EU Wheat

November 2010

IOAM Presentation
Cape town, SA

Chakravarthy Vishvendra-Kumar

BUNGE

STRUCTURE

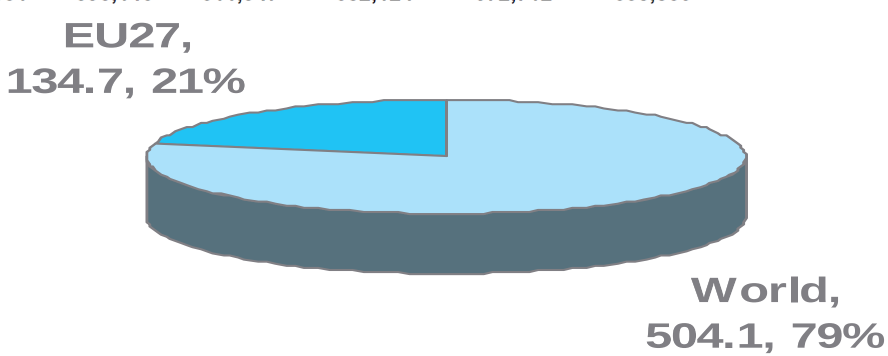
- **EU versus WORLD**
- **EU TRADE FLOWS**
- **KEY ISSUES AFFECTING 10/11 CROP**
  - **FSU Production**
  - **Quality**
  - **Feed Economics**
  - **Ethanol**
  - **Exchange Rate (with Egypt as example)**
- **SND**
- **OUTLOOK**

EU versus World

World Production of Wheat (including Durum)

Production - TMT - local marketing years - including durum

	05/06	06/07	07/08	08/09	09/10	10/11
US	57,280	49,217	55,821	68,016	60,313	60,103
Argentina	14,500	15,100	18,000	9,709	8,425	12,241
Australia	25,150	10,821	13,039	20,968	21,626	23,619
Canada	25,748	25,265	20,054	28,611	26,515	22,659
EU27	131,463	125,312	119,384	149,723	136,951	134,706
Ukraine	18,600	13,842	13,731	24,960	20,876	17,053
Russia	47,738	45,006	49,368	63,765	61,740	45,125
Kazakhstan	11,198	13,200	15,500	13,500	16,000	11,000
India	72,000	68,000	74,800	78,570	80,680	80,710
China	97,500	107,380	109,345	112,473	112,160	107,000
Algeria	2,200	2,600	2,600	1,600	3,560	3,400
Brazil	4,834	2,000	3,824	6,350	5,800	5,360
Iran	14,308	14,500	15,000	10,000	12,000	14,400
Mexico	3,020	3,240	3,600	4,000	4,300	4,350
Morocco	3,043	6,327	1,583	3,730	6,370	4,900
Pakistan	21,612	21,277	23,300	20,959	24,033	22,600
Tunisia	1,626	1,250	1,235	920	1,653	925
Turkey	18,500	17,500	15,500	16,800	18,450	17,000
Others	63,011	53,309	56,263	47,470	51,260	51,700
TOTAL	**633,331**	**595,146**	**611,947**	**682,124**	**672,712**	**638,850**

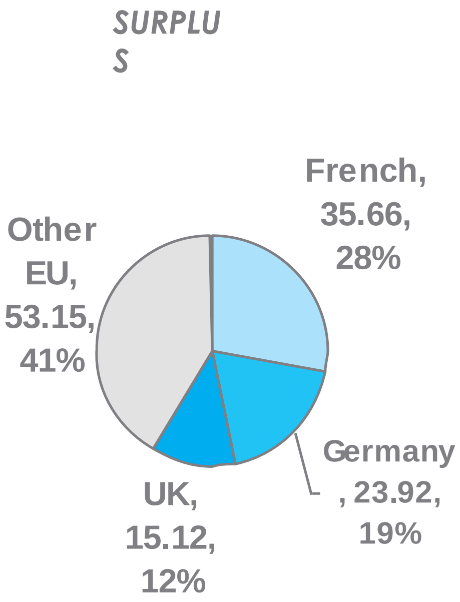


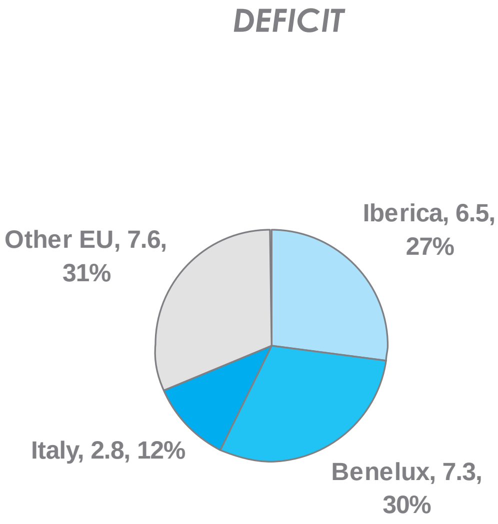
2010/11:

- Total World Production 638.5 Mt
- EU27 Production 134.7 Mt, 21%
- 90% wheat consumed within EU
- EU 27 Exports est. 18.5 Mt vs world exports 120 Mt, 15.5%

EU Wheat producers

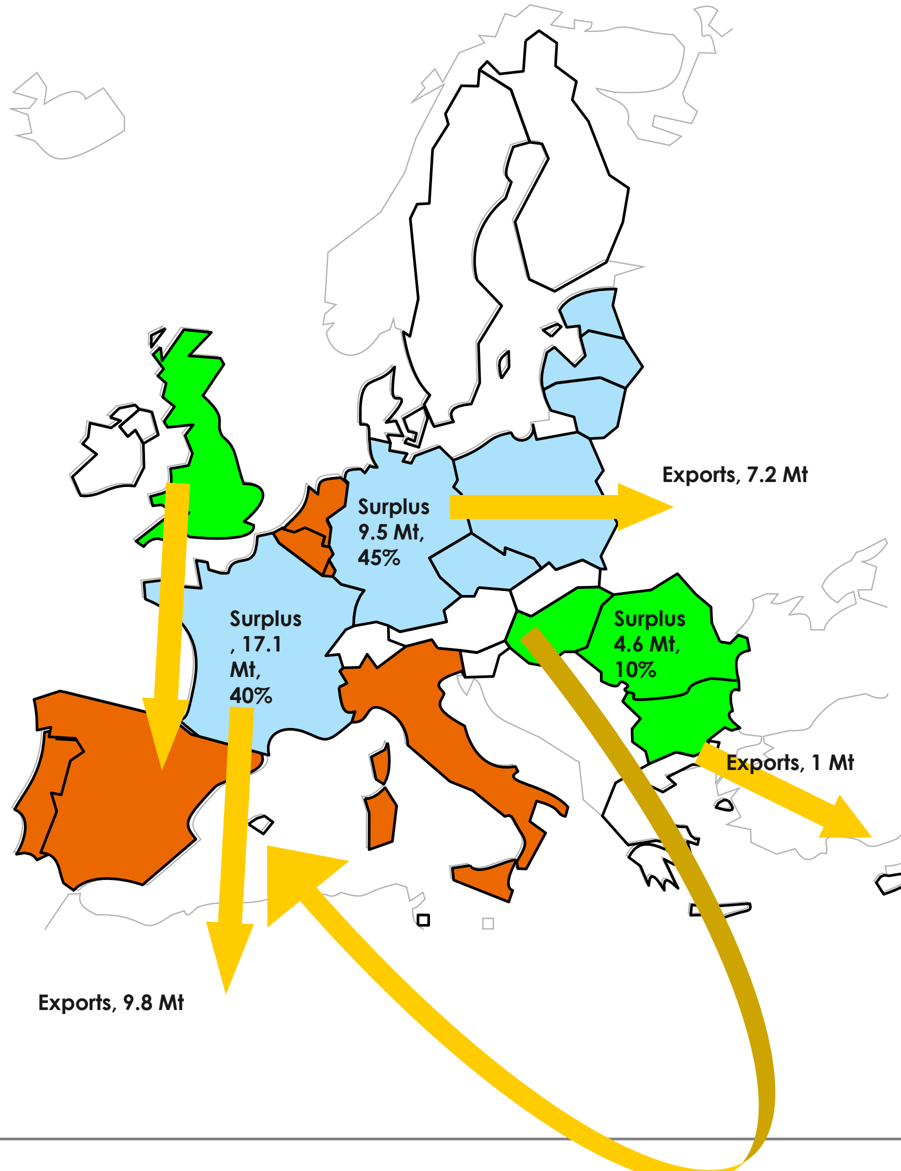
- Total EU 27 Production for 2010/11: 126.70 Mt (excluding Durum)
- Total intra-EU trade for 2010/11: 23.3 Mt
- 3 countries make up 60% of production





EU Trade Flows

EU Wheat Flows—2009/10



EXPORTERS

Milling Wheat:
- Germany
- France
- Baltics

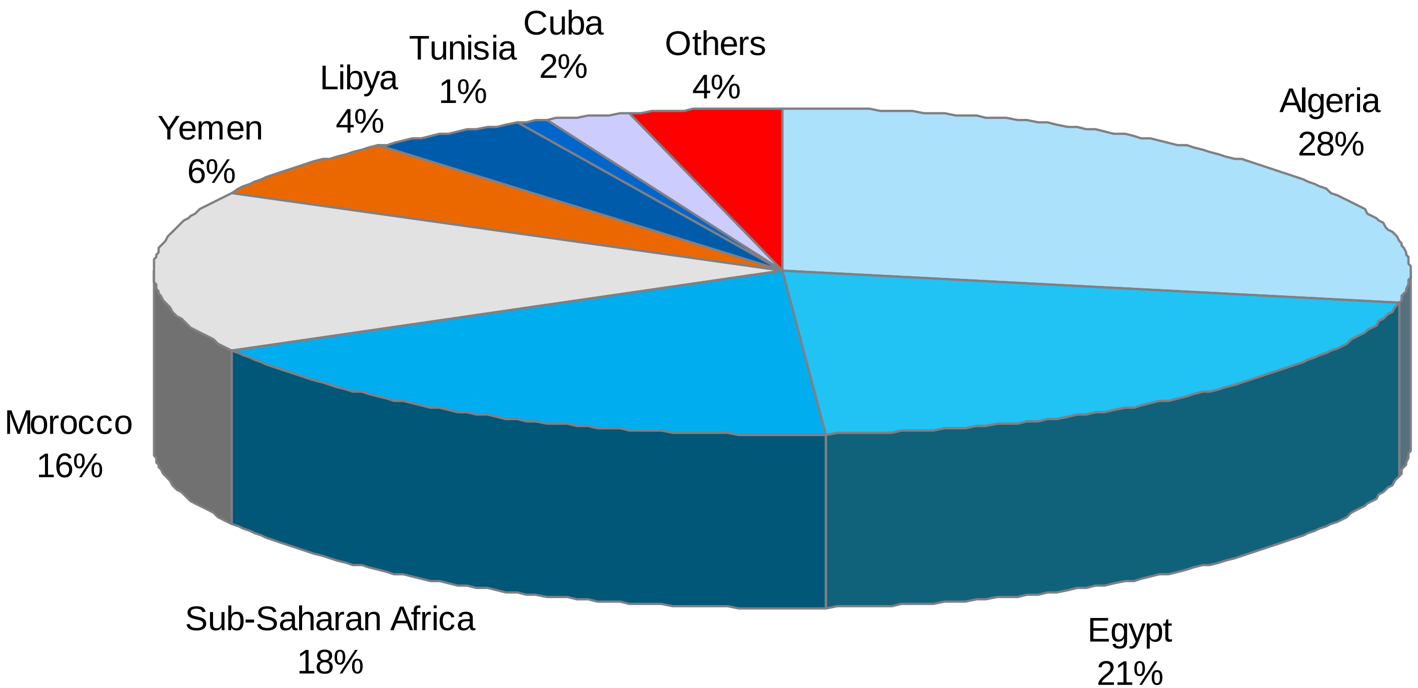
Feed Wheat
- UK
- Danube (Romania, Hungary, Bulgaria)

IMPORTERS

Milling Wheat
- Middle East
- North Africa

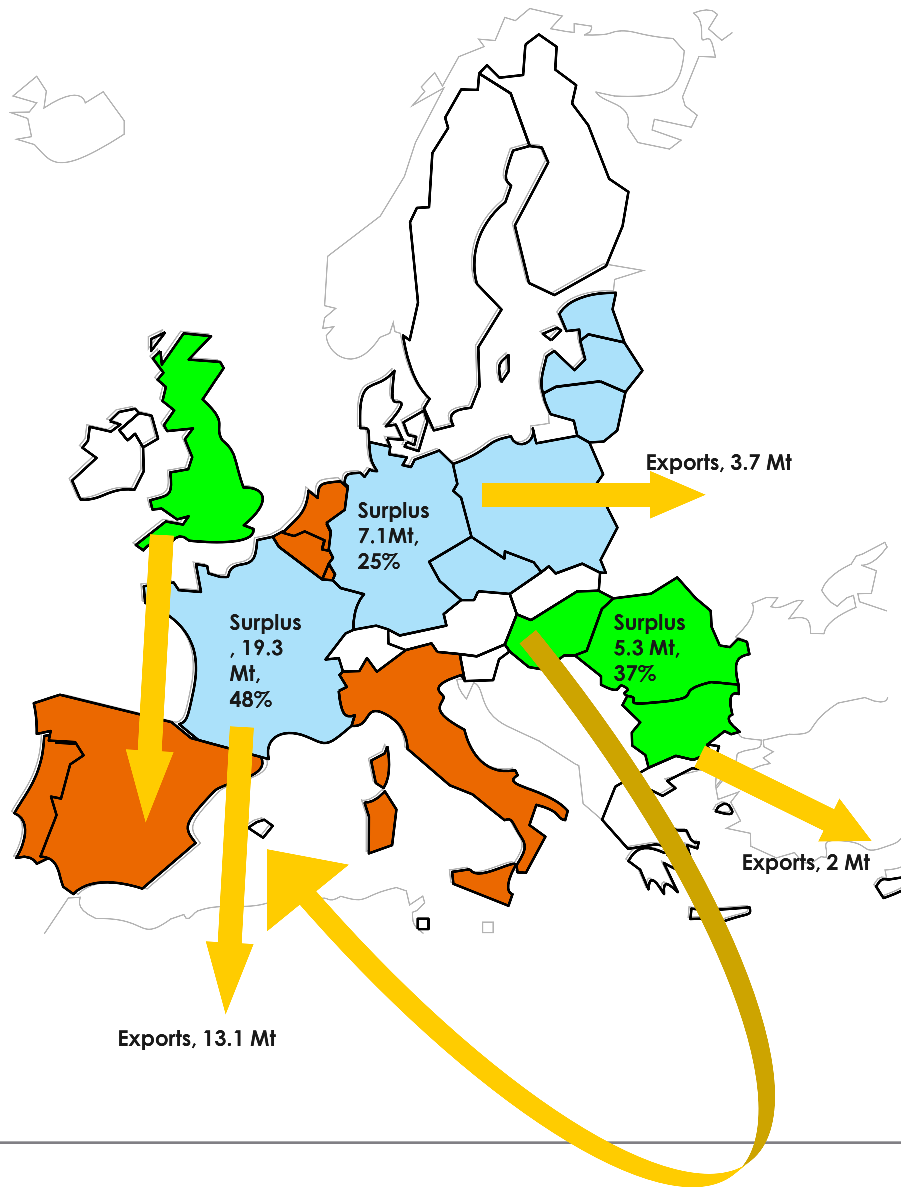
Feed Wheat:
- Iberica Peninsula
- Benelux
- Italy
- Asia

French Wheat Exports to Third Countries



Source FranceAgriMer

EU Wheat Flows—2010/11



EXPORTERS

Milling Wheat:
- Germany
- France
- Baltics

Feed Wheat
- UK
- Danube (Romania, Hungary, Bulgaria)
- N. Europe (this yr)

IMPORTERS

Milling Wheat
- Middle East
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Feed Wheat:
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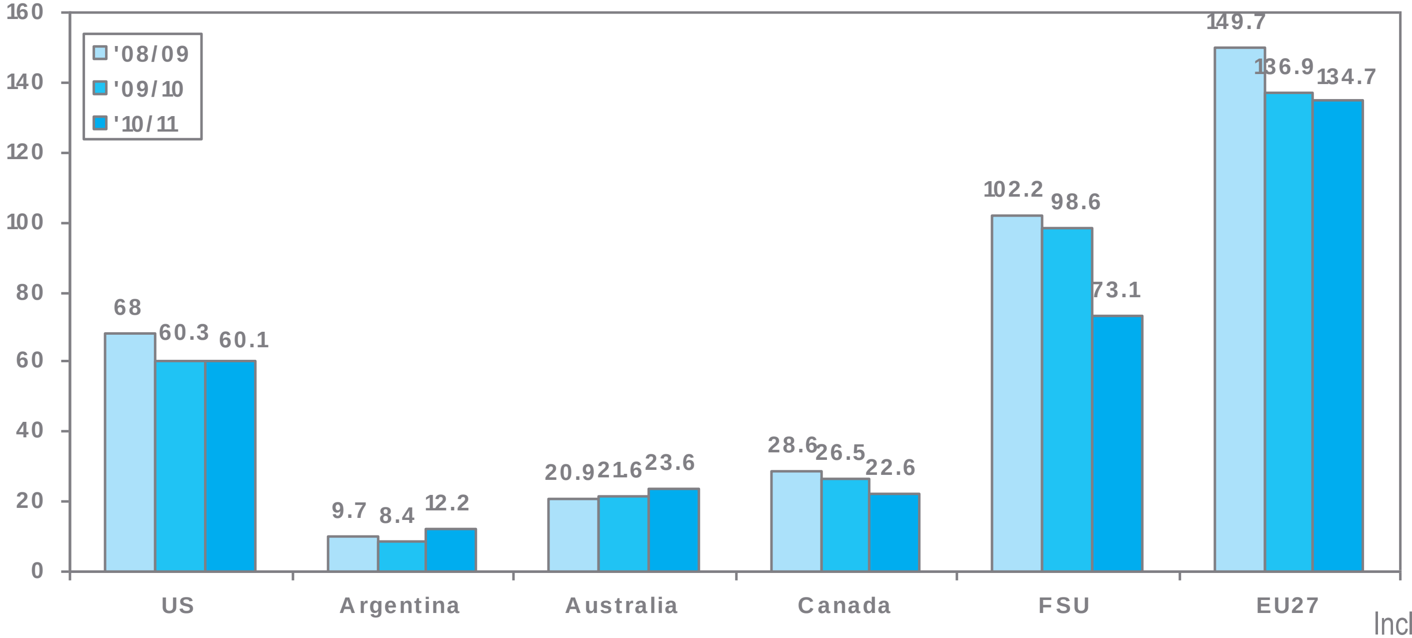
Key issues Affecting 10/11 crop

1. Affect of FSU production



Including Durum

- YoY Russia 61.7 to 45.1 Mt, YoY Ukraine 20.8 to 17.0 Mt
- Deficit EU countries, formerly relied on Black Sea Imports. Had to switch to EU
- Other origins had to step in to cover absence of Russia & Ukraine

2. Wheat Quality

	%	%
Wheat Prod	**2009 % mill**	**2010 % mill**
Ger	95%	60%
Pol	75%	45%
Cze	75%	45%
Est	75%	65%
Lat	75%	65%
Lit	75%	65%

MMT	MMT	MMT	MMT
2009 mill	**2010 mill**	**2009 feed**	**2010 feed**
24,060	13,978	1,266	9,318
7,343	3,630	2,448	4,437
3,221	1,853	1,074	2,265
260	267	87	144
777	741	259	399
1,618	1,378	539	742
37,277	**21,847**	**5,672**	**17,305**
Diff	**-15,430**	Diff	**11,633**

% of Production meeting milling criteria

Countries in N. Europe and E. Europe saw Milling Wheat quality degrade year on year due to high precipitation during harvest:

Source Stratégie Grains

German Wheat Breakdown Milling vs. Feed

Germany S&D	milling	feed
production	10,766	13,158
domestic use	8,672	11,456
exportable	5,096	3,171

Source Stratégie Grains

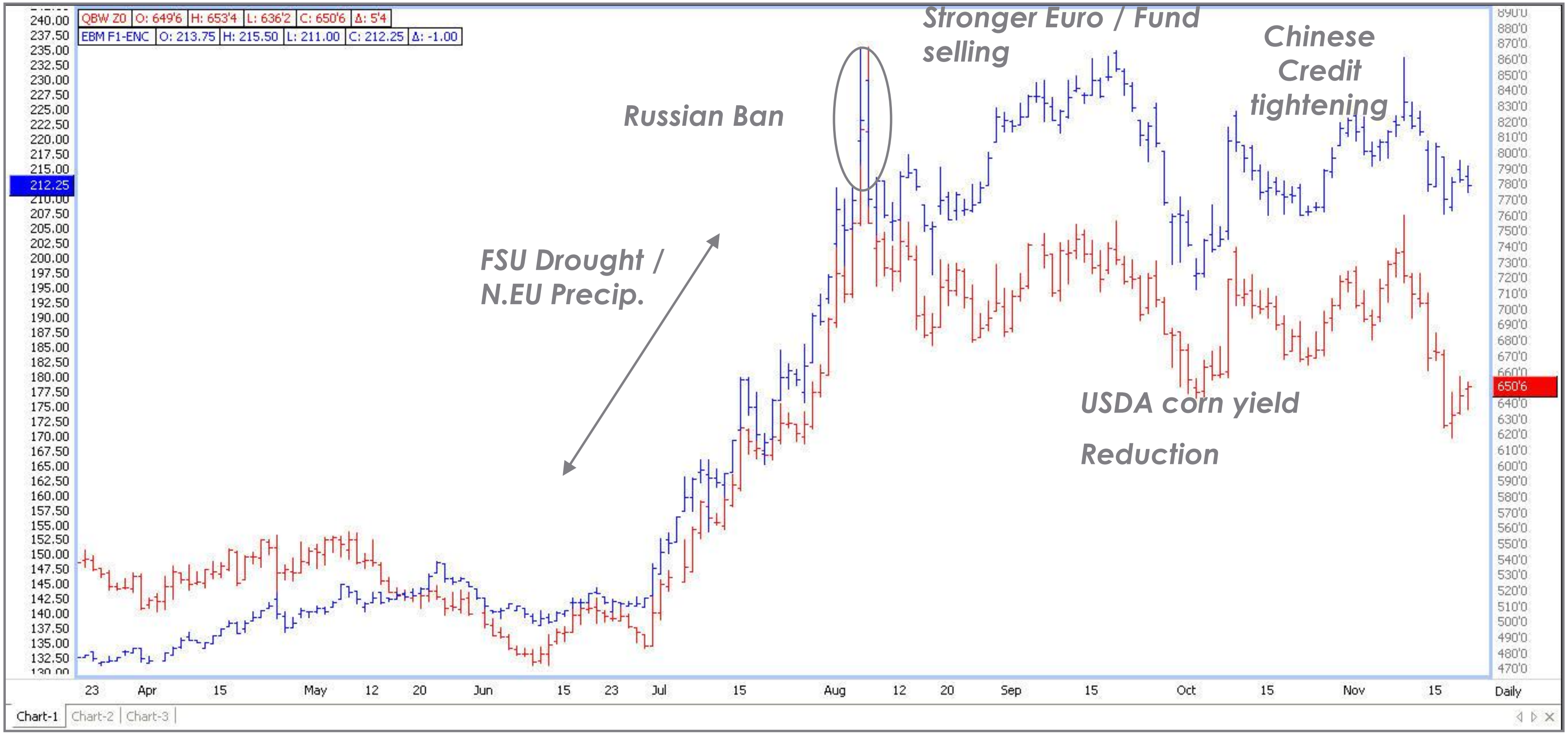
M. Wheat	2009
prot	12
TW	78/79
FN	270-300
Moist.	13,5-14
W	200-220
Gluten	27
Admix	2
BK	3

vs

2010
12
75/76
200-250
14-14,5
180-200
25/26
2
4

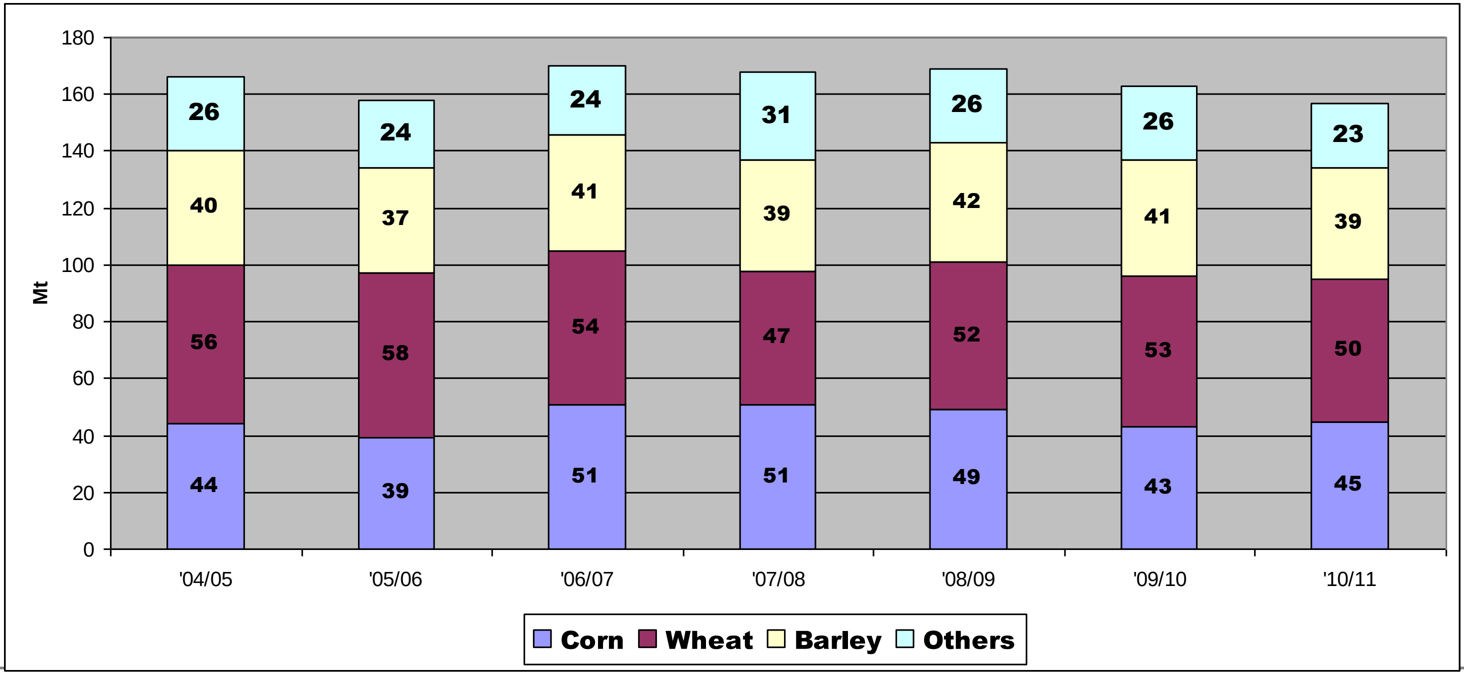
- Milling wheat at 45%
- Due to sprouting prompted by rain during harvest time

MATIF vs CBOT Wheat



3. Feed Economics

- Expected Feed Grain requirement of 161 mil MT
- EU Feed Grain deficit of 2 Mt estimated for current campaign, Release of intervention stocks of Barley will remove deficit.
- 6 million mts of Corn imports expected – some GM strains prevented.
- Cheapest grain Barley – Being maxed today in feed rations.
- Buying hand-to-mouth by feed compounders – Decent gross margins on meat / negative net margins.



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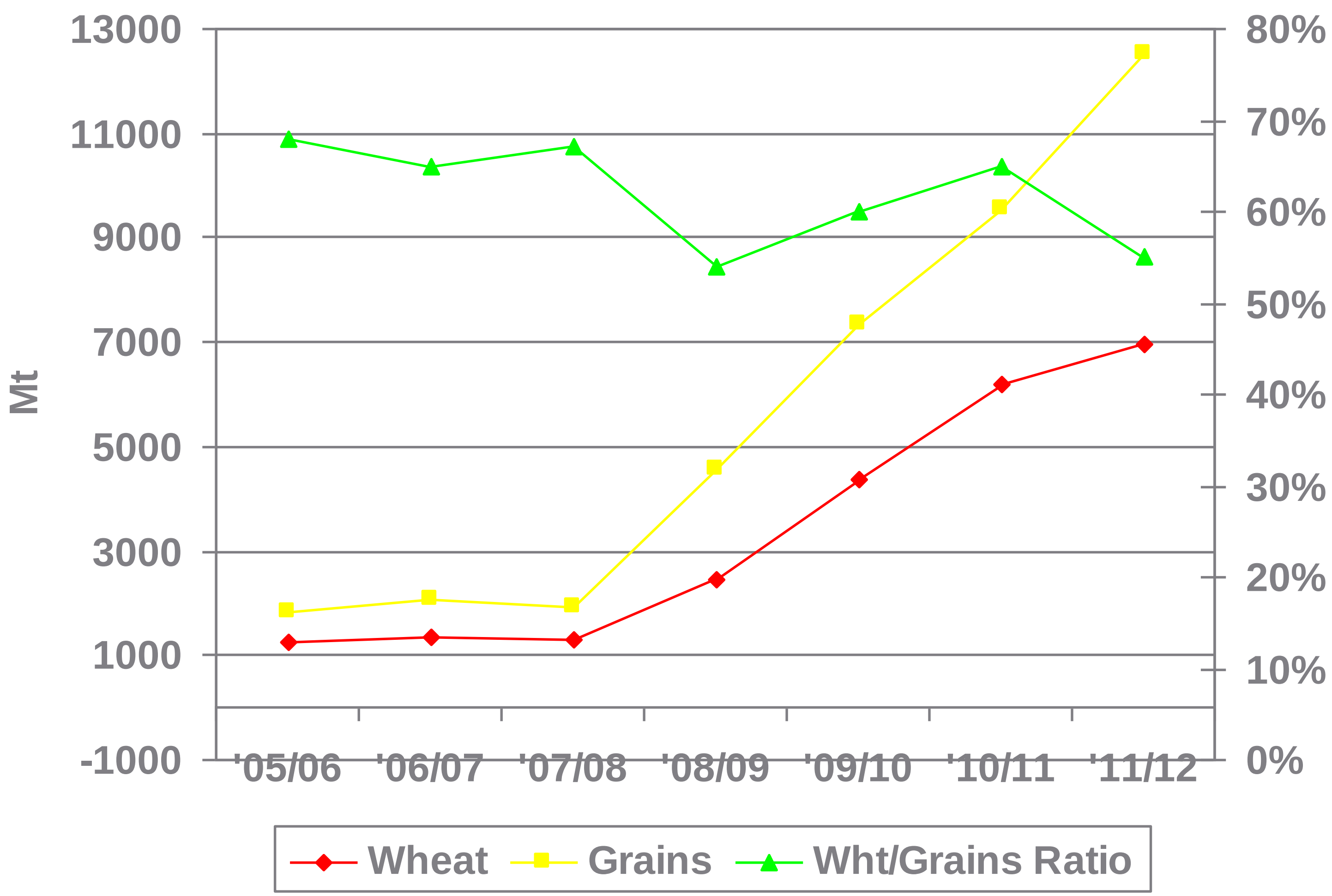
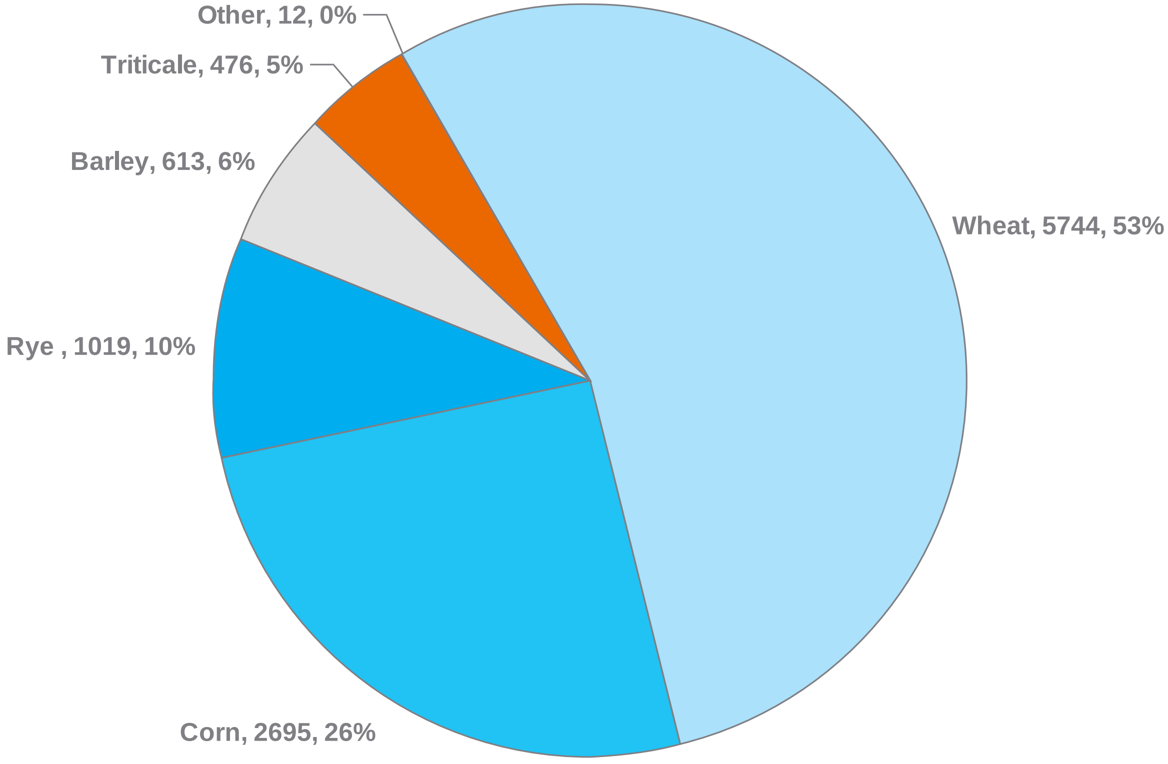
4. Grain Usage in Ethanol Production



- Wheat 40% increase year on year

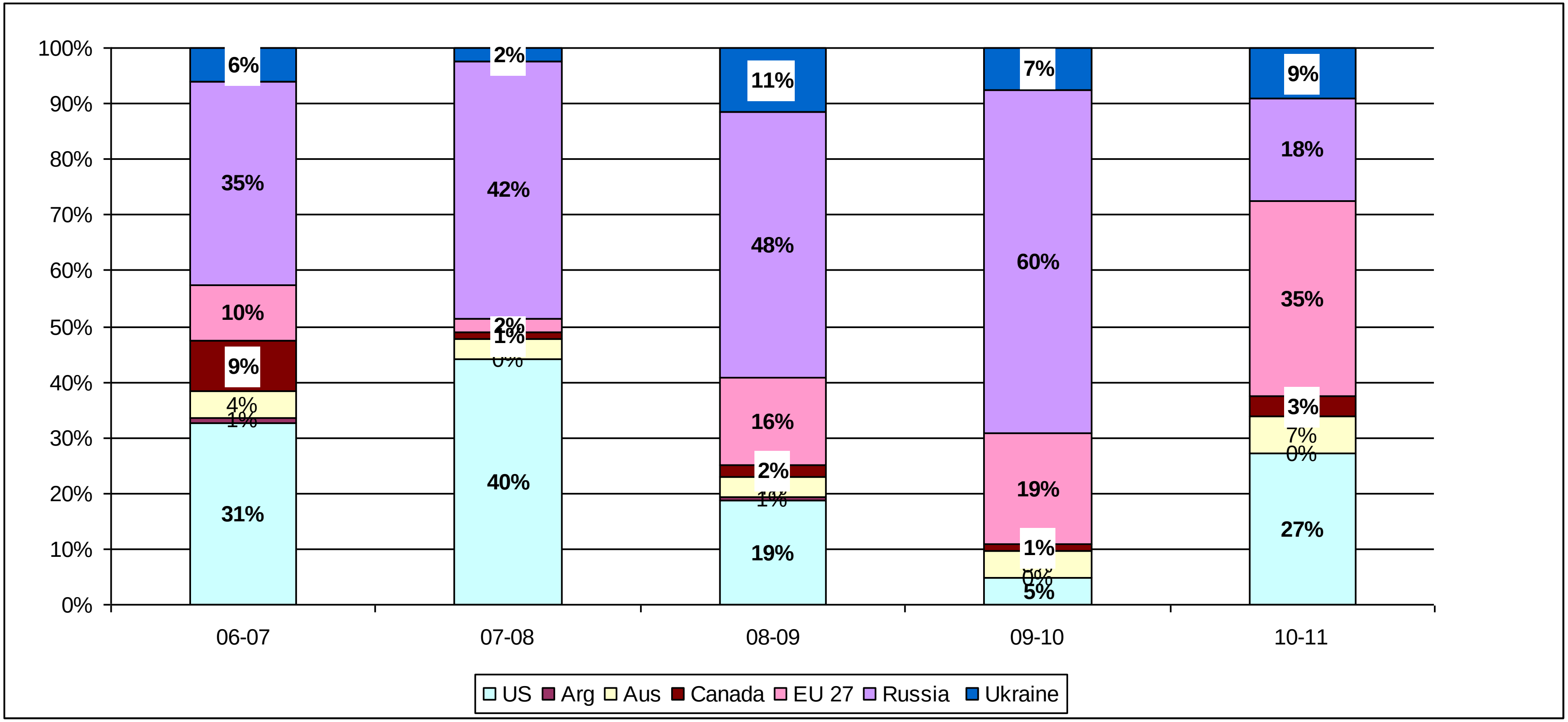
Type of Grain used in Ethanol production in EU27



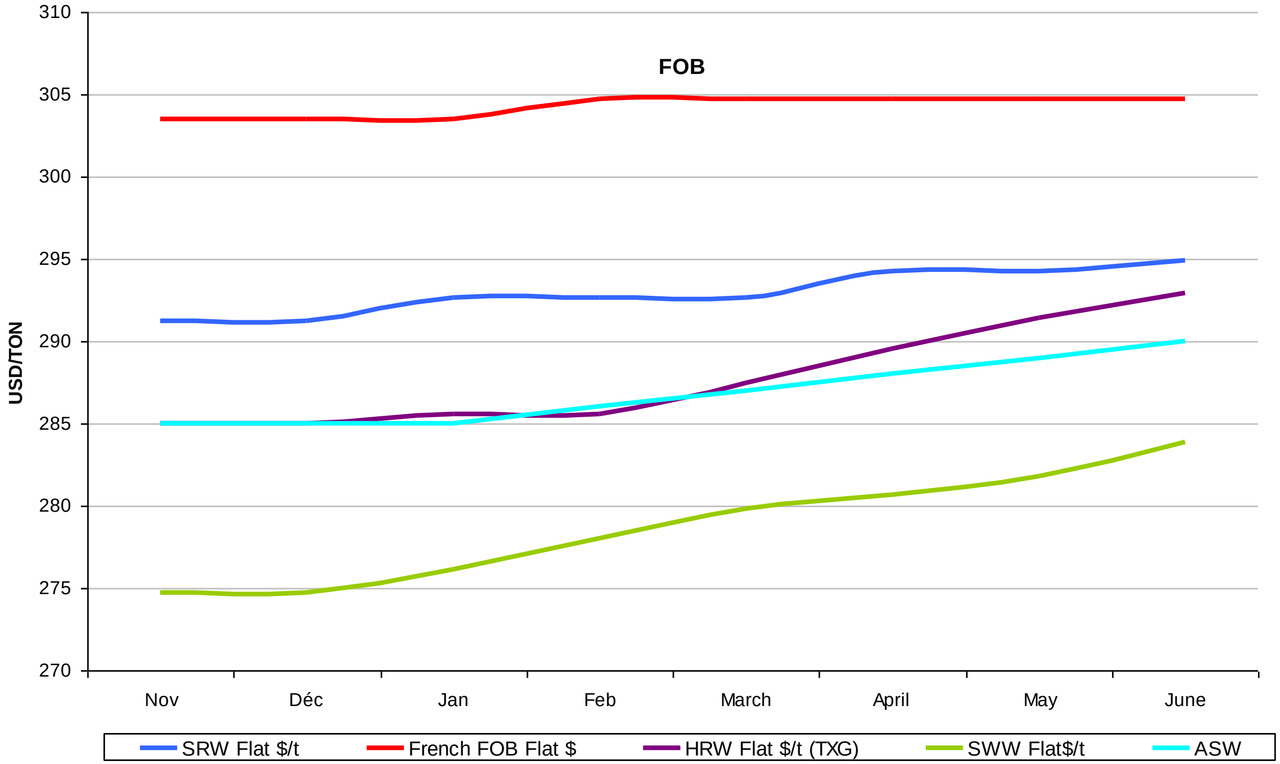
- *2010/11Wheat + Corn = 80%*
- *Rye % going down (DDGs poor value), almost exclusively in Poland*
- *Barley not progressing, most likely due to lower DDGs value*
- *By 2011, 79 fuel-ethanol plants to be up and running, 43 plants will be grain-based*

5. Exchange Rate

Wheat Exporting Countries to Egypt

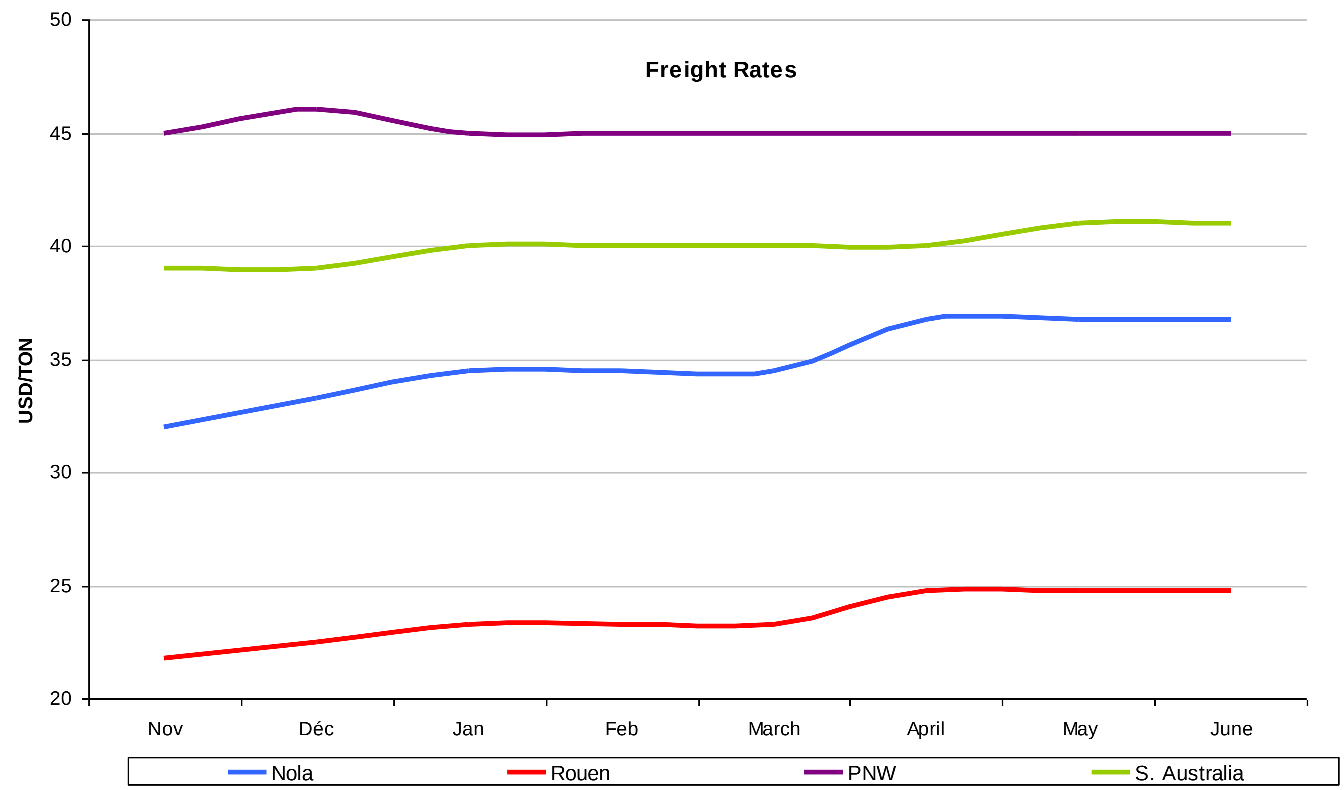


Soft Wheat: World FOB Price Comparison



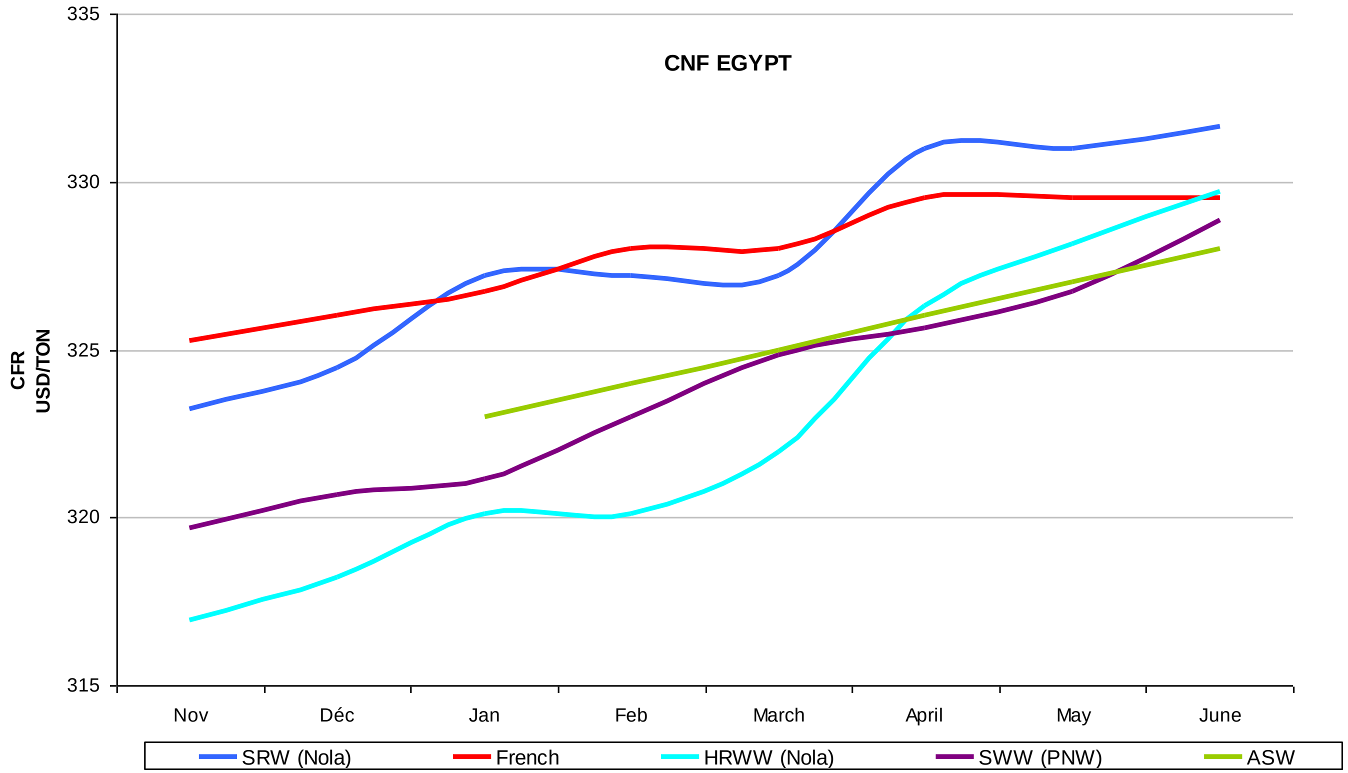
- FOB basis French is most expensive
- 14 USD more than SRW (ex Gulf)
- Need freight advantage of at least 14 USD to calculate into any destination

Freight Rate Spreads into Egypt



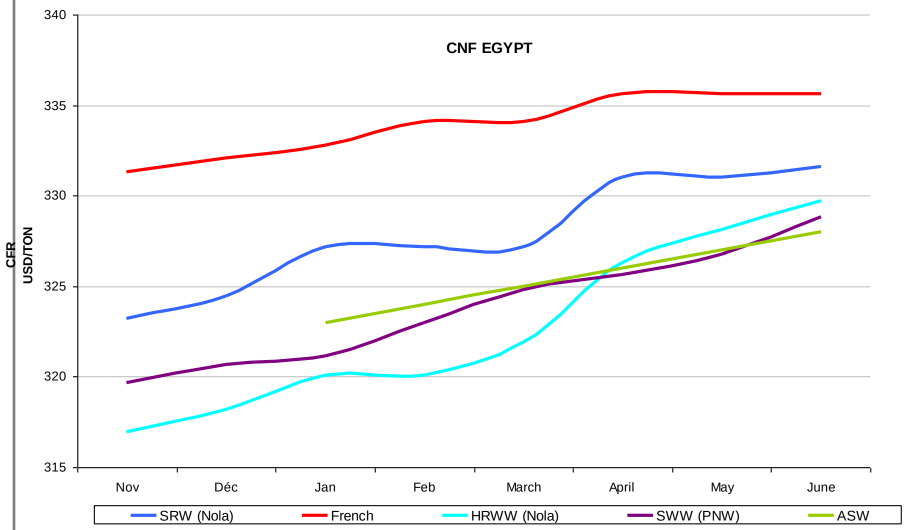
- Freight Spread Australia vs France is 16 USD
- Freight Spread US Gulf vs France is 10 USD, French not competitive

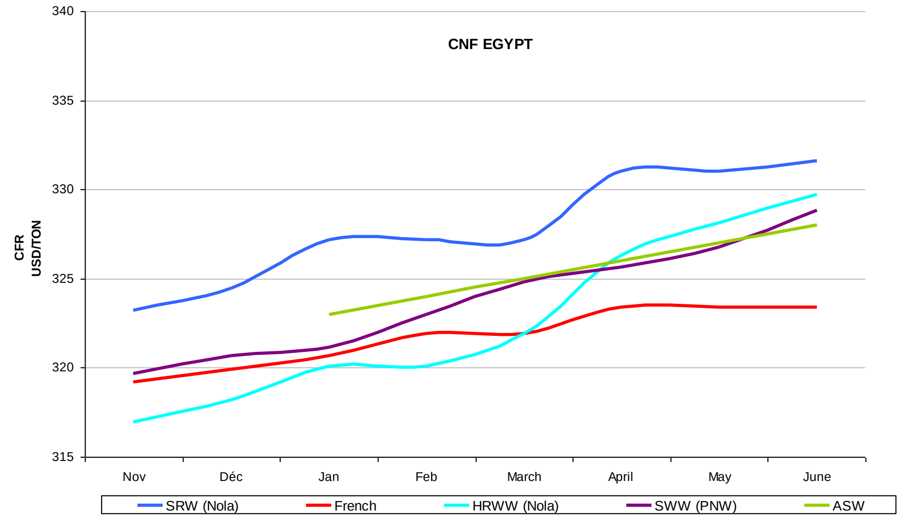
Soft Wheat: World CNF Price Comparison



- Evolution of relative competitiveness forward curve
- Comparison basis FOB price and Freight (Exchange rate of 1 Eur = 1.3625 USD)
- Prices are within a tight range
- French overallocated, Market's are pricing French out

Soft Wheat: Forex & World CNF Price Comparison





- Forex fluctuation
- Spot 1.3625
- Graph 1: 2% depreciation of USD, 1.3897
- Graph 2: 2% appreciation of USD, 1.3352
- Forex at spot French is 325; weaker USD French is 331; stronger USD French is 319

EU
SUPPLY AND DEMAND

EU Wheat SND

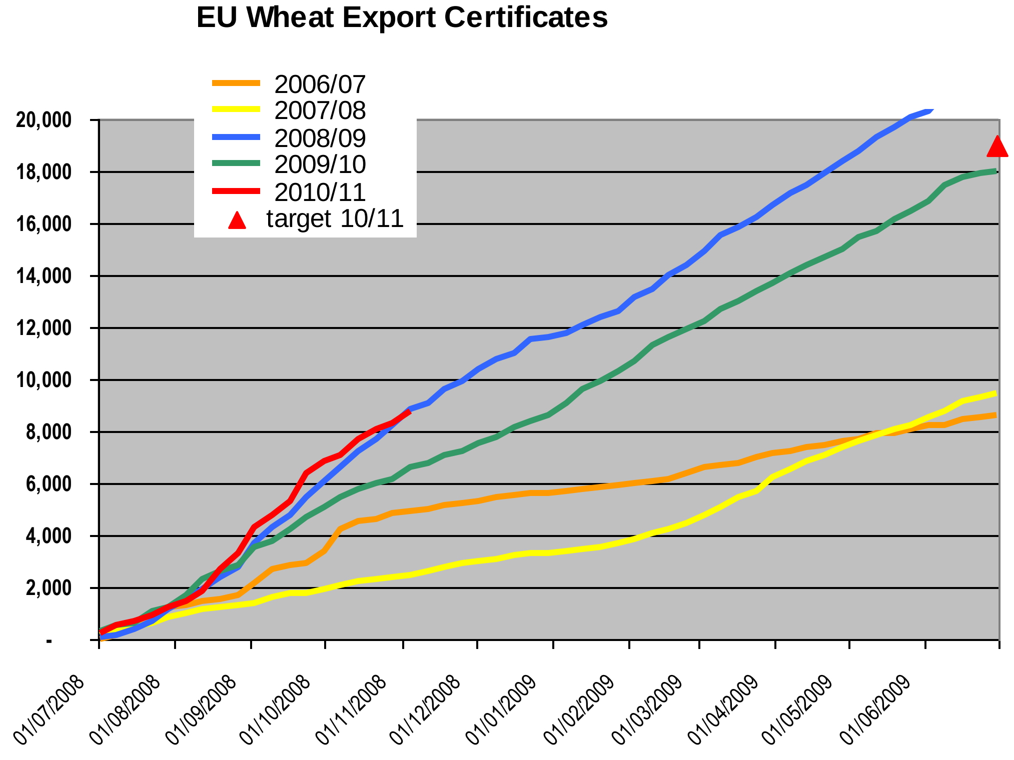
EU 27 WHEAT S&D - IN TMT	*** excluding durum ***				
LOCAL MARKET YEAR					
Jul/Jun	**06-07**	**07/08**	**08-09**	**09-10**	**10-11**
Planted mln has	21.73	21.87	23.25	22.36	22.78
Harvest mln has	21.73	21.87	23.25	22.36	22.78
% Harvested	100%	100%	100%	100%	100%
Yield	5.39	5.11	6.04	5.75	5.56
Beginning Stocks	18,016	12,566	11,234	18,590	12,563
Production	117,212	111,684	139,998	128,551	126,690
Imports	3,570	4,527	6,438	3,137	2,298
Supply	**138,798**	**128,777**	**157,670**	**150,278**	**141,551**
Exports	10,437	9,346	21,719	19,133	18,537
Food, Seed & Ind.	54,565	54,706	55,712	56,343	57,739
Feed & Residual	61,230	53,491	61,649	62,239	54,500
Use	**126,232**	**117,543**	**139,080**	**137,715**	**130,776**
Ending Stocks	**12,566**	**11,234**	**18,590**	**12,563**	**10,775**
Stocks To Use	10%	10%	13%	9%	8%
STU in days	36	35	49	33	30

- EU wheat ending stock of 10.7 Mt
- Current S&D estimate leaves 30 days
- Balanced carryout situation
- However – current pace of export licences???

Wheat Exports & Imports – EU

Brussels Wheat export licences as of Nov. 18th:

- 442 kmt licences taken on the week
- Year to date to 9,234 kmt vs 6,761 kmt last year (2.5 mmt ahead of last year)
- Last year campaign 17.9 Mt
- At current pace, this year campaign approx. 25 Mt , on track for 08/09 when 22 Mt were exported
- This would leave a carry out at 4.7 Mt (STU 4% or 13 days)



OUTLOOK

Current Campaign – 10/11

- Exports will have to slow down.
- Have to retain wheat for domestic use.
- Higher Price action to ration demand
- Import of High quality wheat to increase in the second half of the year.
- Mills will have to get used to lowTW wheat.

Next campaign -11/12

- Excellent farmer economics for wheat
- Best winter grain margins
- Wheat acreage increase +2.5%
- Production +9 Mt with trend yield at 136 Mt

FLAGS

- Planting, weather ??
- Black Sea export from July 1st?

THANK YOU !