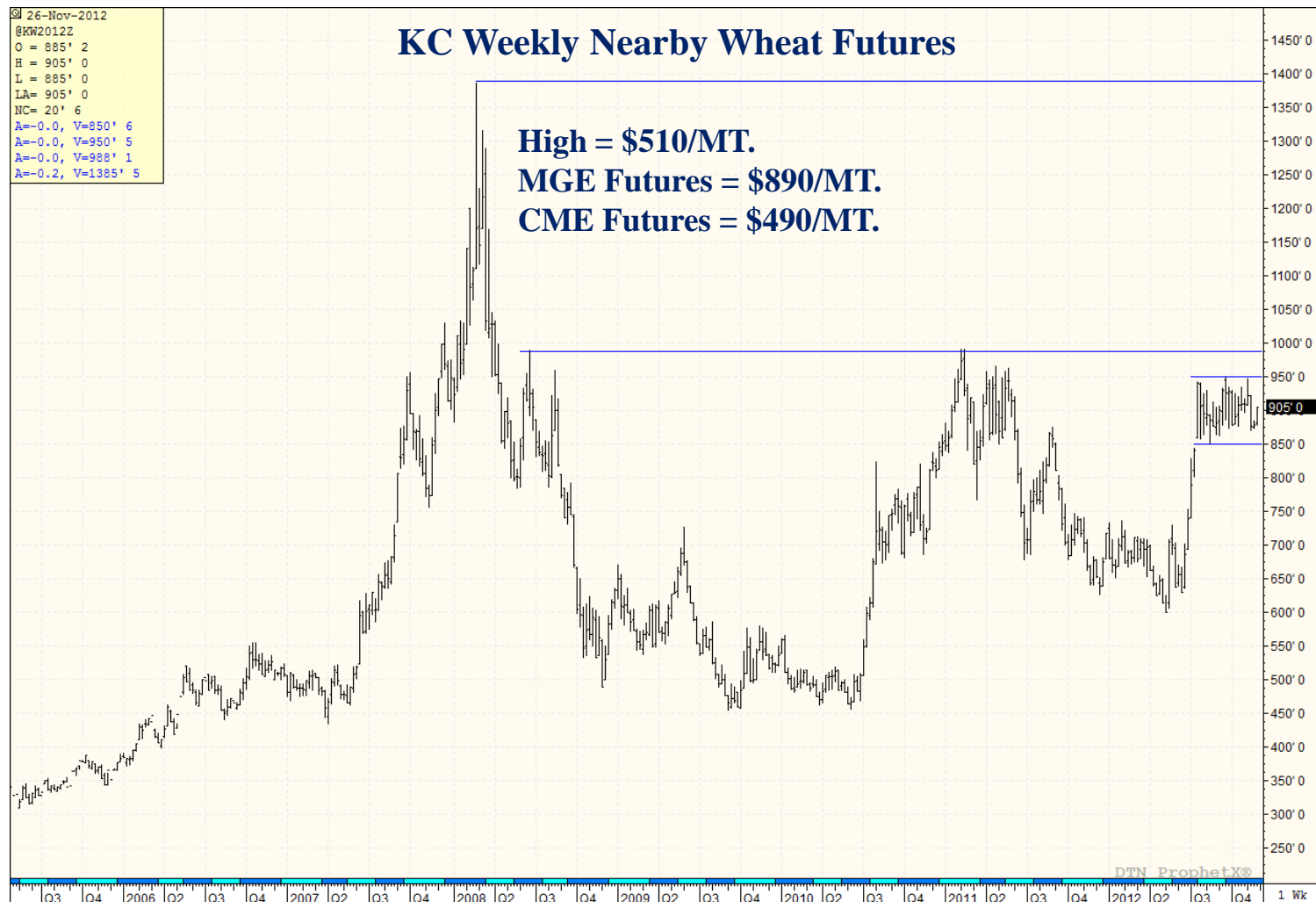
Why Are End Users (and Traders) So Calm? And/or Short Bought?



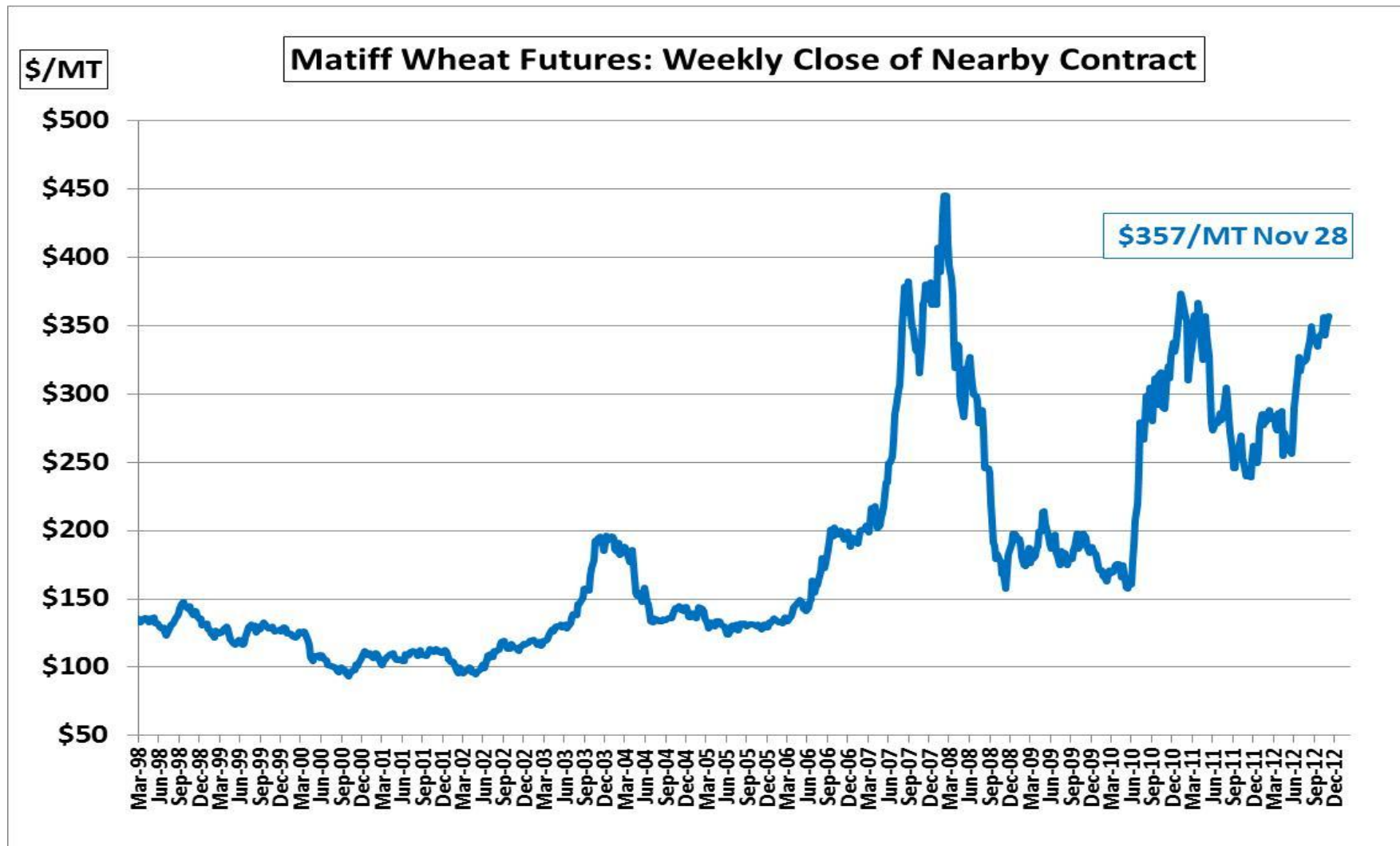
Chicago Wheat Market – Annual Price Ranges 1960-2012



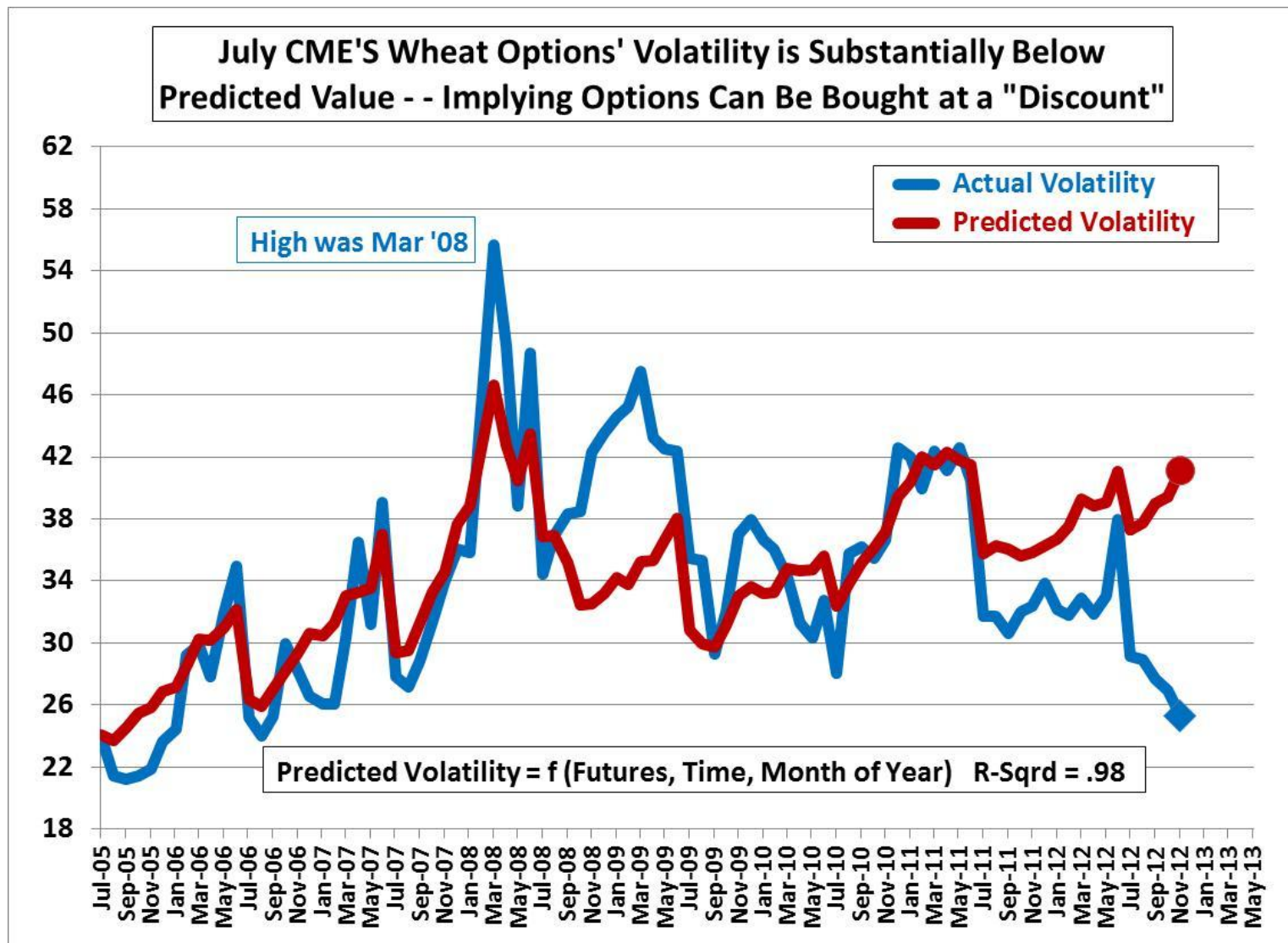
World Wheat Prices Could Return to Historic Highs if One or Two Exporters Have Crop Problems in 2013



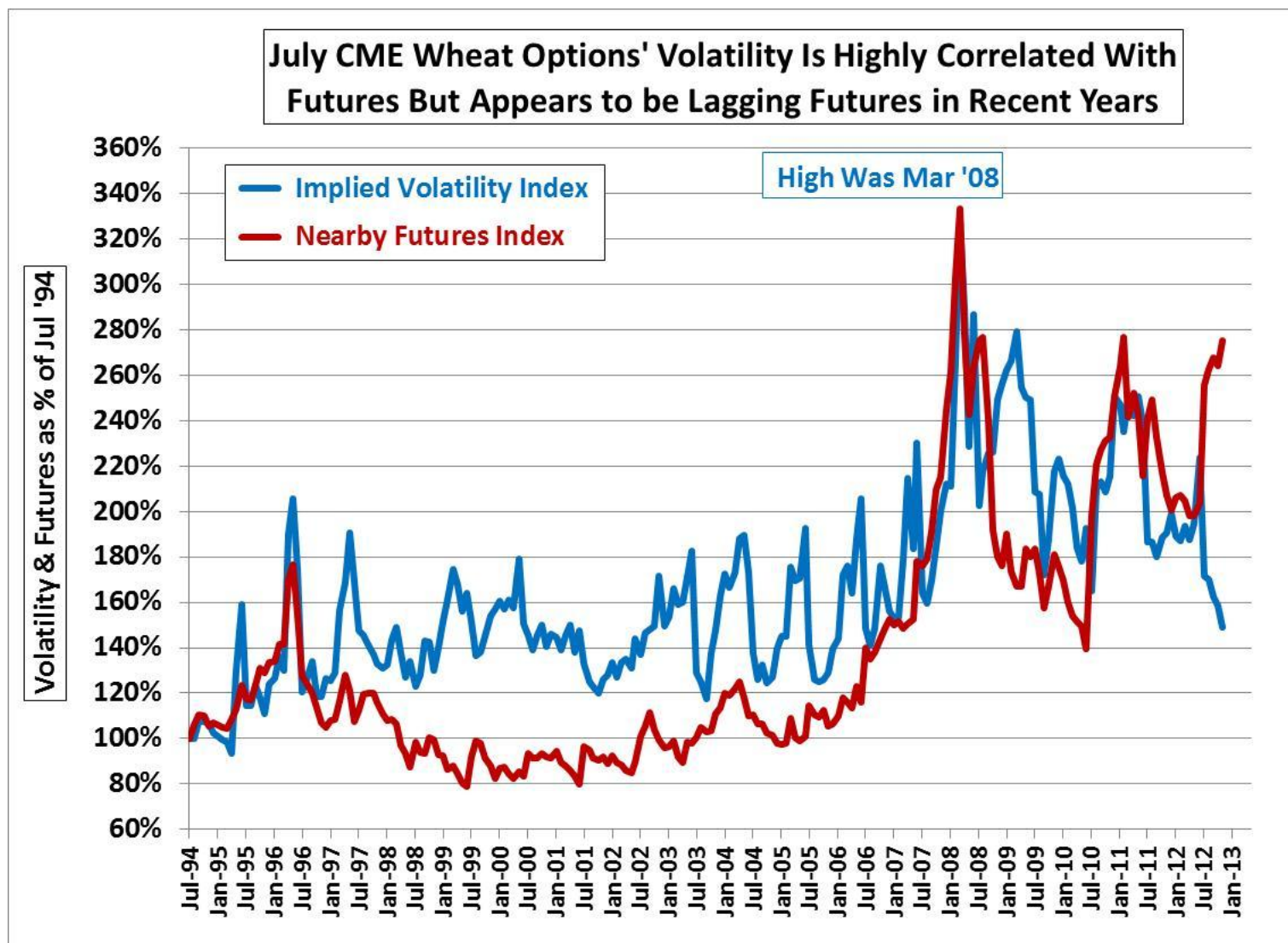
Matiff Wheat Expected To Rise Faster Than CME Because EU Stocks Falling to Lower Levels Than U.S. Stocks



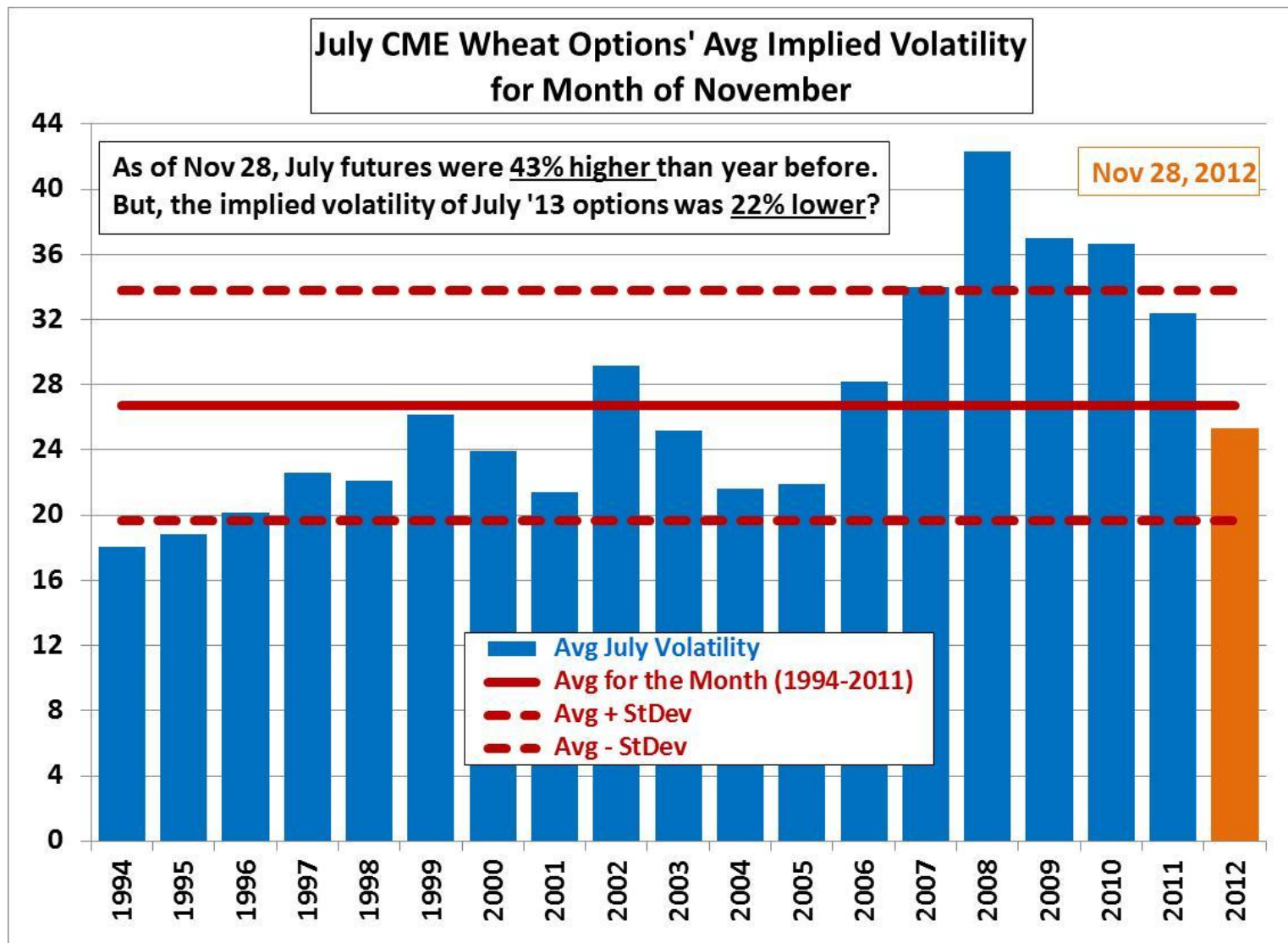
CME Wheat Options Argues That Few Are Worried About Rising Prices



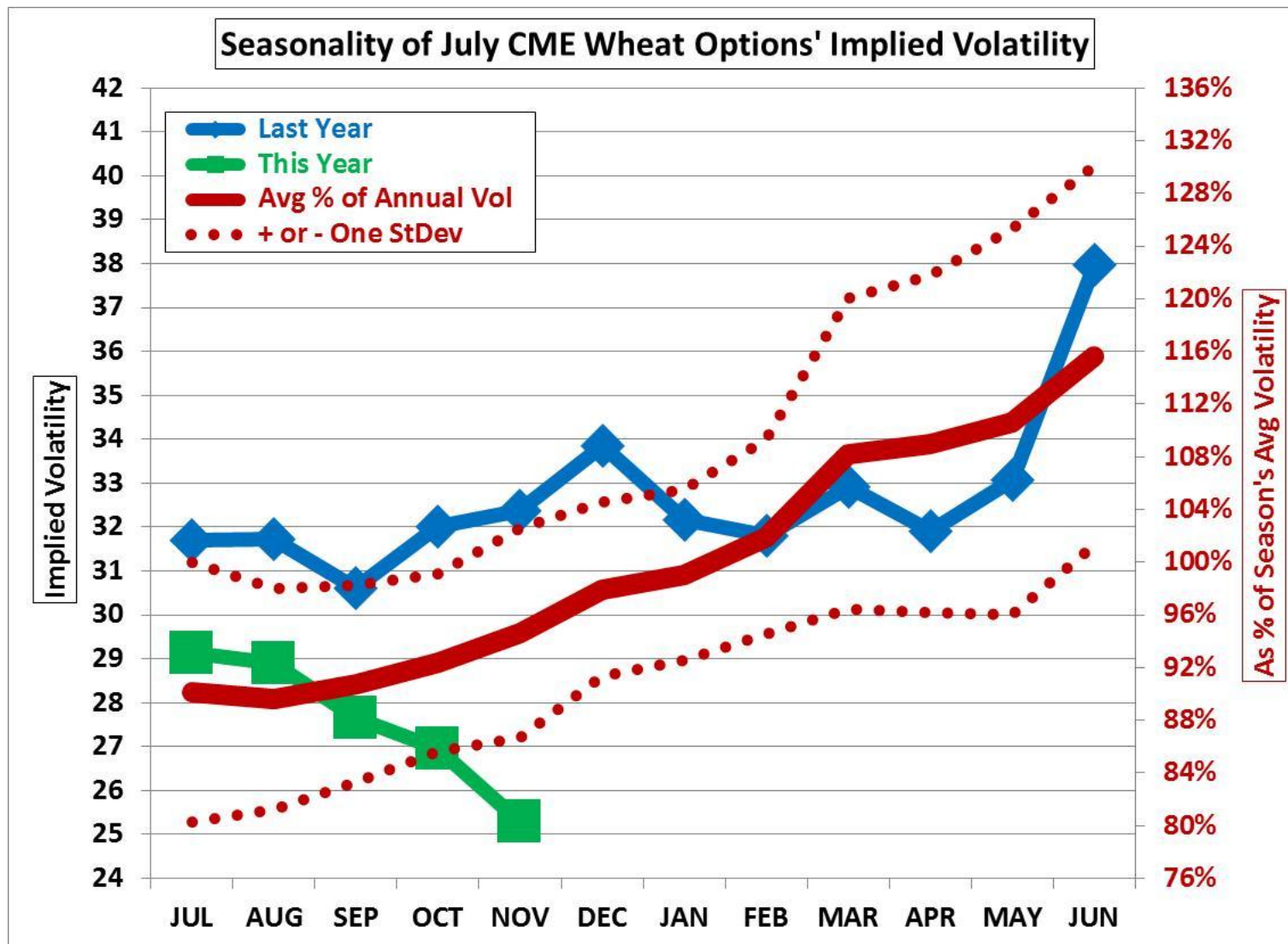
And There is a “Disconnect” Between Futures Prices and Options’ Volatility



Given Exporters' Tight Stocks & Potential Weather Problems, Options Are Cheap



Seasonal Option Trends Point To Higher Volatility As Season Advances



2012/13 Wheat Summary

- Black Sea exports exhausted based on diminished crop yield (drought). EU wheat export sales are rising fast and must slow!
- The U.S./Canada will be the benefactors and they will set world price direction in FH 2013. U.S. SRW wheat will be the world's low cost wheat!
- 12/13 world wheat stocks are in decline. Market must rise to prevent feeding. If corn prices rise to \$8.30-9.00 (\$335 fob Gulf), wheat must maintain a premium. Drops to \$340-345 FOB French wheat are buys.
- ARC favors MATIF vs. Chicago wheat spreads as the EU oversells its export capacity.
- The Black Sea exported 14 MMTs in the Nov-May period of 11/12, S. Hemisphere wheat exports down 17 MMTs That's 31 MMTs of import potential that has to be filled by US/Canada/Australia and India.
- Adverse new crop weather in the U.S. and EU/FSU adds upside potential.
- A top in world wheat market will occur by March 2013 at \$420-\$440/MT FOB. With normal weather, prices could fall thereafter. Price explosion if US/EU/FSU crops harmed in '13. **No stocks cushion!**

Thank You!

