



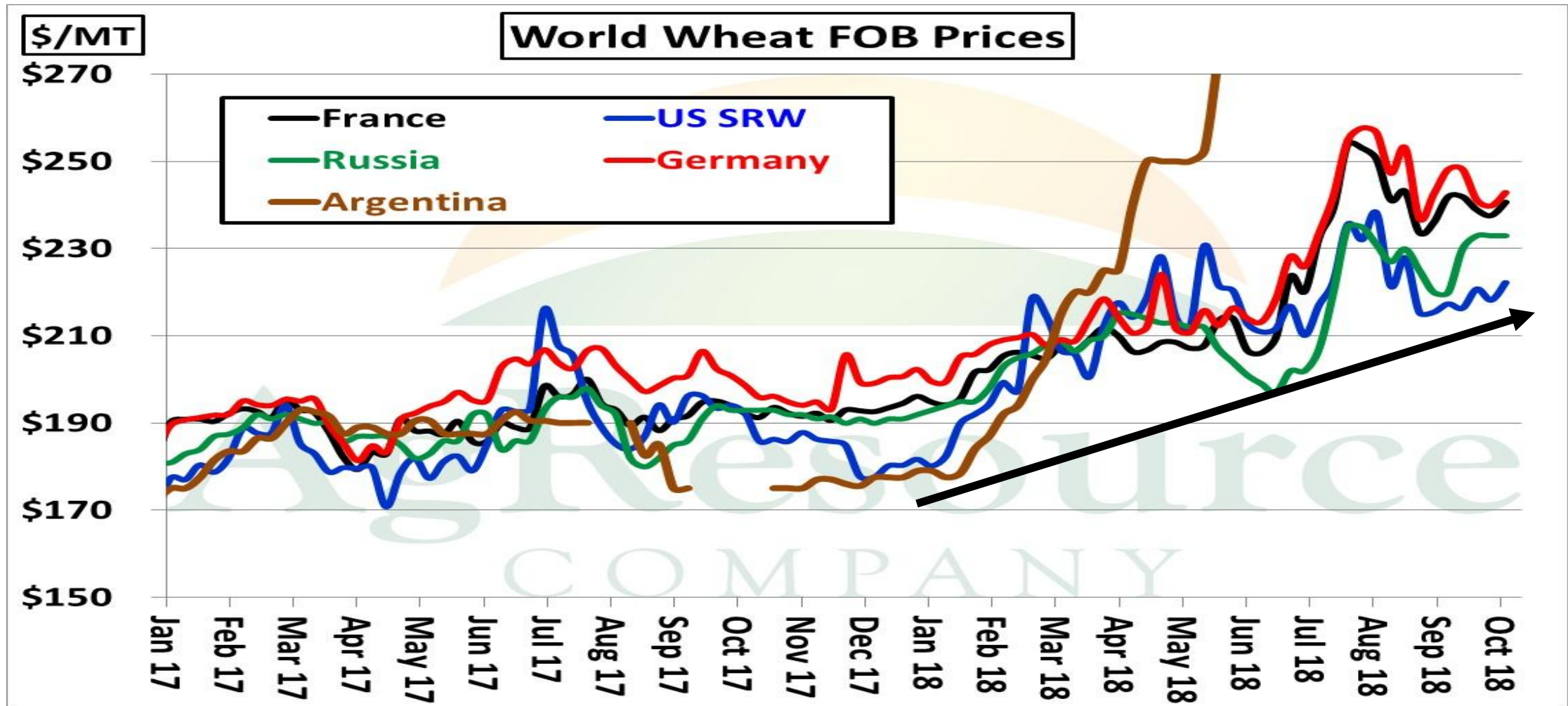
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October 25, 2018

Trump Tariffs, Declining Global Wheat Stocks Offers Dynamic World Grain Market in 2019

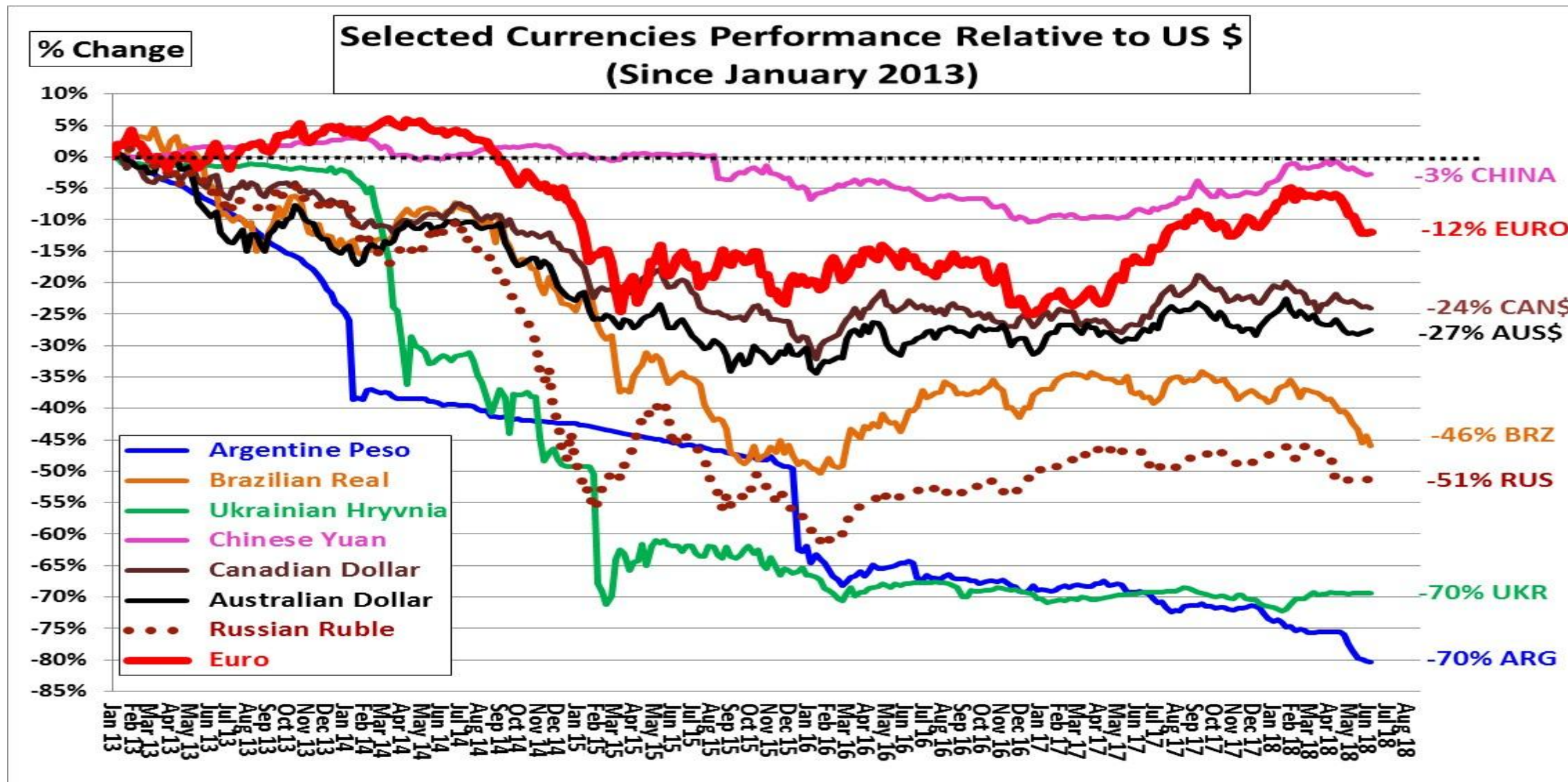
2018/19 Wheat Market Themes

- **World Political/Economic “Order” is in “Disorder!”** Central Banks are normalizing interest rates. Politically, we have Brexit, President Trump, regional protectionism on trade and uncertain politicians (Putin/Erdogan/Macri). Grain markets will endure heightened financial risk/volatility during 2019!
- **This Year’s Ag Black Swan Event was US Trade Sanctions.** China was the largest US market for ag goods in 2017 at \$19.6 Bil. China offered to secure an additional \$30-35 Bil of US ag goods in coming years (mid May) along with \$35-40 Bil of energy. Trump Admin said yes and then no in a high stakes game of poker via IT protection/2025 fight. China is needed to start the next ag demand bull marketplace.
- **World Exporter Wheat Stock/Use Ratio Nears Record Low –** This makes 2019 wheat production highly important. World exporters need to produce at least trendline wheat yields/production to keep order in world wheat prices.
- **World weather patterns are changing.** Climate change is real and starting to be better understood by science. Learning point, there will more areas that endure acute flooding and drought in the years ahead . 2018 was “globally” unfavorable with the loss of over 35 MMTs of major world wheat exporter production!
- **World wheat and corn trade ramping up.** New demand drivers are emerging – world wheat trade has grown nearly 90 MMTs during the past decade. Excluding China’s corn/wheat stocks and US trade disputes, the outlook for feed/grain prices is brightening. At some point , the US and China will resolve their trade differences and boost mutual trade as called for by WTO. World minor feedgrain prices are soaring – don’t be short of oats/barley! The market demands additional wheat/minor grain seeded acres in 2019..... and beyond! Market sediment is slowly changing.

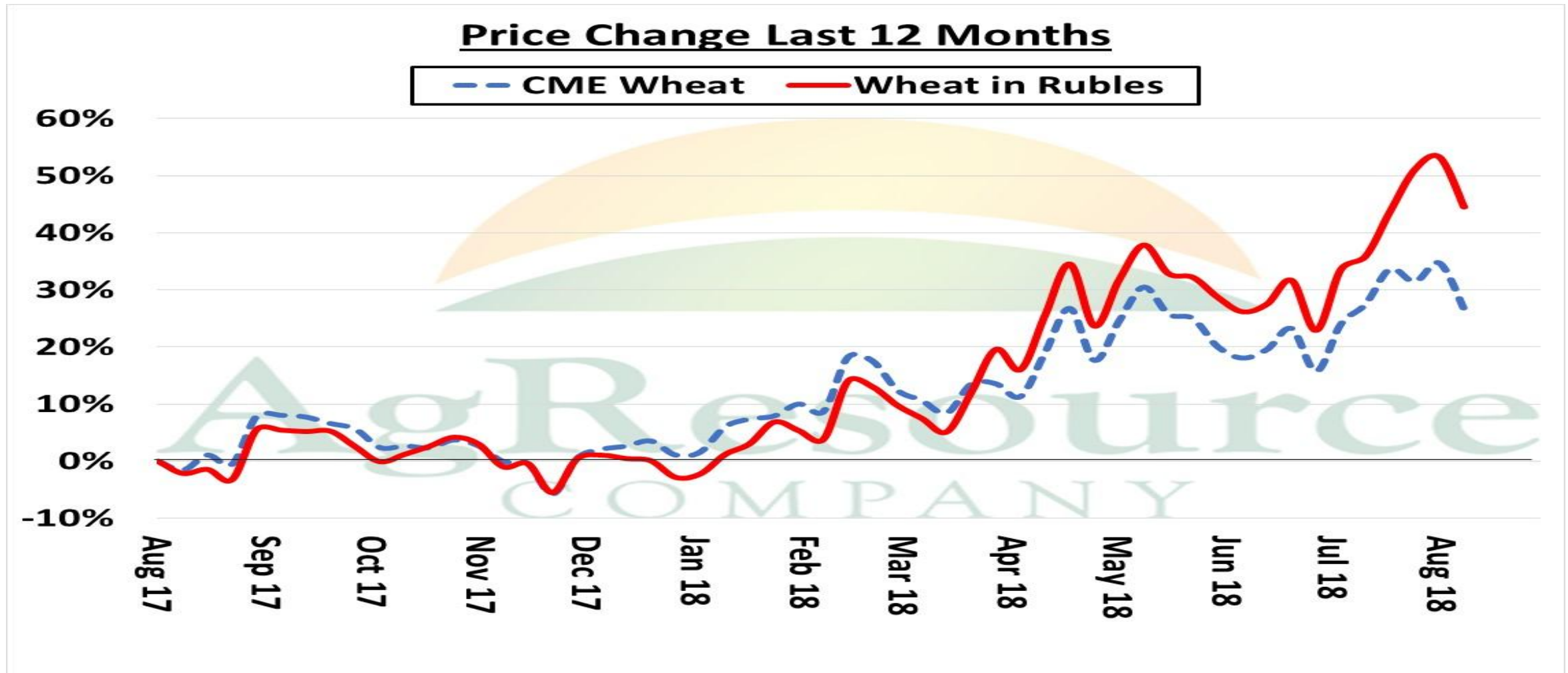
World Wheat Prices To Score New Rally Highs in 2019?



A drag is the US Dollar Rise based on Strong US Economy – Trump Tax Breaks

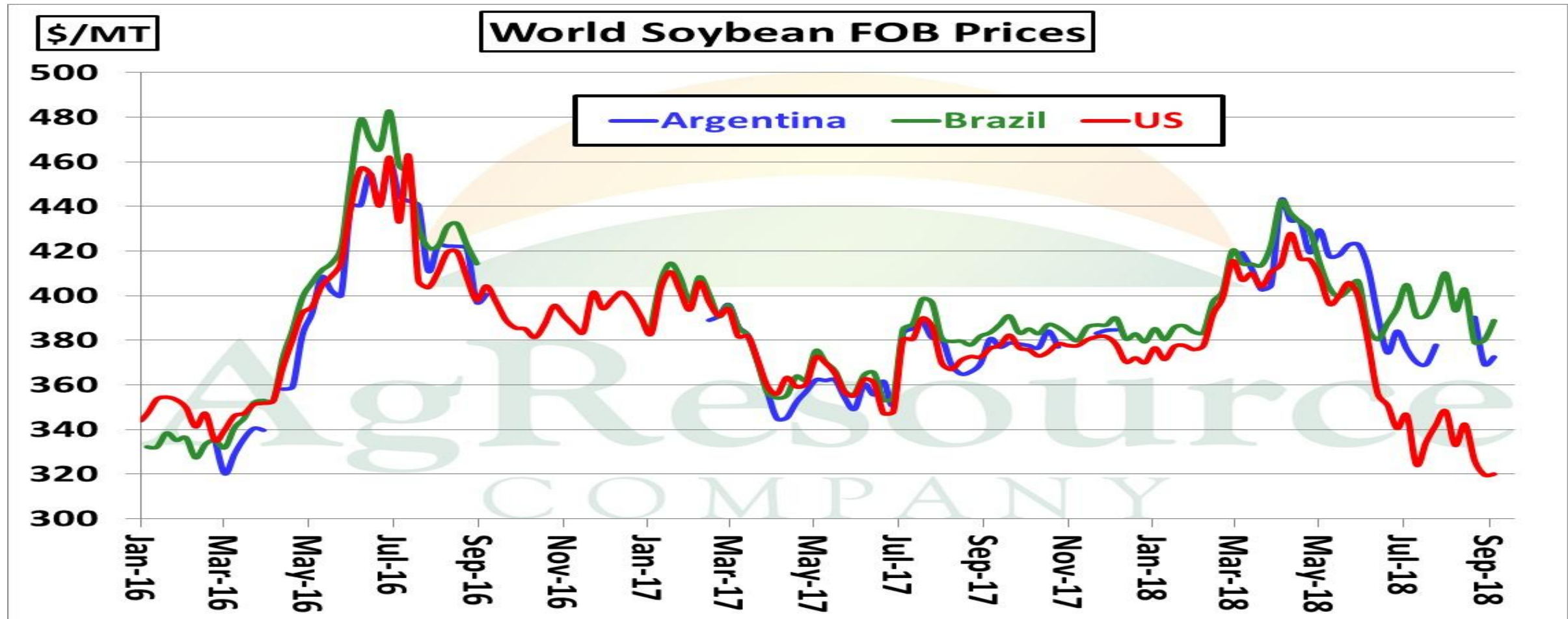


Russian Wheat Farmers Enjoy 45% Gain in New Crop Wheat Profits – Record Large Winter Seedings?

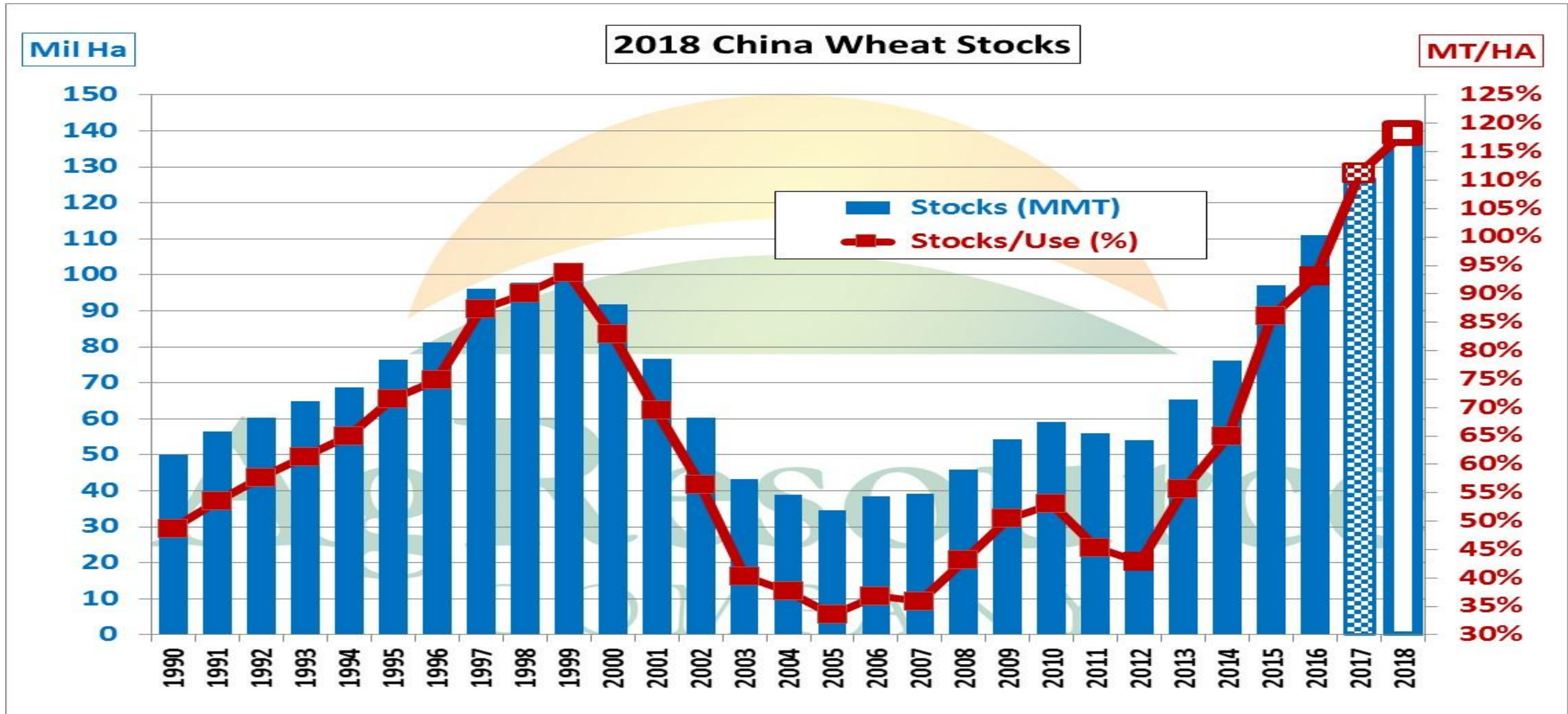




Two Distinct World Soybean Markets Form – Brazilian Farmers Rejoice/US Farmers Fret!

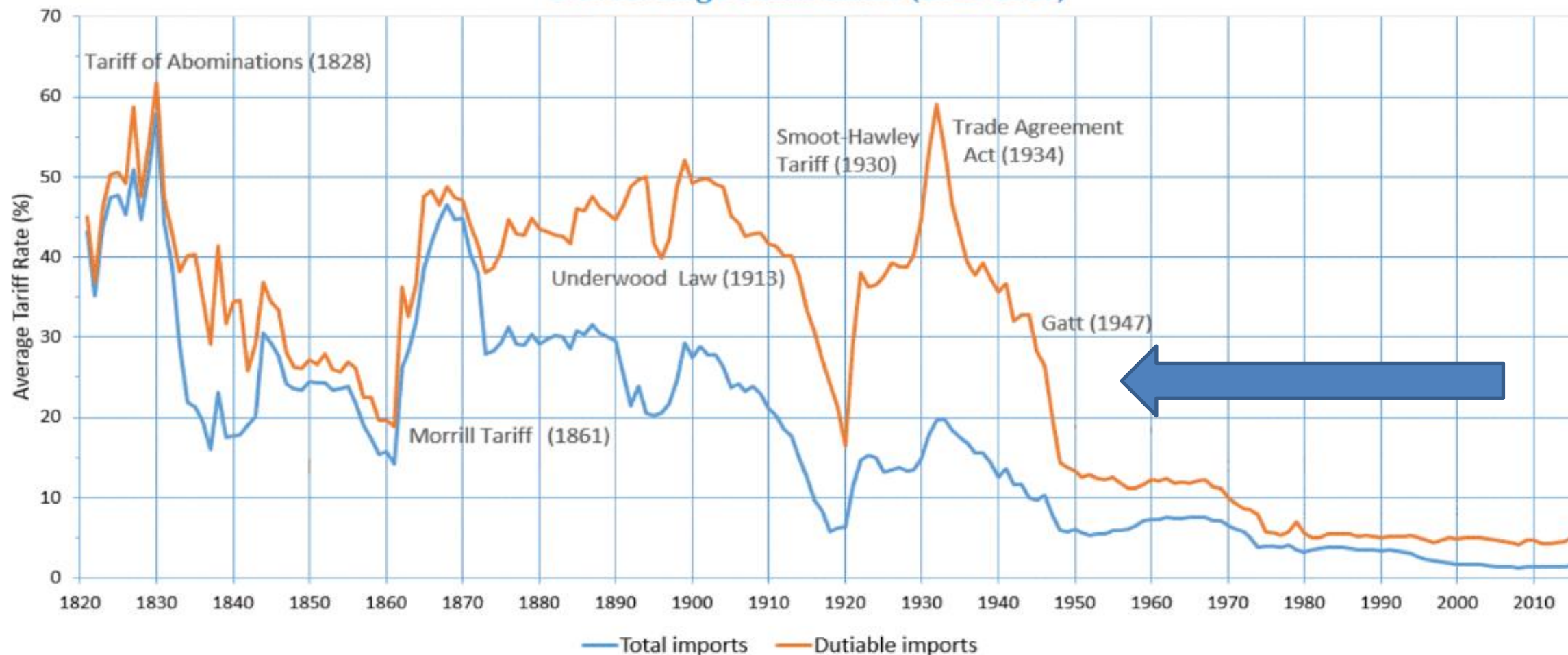


China Holds 50% of World's Wheat Stocks – The Need for Feed Wheat?



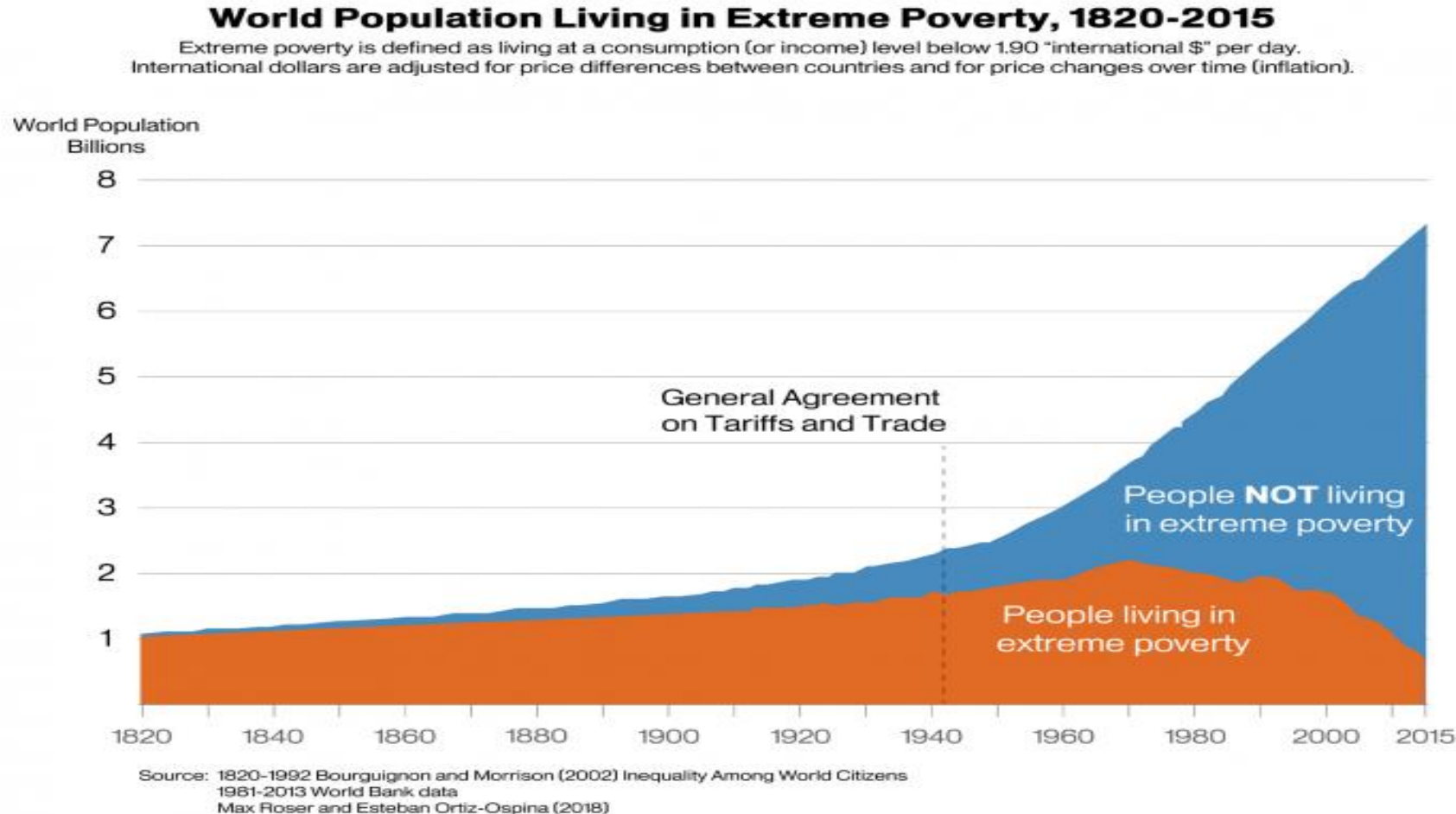
US Tariffs Rising Back to Threatening Levels

U.S. Average Tariff Rates (1821-2016)



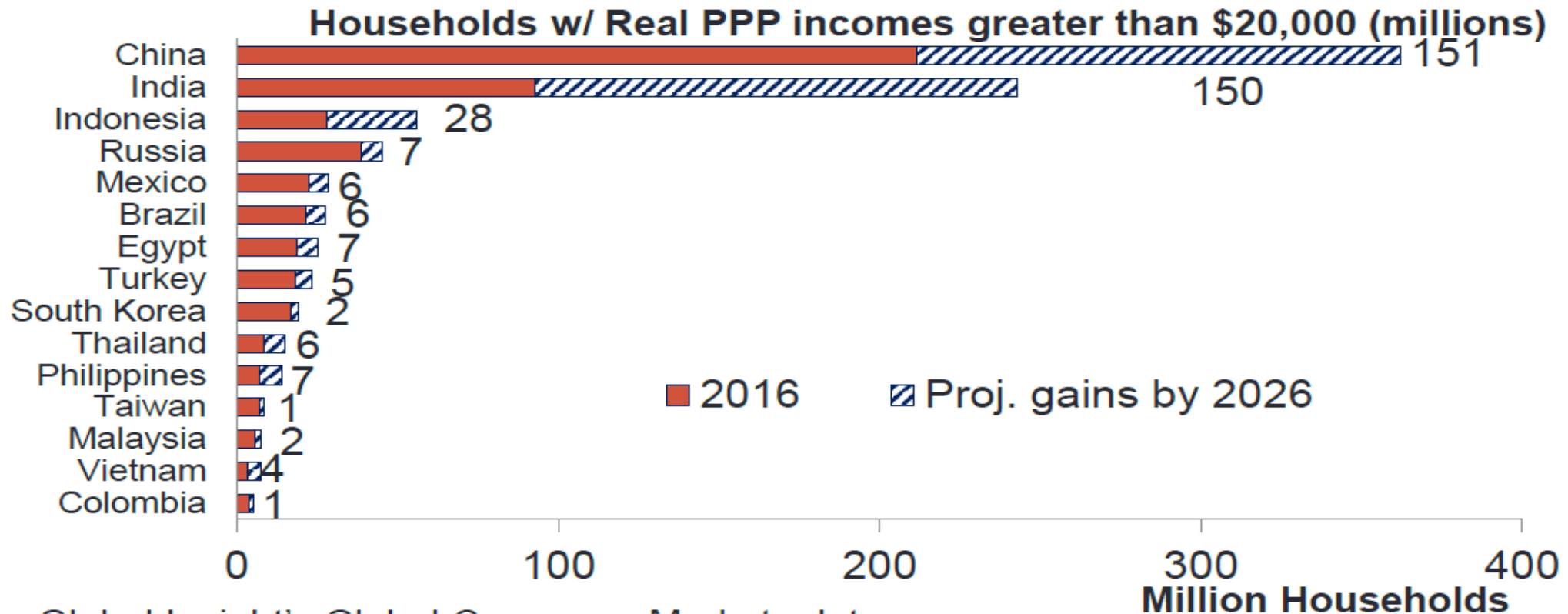
Source: US Department of Commerce, Bureau of the Census, Historical Statistics of the United States 1789-1945, U.S. International Trade Commission, dataweb.usitc.gov

Free Trade Has Produced Huge Benefits since GATT started in 1940



China and India Drive Improved World Food Demand into 2026?

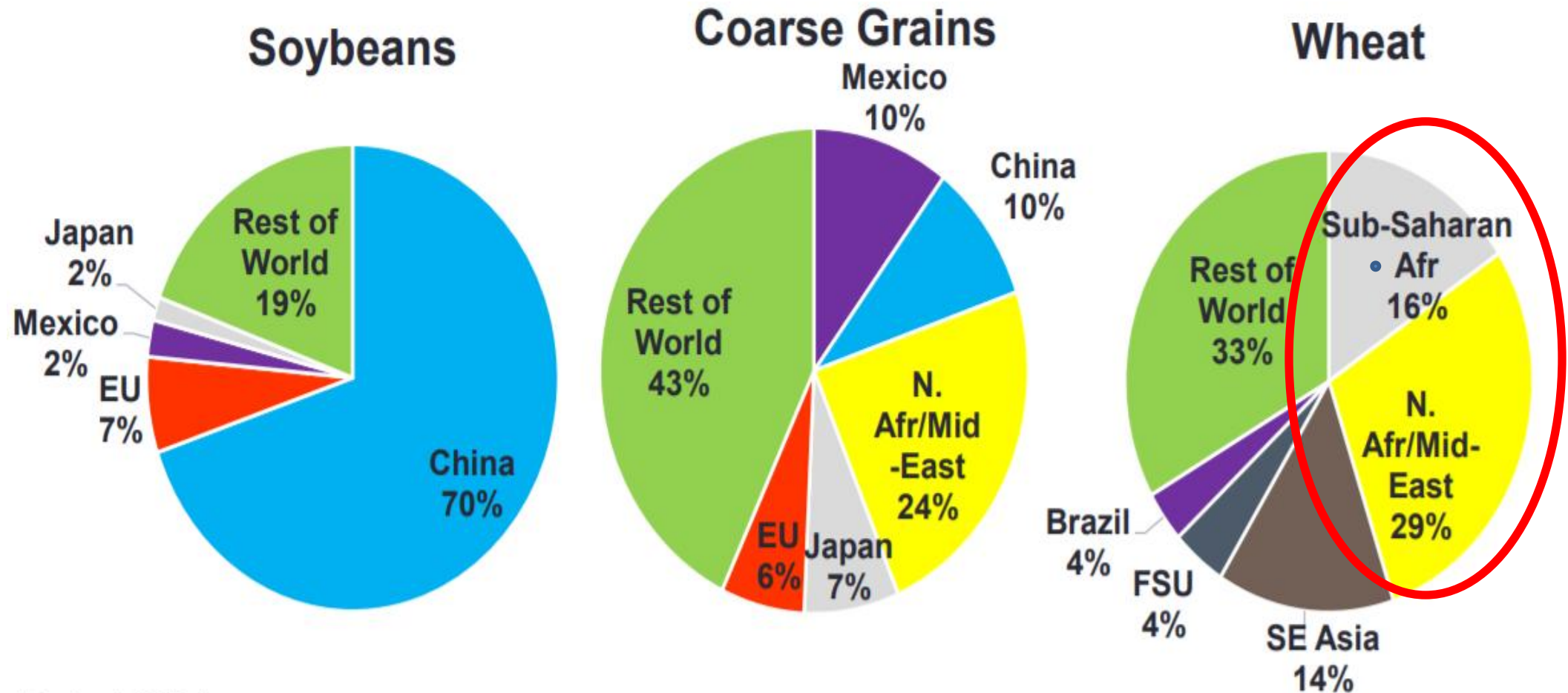
Income growth will drive increased global demand



Data: Global Insight's Global Consumer Markets data.

2027/28 World Grain Trade Forecast:

China Soy Import/Mideast/African Wheat Rise

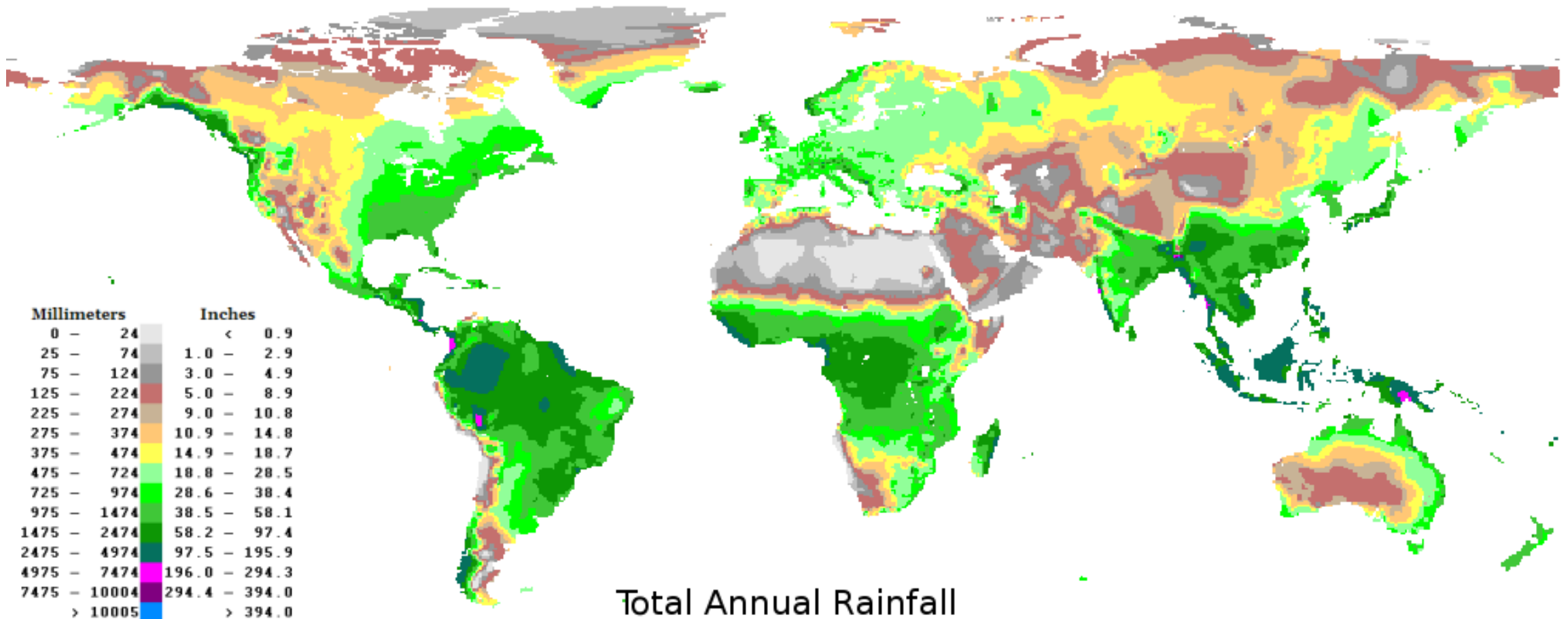


Data: USDA

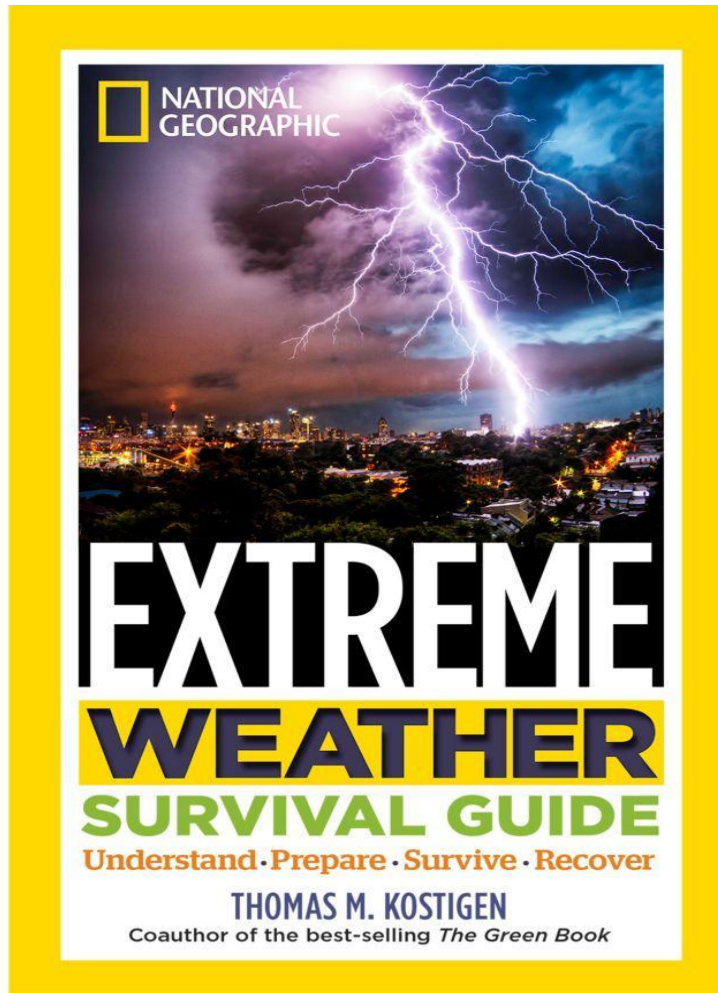
Blessed with Water- China Could Turn to Africa!

The need for Infrastructure/Tech?

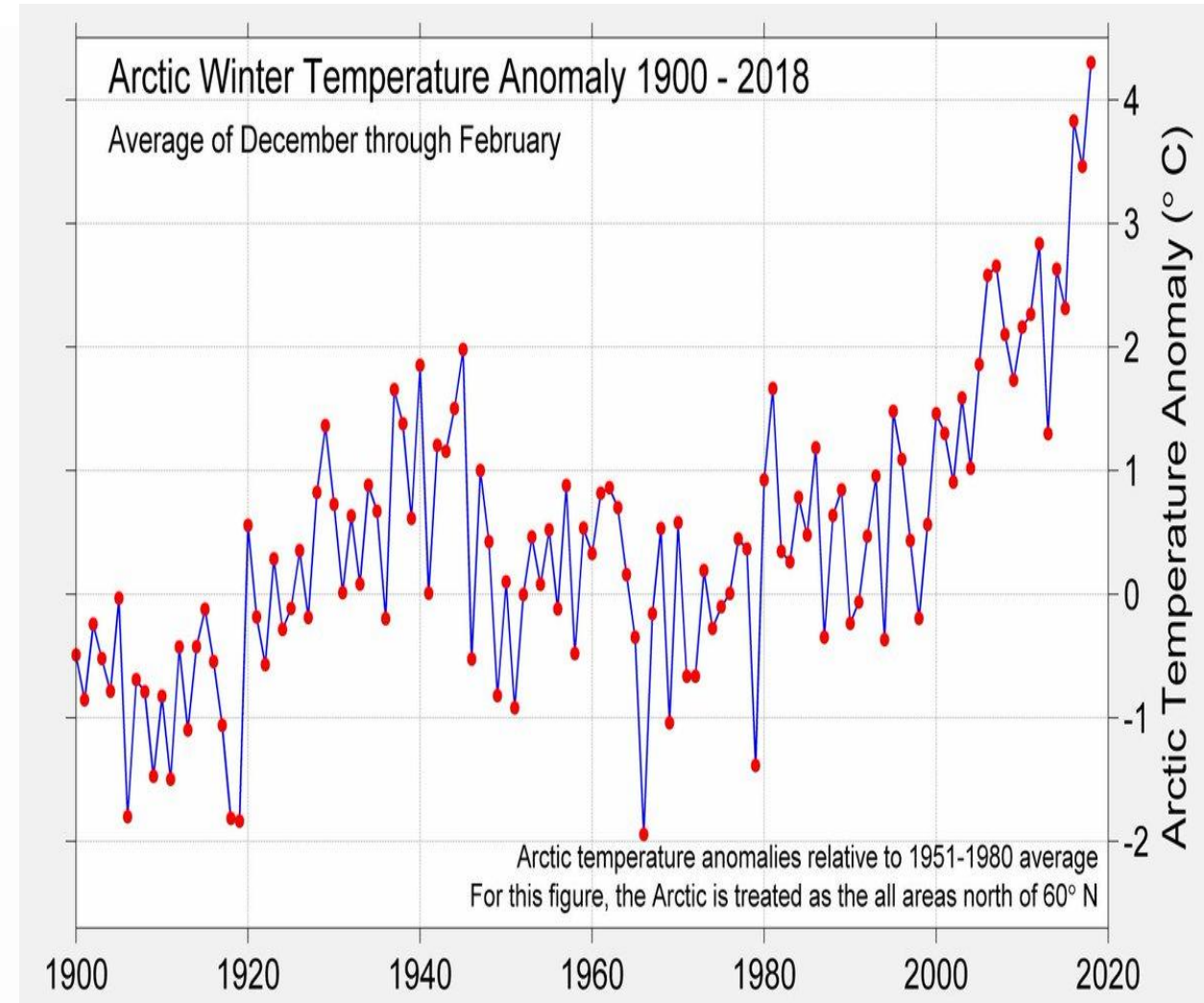
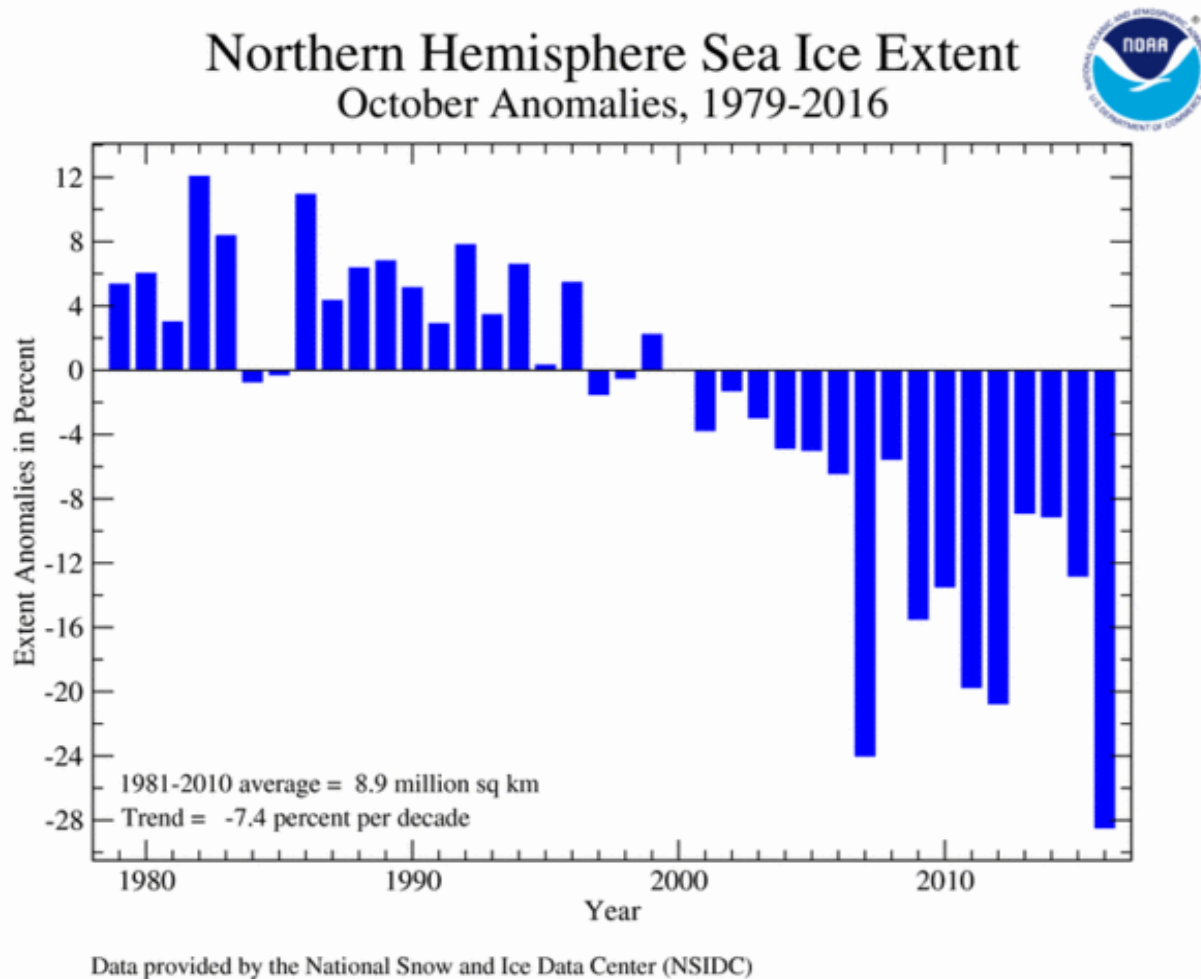
Total Rainfall



Climate Change is being Felt - More Sporadic Future Grain Supply?



Poles Are Warming Dramatically which is Slowing the Jet Stream Allowing for “Pattern Stagnation”



Weaker Jet Stream = Stronger Storms/ Stagnant Patterns

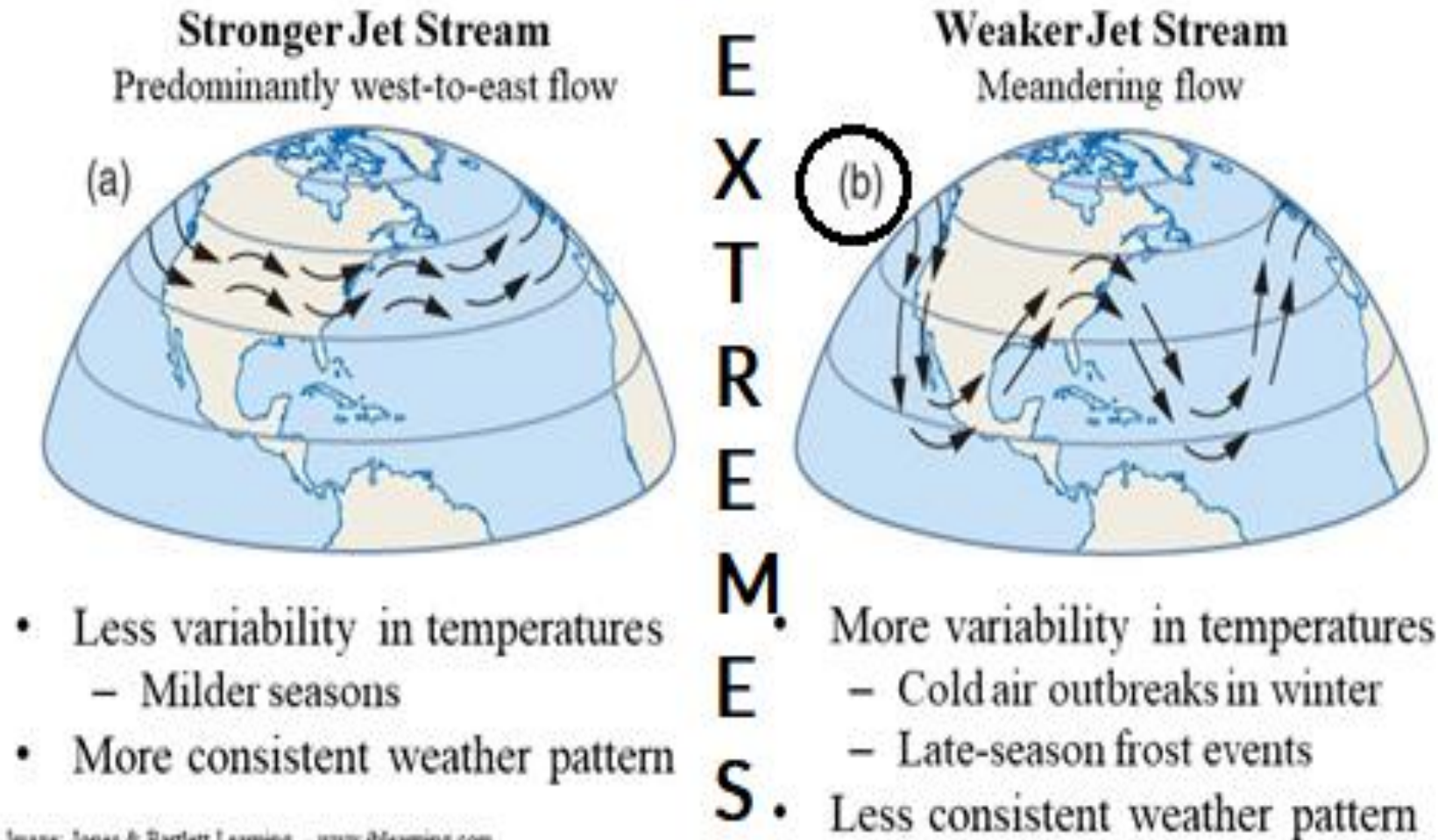
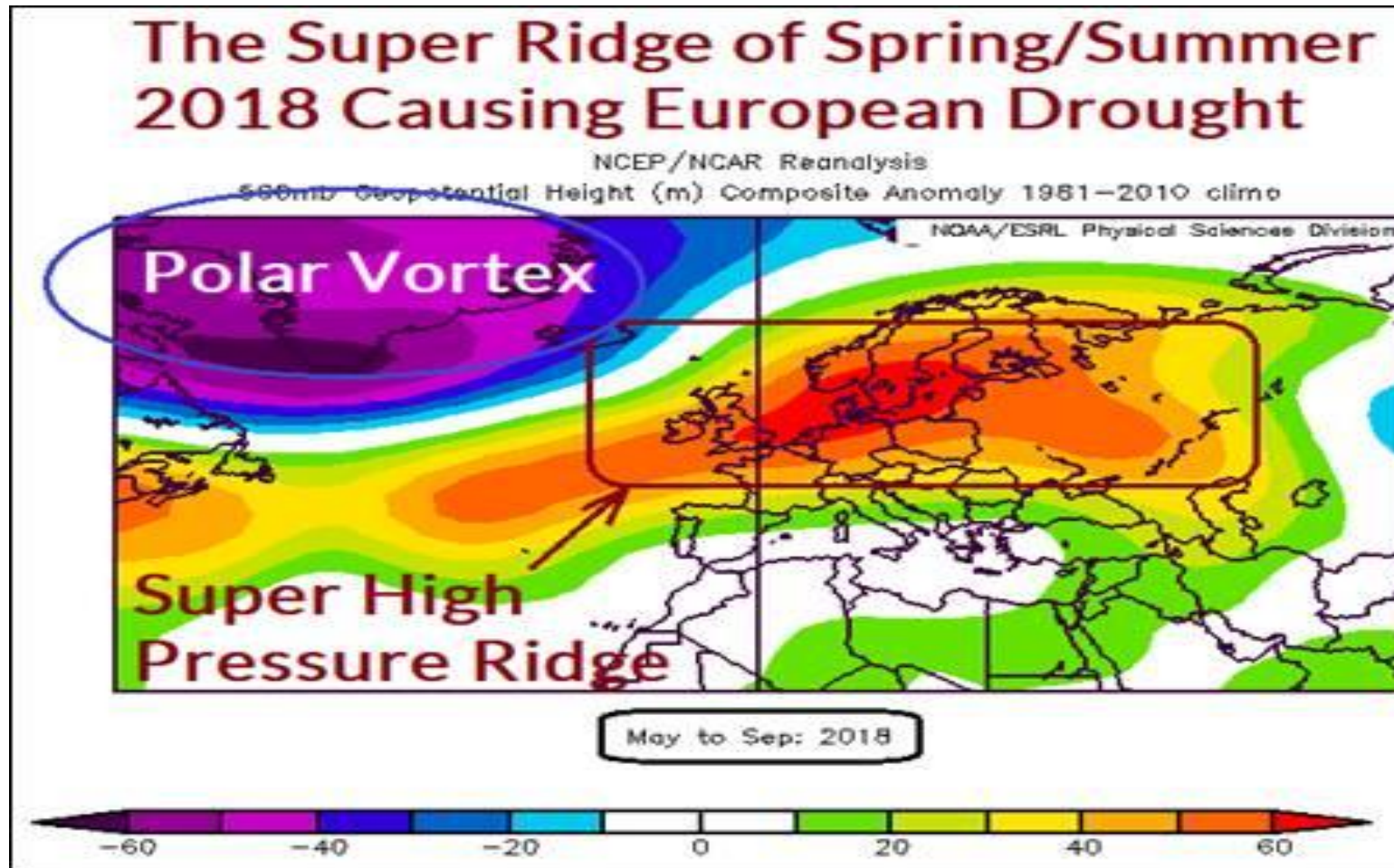
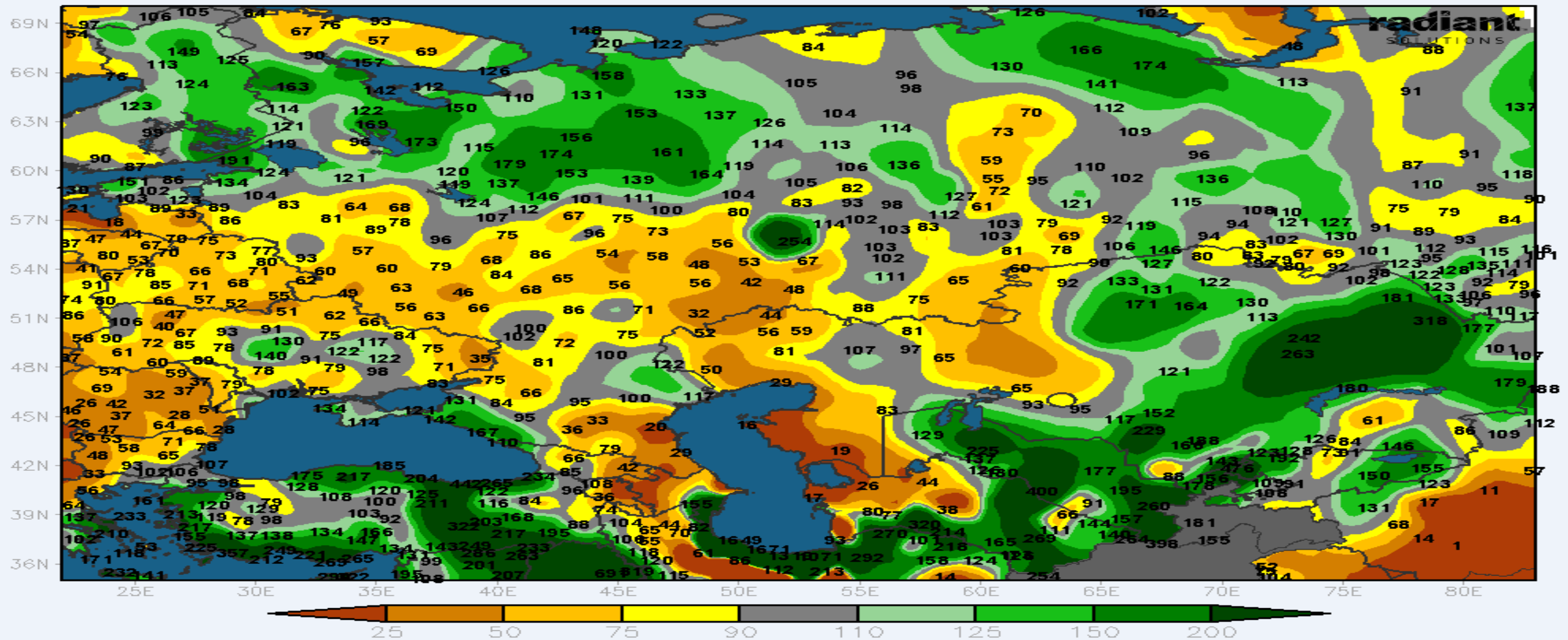


Image: Jones & Bartlett Learning - www.jblearning.com

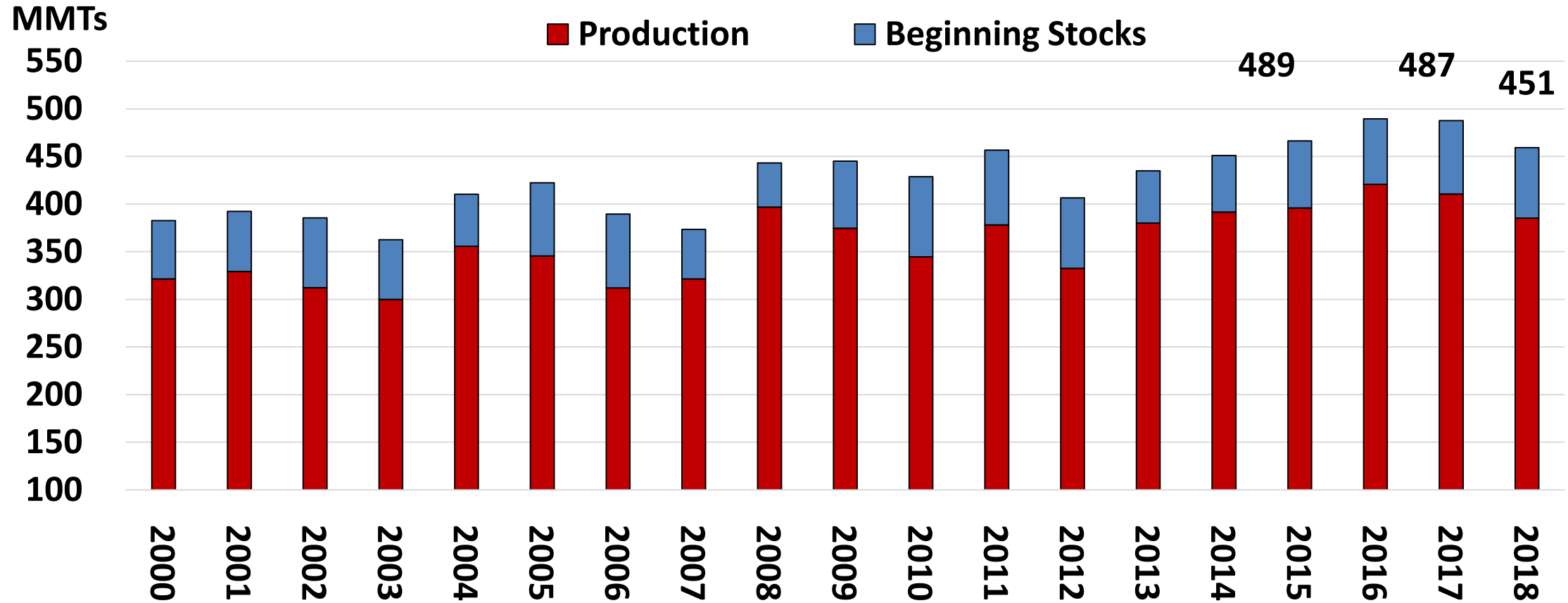
“Stuck” Weather Pattern Produced 2018 EU/ Black Sea Drought!



Sept 1-October 30th Dryness Extends into Central Russia!



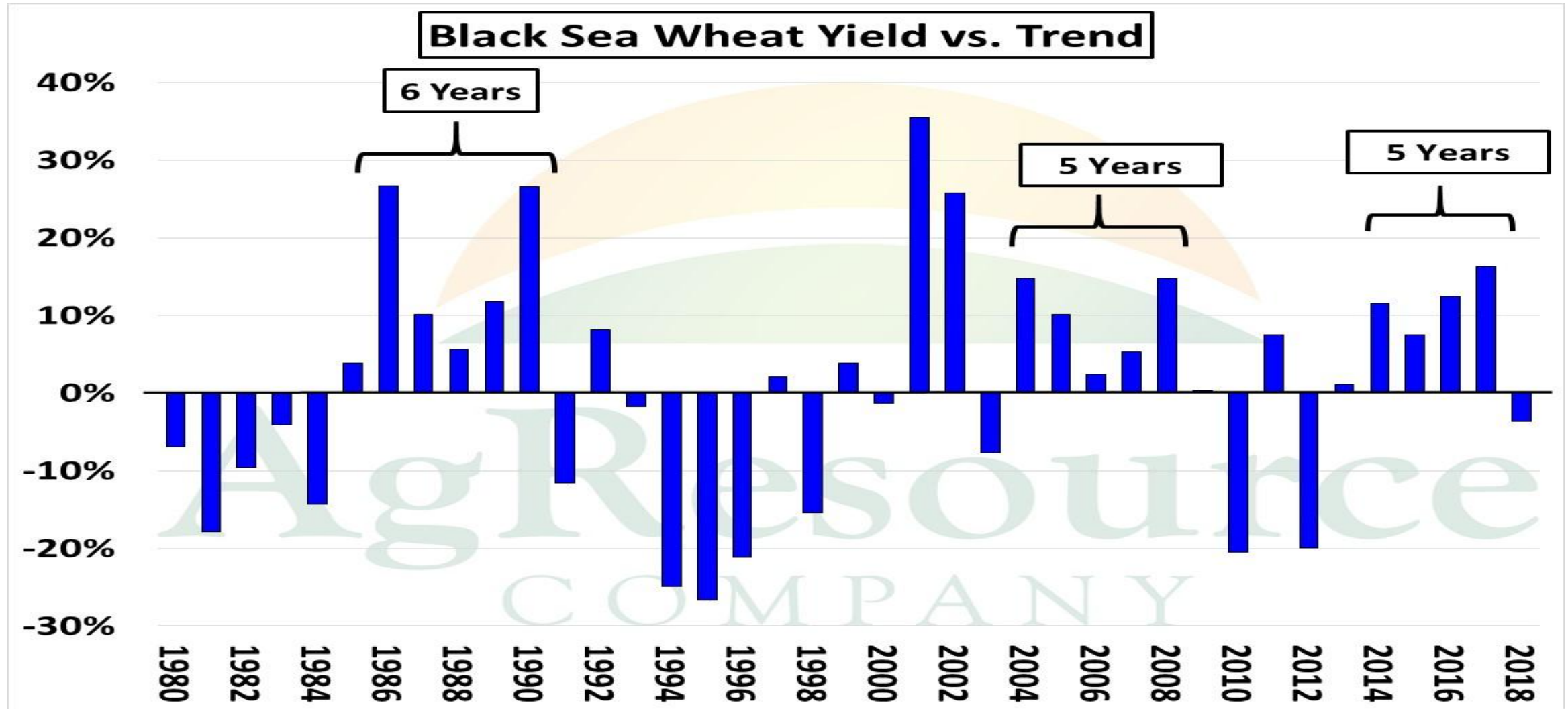
Major World Exporter Wheat Supply Down 36 MMTs in 2018



Major World Wheat Exporter Stock/Use Ratio at Record Low!

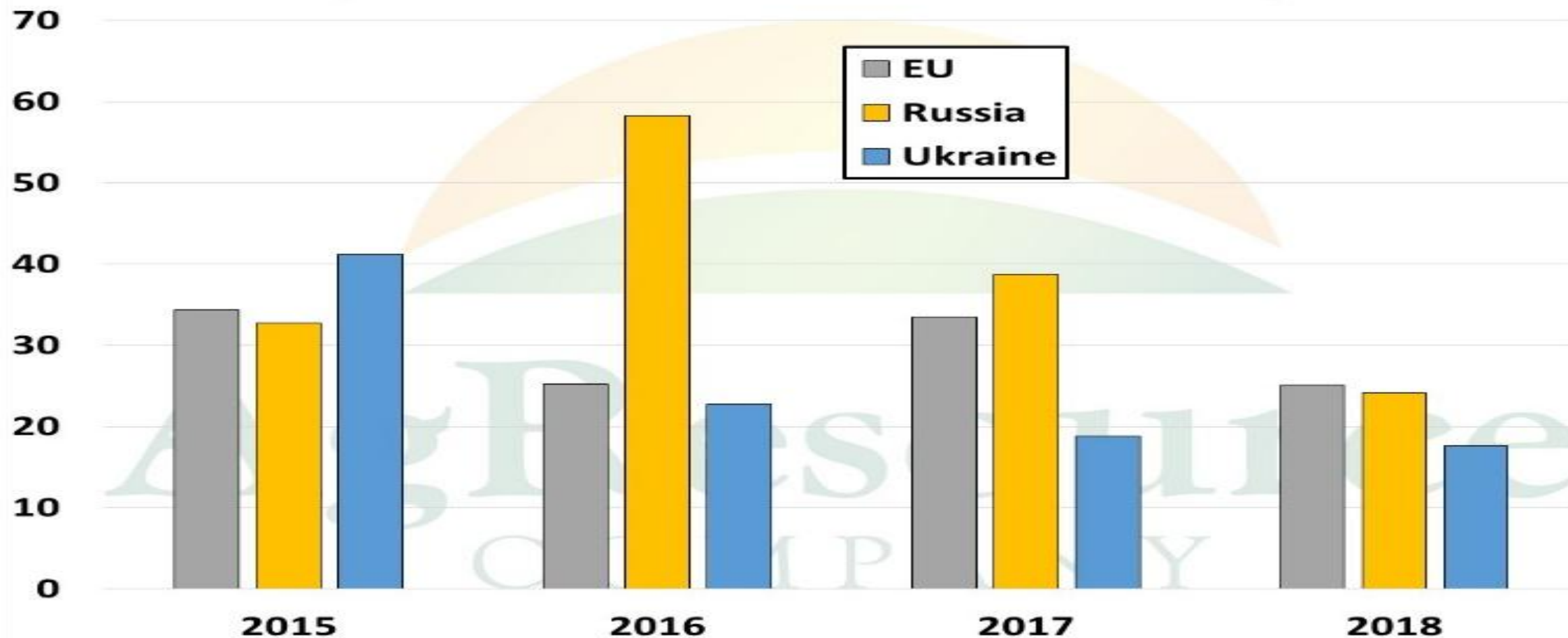


Black Sea Wheat Yield vs Trend – 1st Decline Since 2012

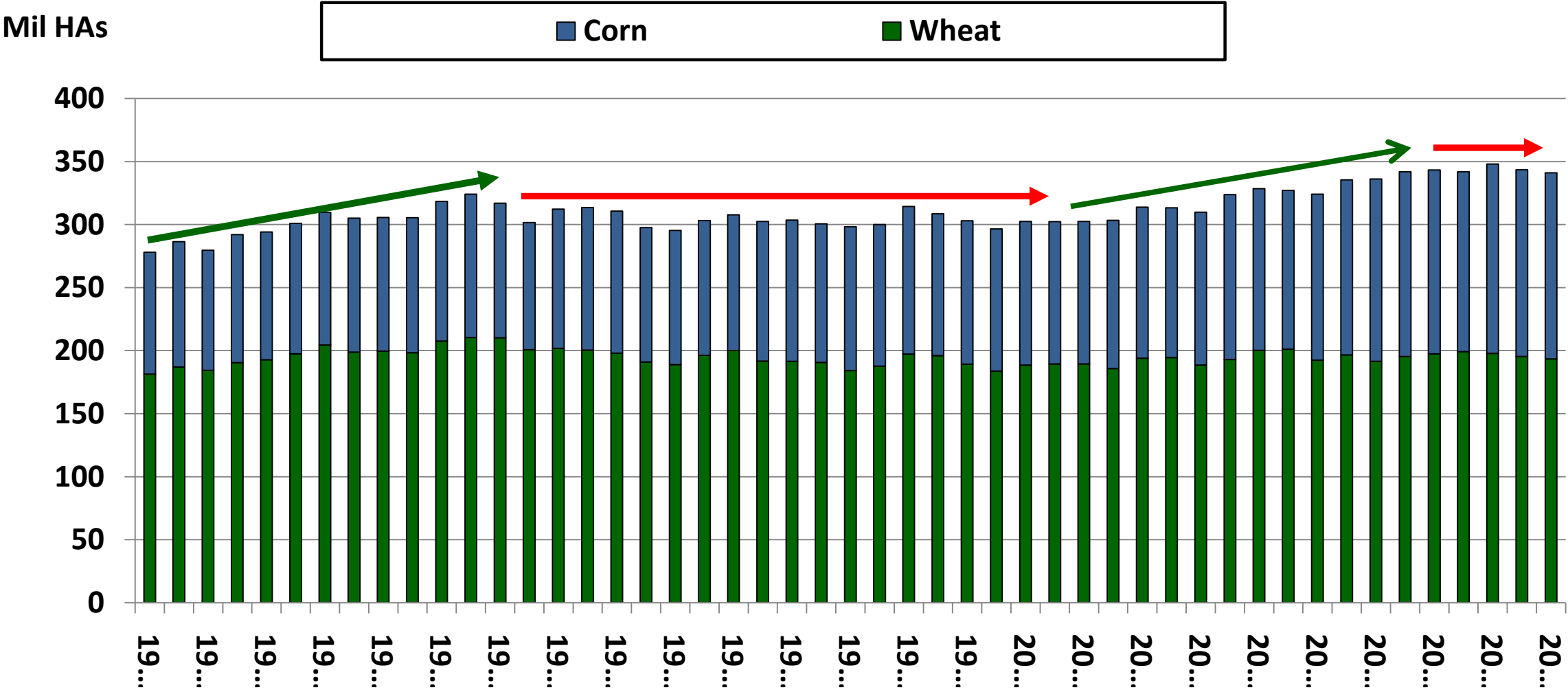


Smallest Wheat Stock/Use In Decades for The Black Sea/EU – Just 22.5 Days!

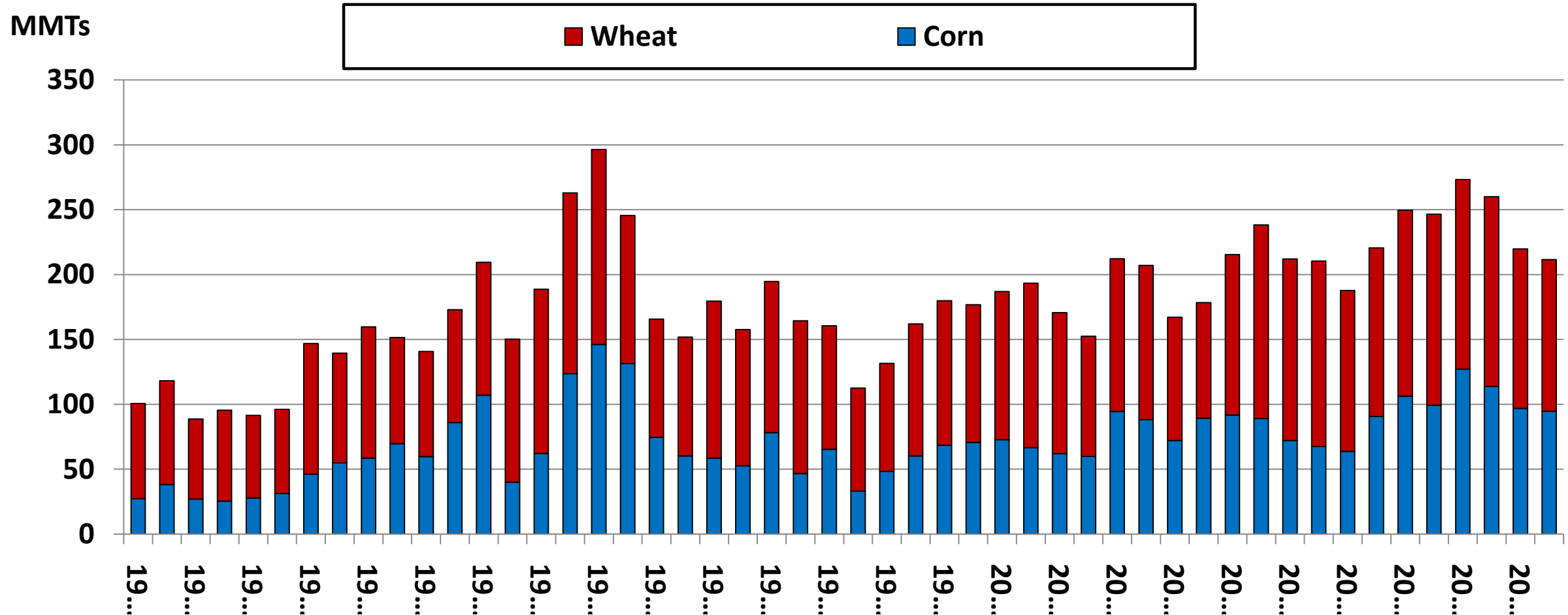
Wheat Stocks Measured in Days of Use



Global Area Harvested Less China; Flattening of Seeding of Major Grains

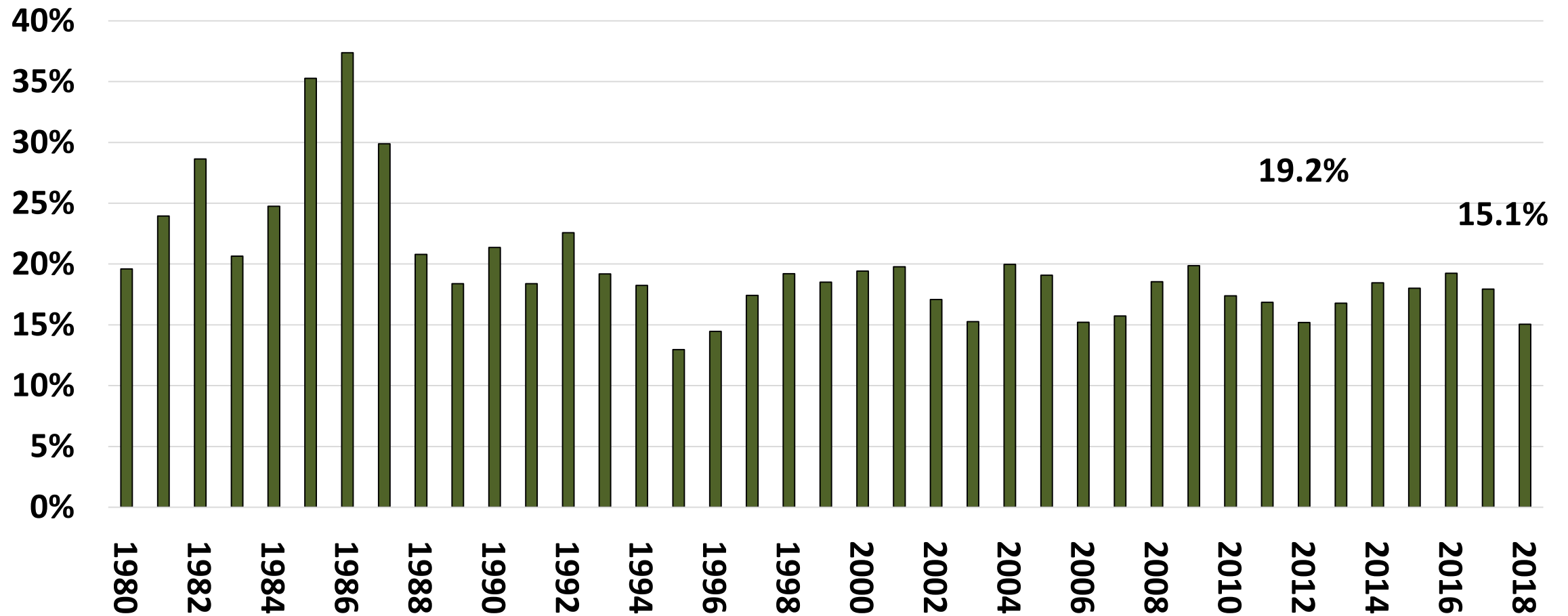


World Grain Stocks (Less China) – Lowest Corn/Wheat Stocks since 2012 at 206 MMTs

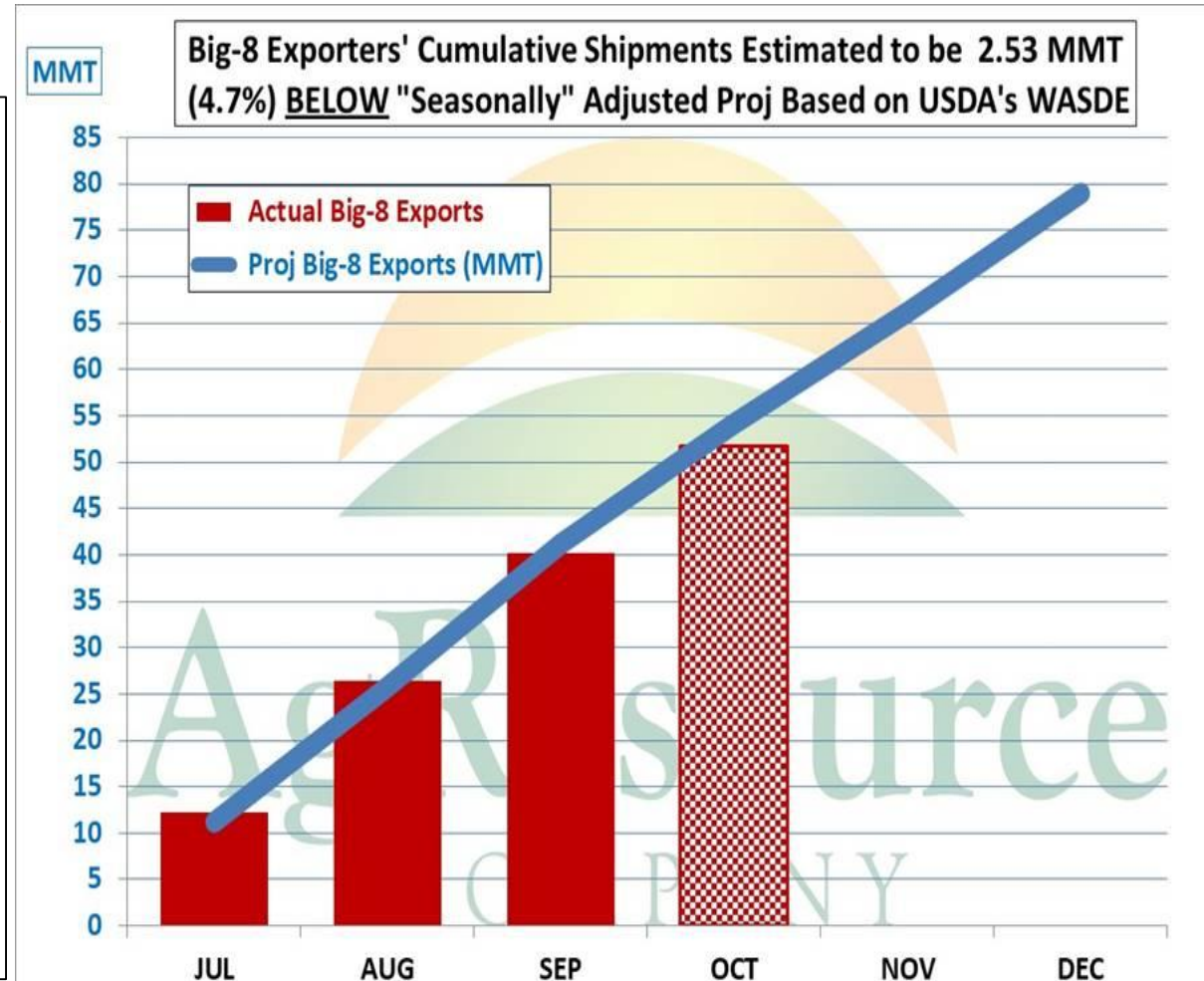
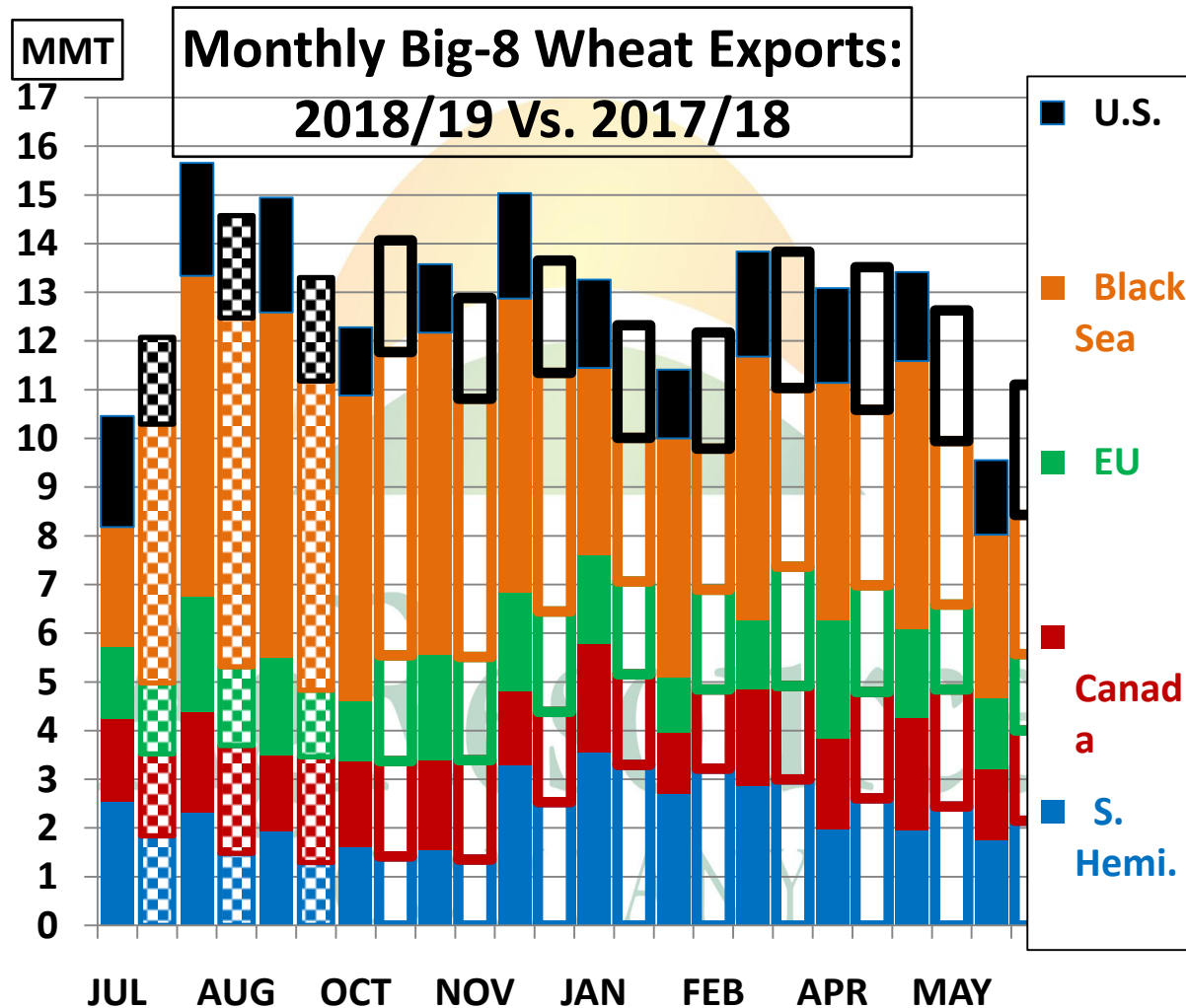


World Wheat & Corn Stock/Use Ratio (less China)

Lowest since 1996



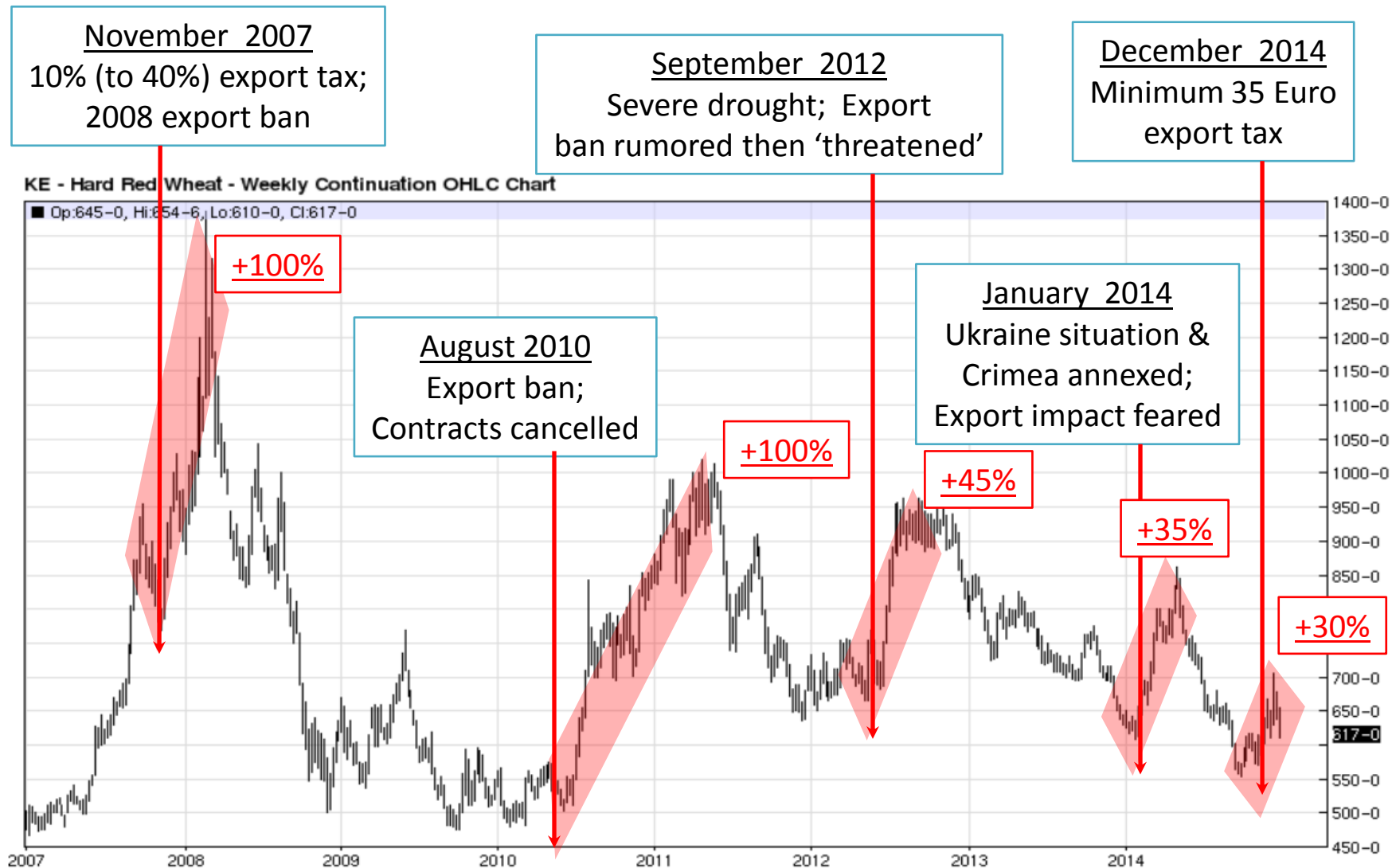
World Wheat Trade Down 4.7% in Q1 – Likely To Recover during Q2 and Q3?



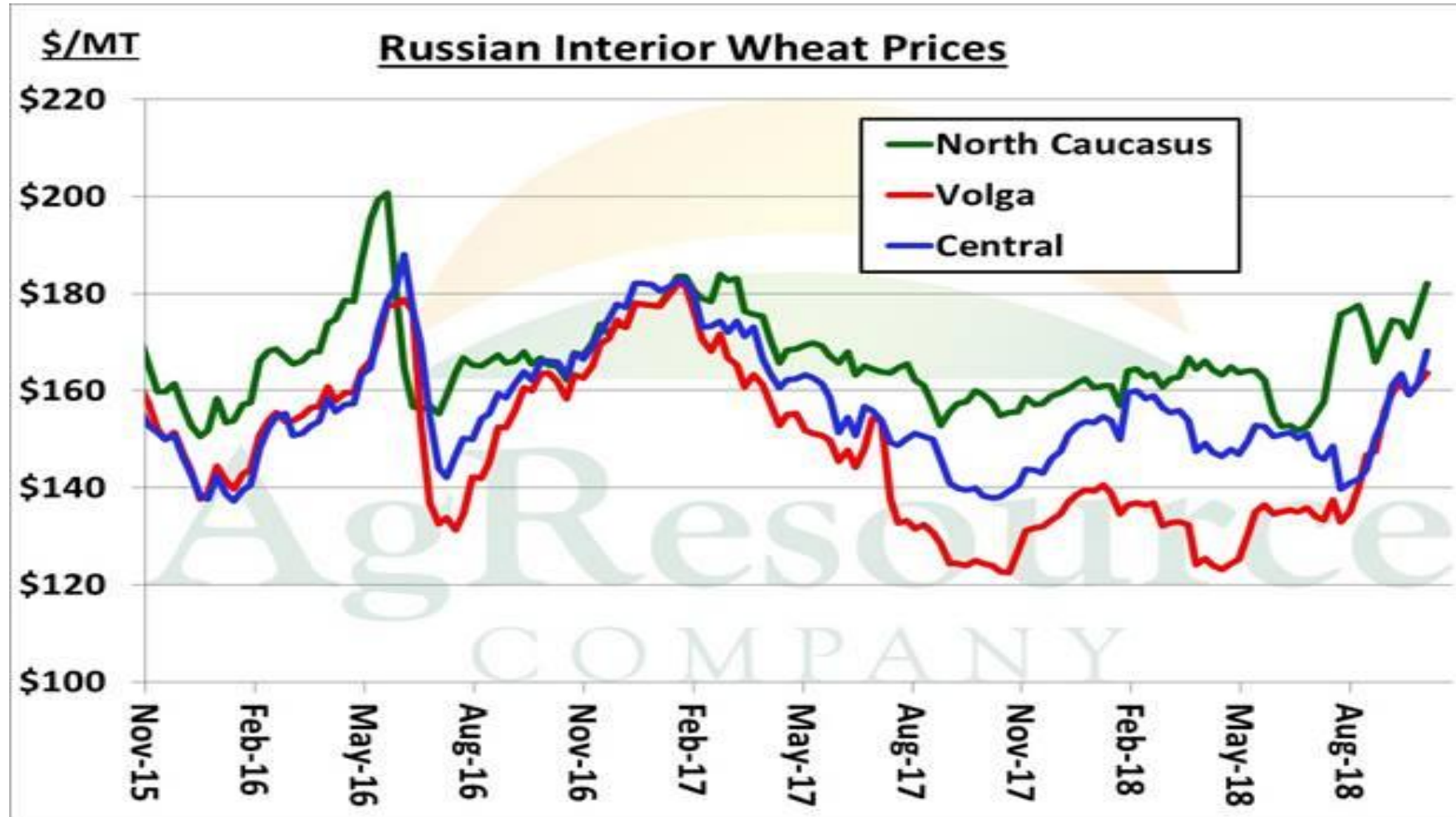
Russia Exporting Wheat at 50 MMTs Annual Pace to Beat Export Restrictions?



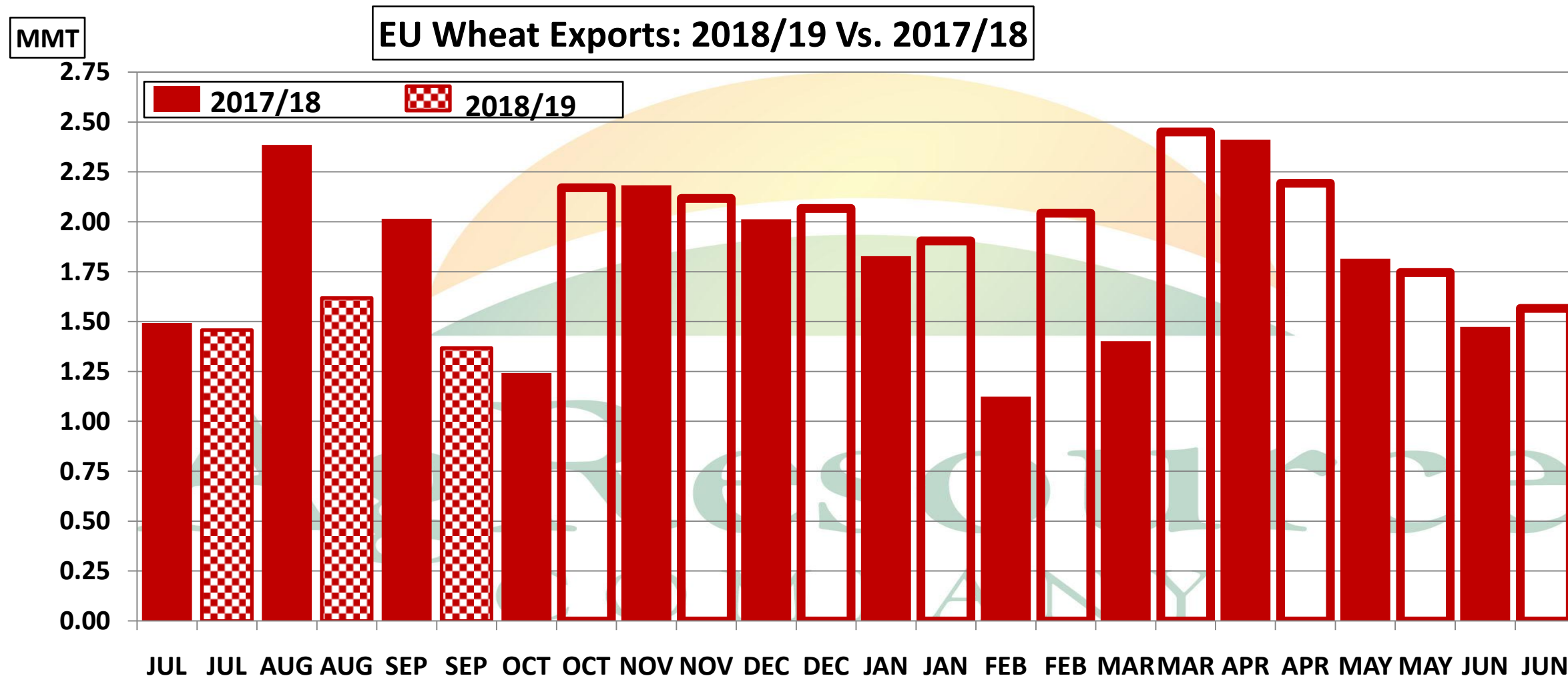
Russian Political Intervention in Market



Russian Interior Wheat Prices Highest in 2 Years as July-October Wheat Exports up 20%!



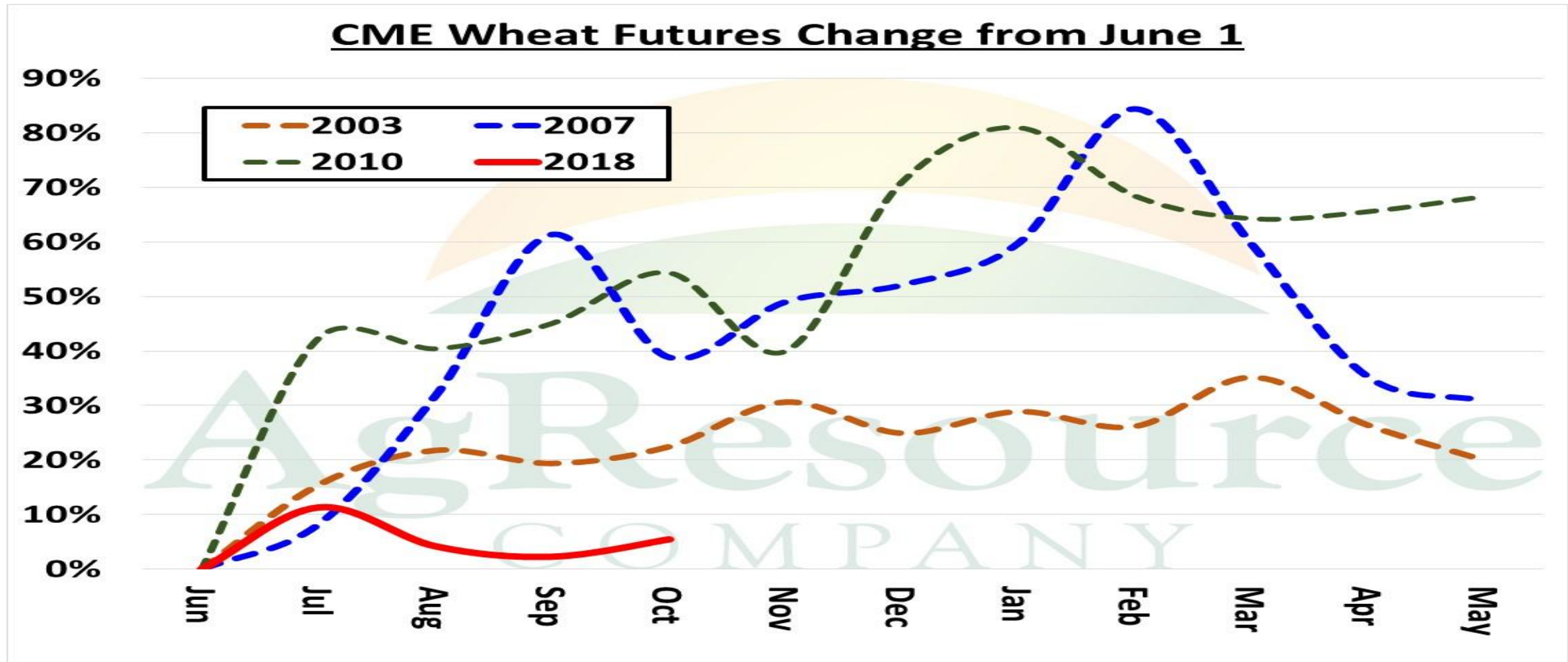
EU Wheat Exports Will Not Reach USDA Forecast of 23 MMTs! Maybe 17-18 MMTs?



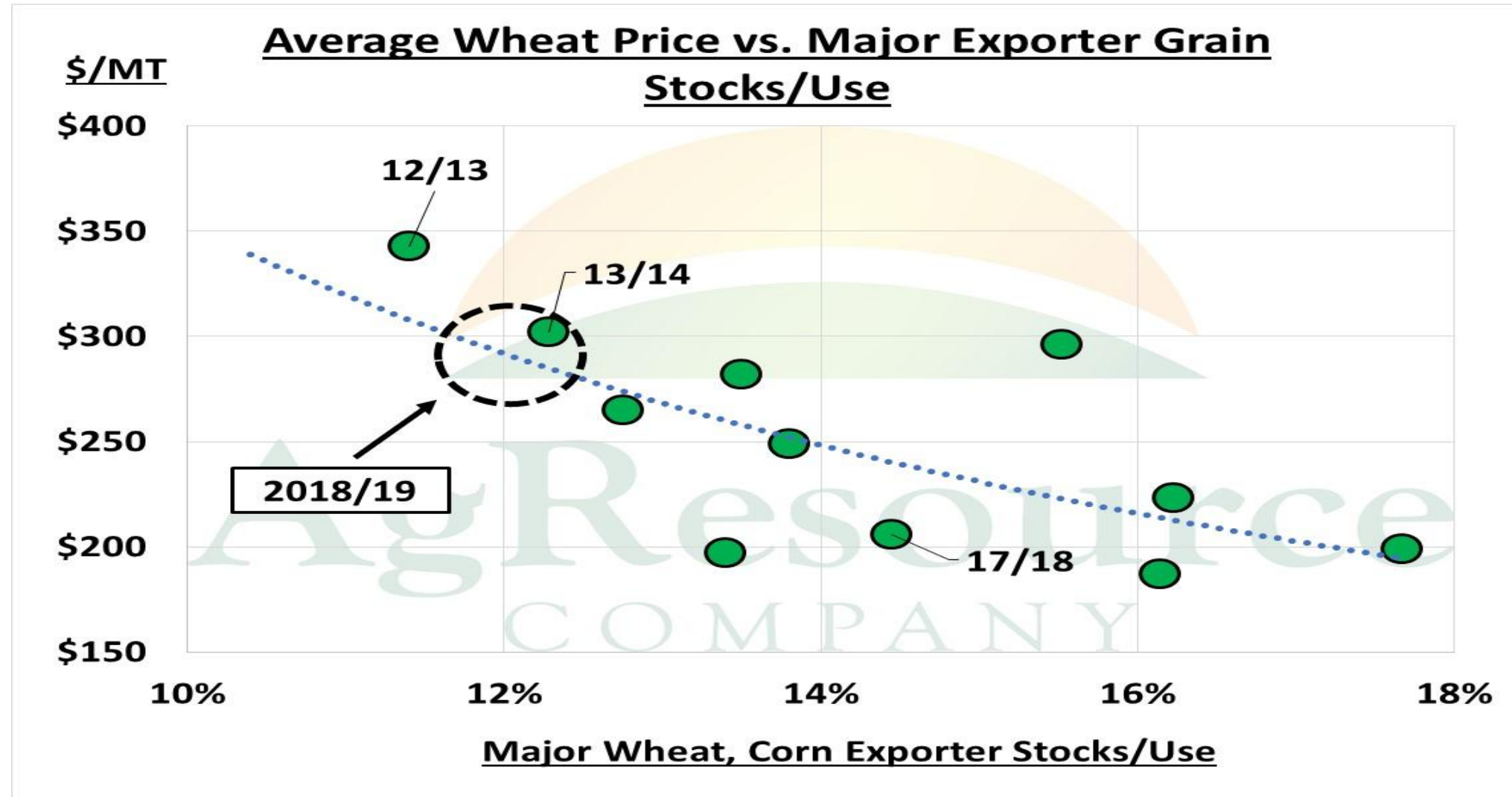
The US Cannot Export 42 MMTs of Wheat – Most in the Last Half of the Crop Year!

| Major World Wheat Exporter Estimates | | | | |
|--------------------------------------|--|---------|--------------|-------------|
| | | 2017/18 | USDA 2018/19 | ARC 2018/19 |
| Australia | | 15 | 13 | 10 |
| Argentina | | 12 | 14.2 | 14 |
| Canada | | 22.1 | 24 | 22.5 |
| EU | | 23.5 | 23 | 18 |
| Russia | | 42 | 35 | 31 |
| Ukraine | | 17.5 | 16.5 | 16.5 |
| Sub Total | | 132.1 | 125.7 | 112 |
| | | | | |
| US | | 24.5 | 27.9 | 42 |
| | | | | |
| 7 Majors | | 156.6 | 155.4 | 154 |

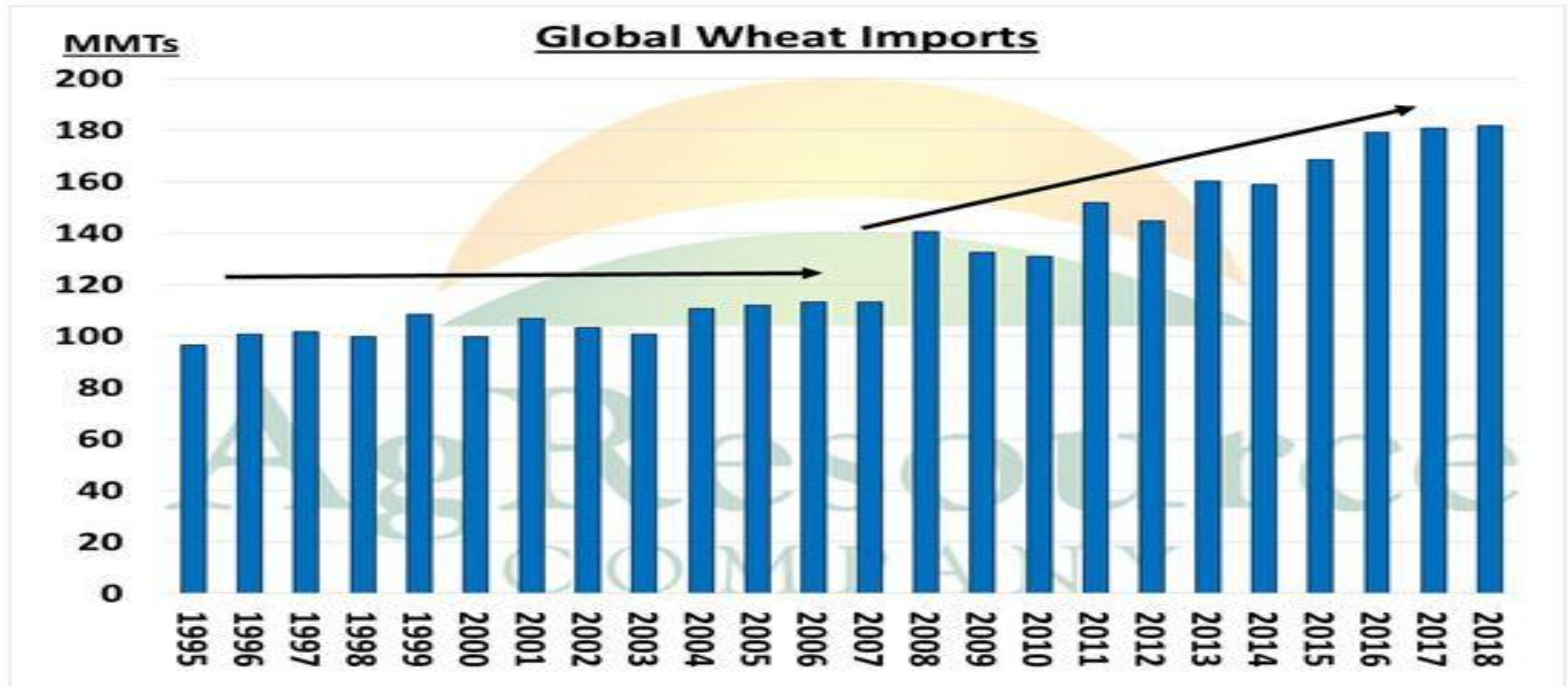
Looking Back at Other Years of Tight World Exporter Supplies of Wheat



Q1 Price highs; Russia, US, French, German 12.5% fob; \$265-290/MT



Nearly 90 MMTs Gain in Global Wheat Imports in Past Decade – Need for Future Large Wheat Crops



World Wheat Exporter Balance Sheet

Mil Hectares, MTs



| | 2016/17 | 2017/18 | 2018/19 | AgResource 2019/20 |
|------------------|---------|---------|---------|--------------------|
| Beg. Stocks | 68.7 | 76.8 | 76.7 | 56.4 |
| Harvested | 122.3 | 118.9 | 117.2 | 121.1 |
| Yield | 3.44 | 3.45 | 3.26 | 3.42 |
| Production | 420.6 | 410.6 | 382.6 | 414.2 |
| Imports | 18.5 | 19.0 | 19.0 | 19.2 |
| Total Supply | 505.8 | 506.3 | 478.3 | 489.9 |
| Feed | 97.9 | 99.1 | 93.0 | 95.5 |
| Food/Seed/Indus. | 164.1 | 165.4 | 165.0 | 165.8 |
| Exports | 167.1 | 165.1 | 163.9 | 168.1 |
| Total Demand | 429.0 | 429.6 | 421.9 | 429.4 |
| End Stocks | 76.8 | 76.7 | 56.4 | 60.5 |

It's not enough to know the news.
You need to trust the analysis.

Thank You