

ICS Conference – Grain Update

November 2023



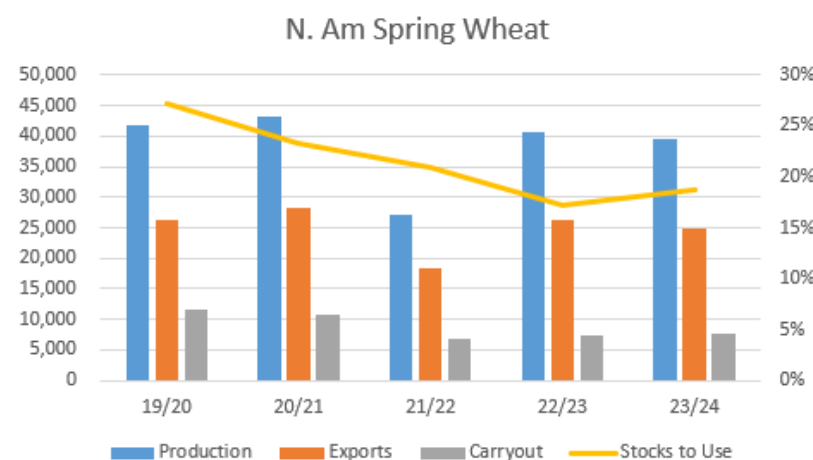
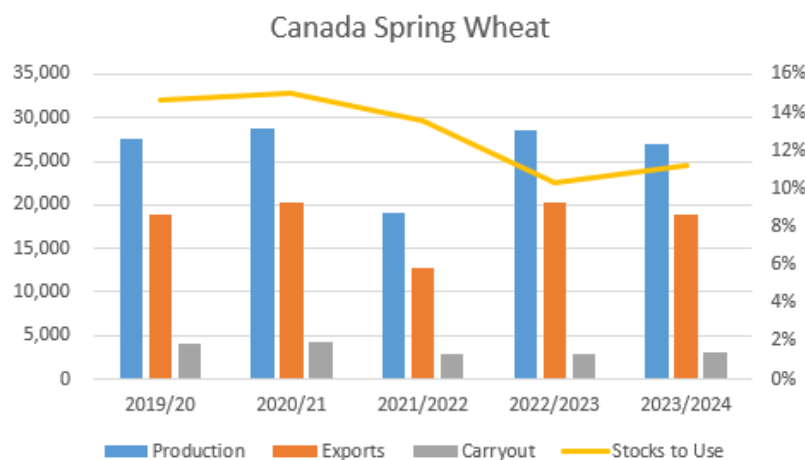
GrainsConnect
CANADA



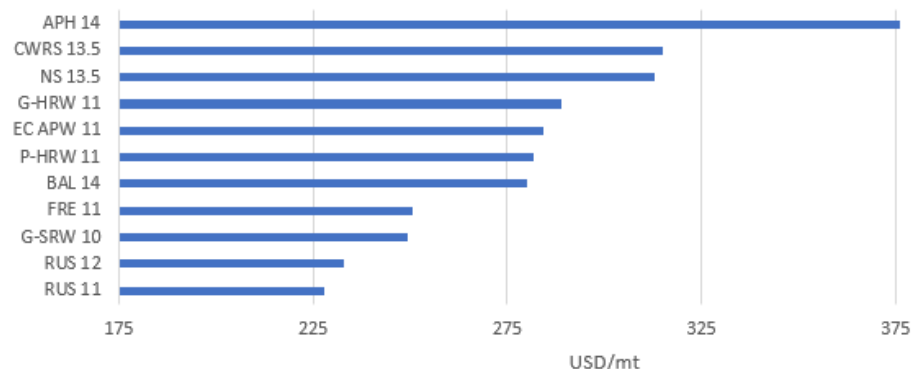
N. American Spring Wheat Supply

Key Points

- Canadian wheat production below 5-year avg. US spring wheat slightly above
- Not much to see here – a good thing. Stability is nice
- Canadian wheat high priced globally, but demand for quality is healthy. Wheat exports good especially for the price



World Wheat FOB Price Comparison



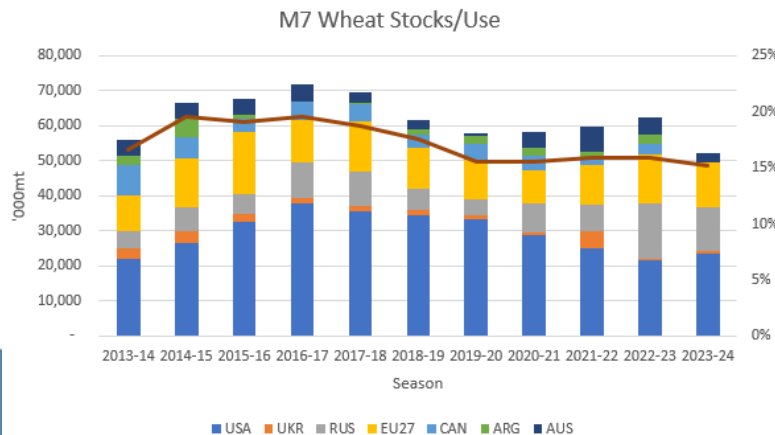
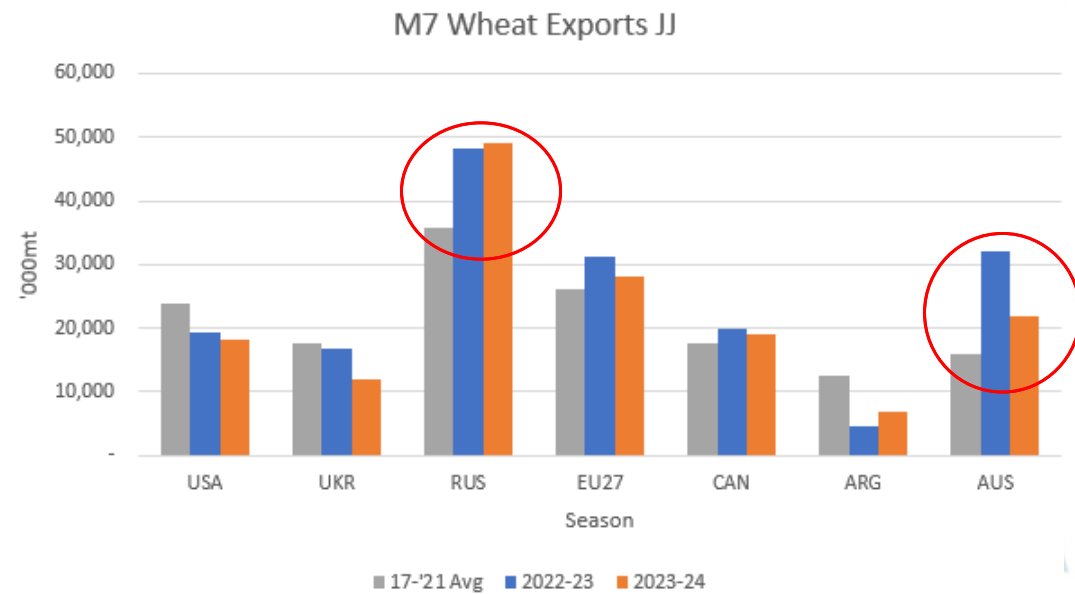
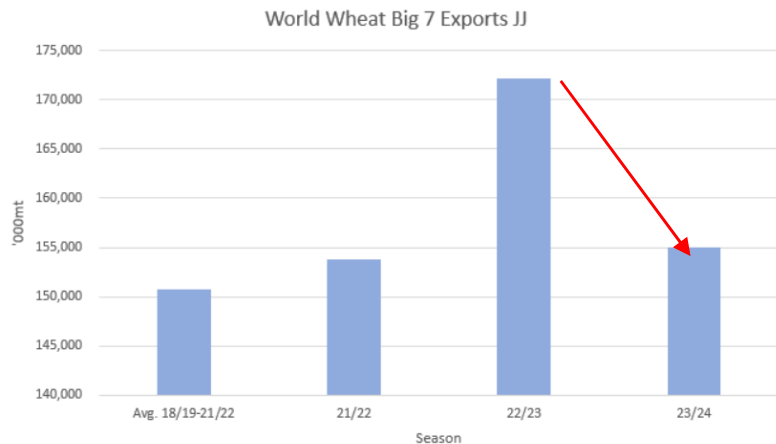
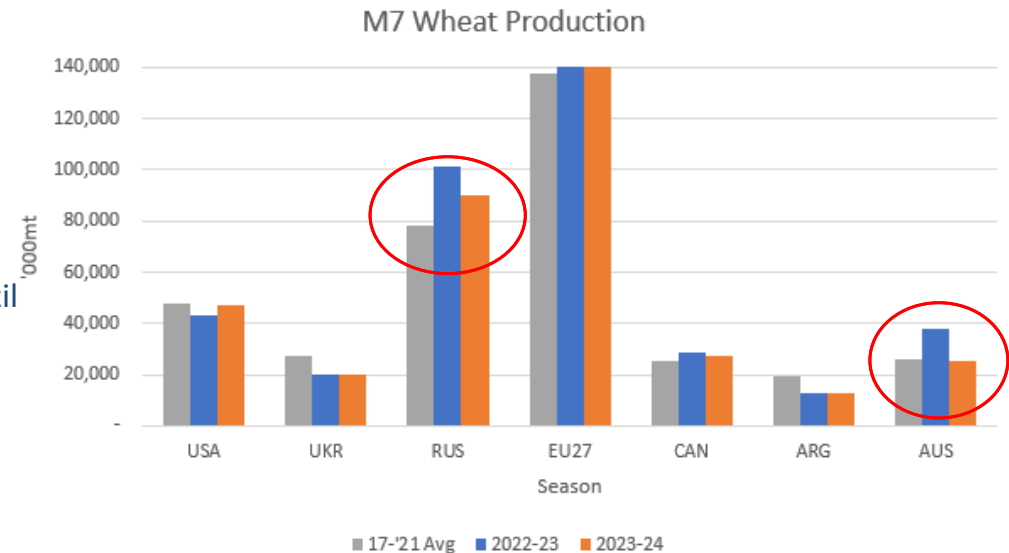
Source: Statscan, GCC



Global Wheat Supply – No problem for now

Key Points

- Strong Rus. Production, lower Aus. closer to normal
- Rus. carryout prolongs exports for 23/24, Aus. Exports curtail
- Russia remains a very dominant price setter for the world
- World wheat demand expected 15-20Mmt lower
- Difference TBD Feb-Jun as wheat competes w. corn, all subject to Brazil moisture DJF/MAM but with US buffered balance sheet.
- With lower demand, wheat stocks tighter, cannot afford corn feeding



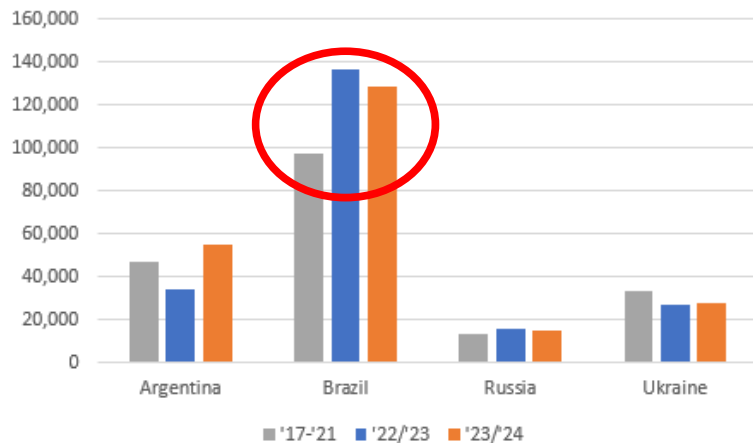
Source: USDA, D-Next, GCC

Global Corn Supply – Focus on S. Am

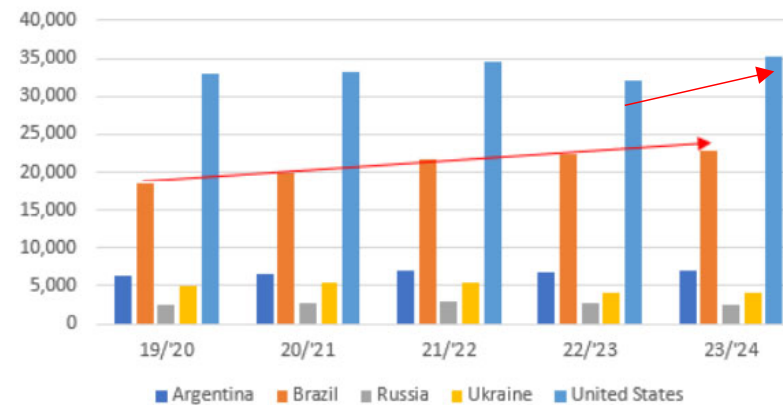
Key Points

- Large Brazil 22/23 production, 23/24 1st corn crop 40% planted. Growing trend in Brazil acres ~23% over 5 years
- 22/23 US corn acres insufficient to build global supplies despite large Brazil crop.
- 23/24 US corn acres up 10%, similar yield YOY. Combination Brazil + US production growing world supply
- World wheat-corn spread at/below zero in 22/23, supported wheat feeding. Now wider for 23/24, Brazil moisture to guide it.

ROW Corn Production



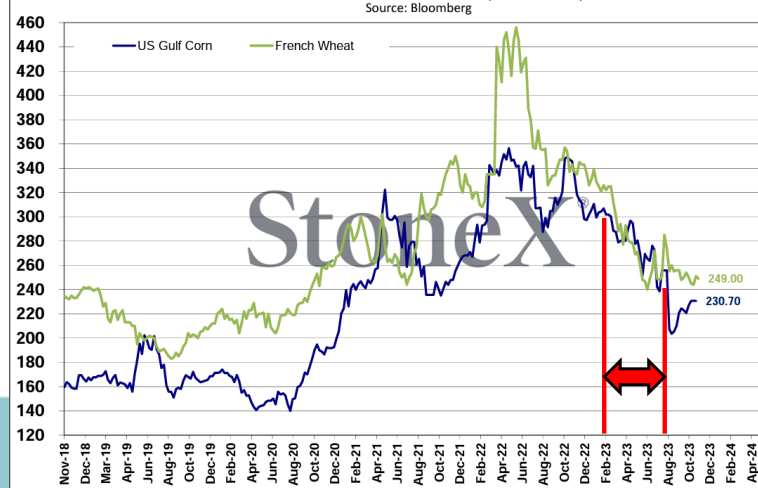
Big 5 Corn Area (Ha)



US + Big 5 Corn Production



Corn/Wheat FOB Prices (USD/MT)



Source: USDA

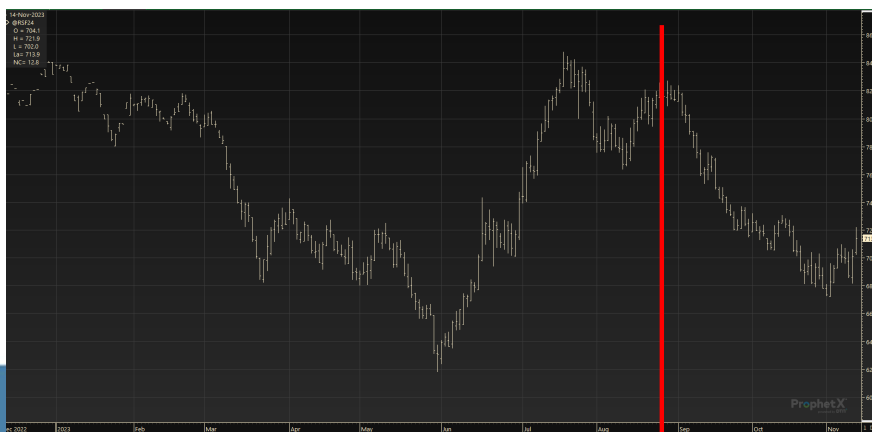
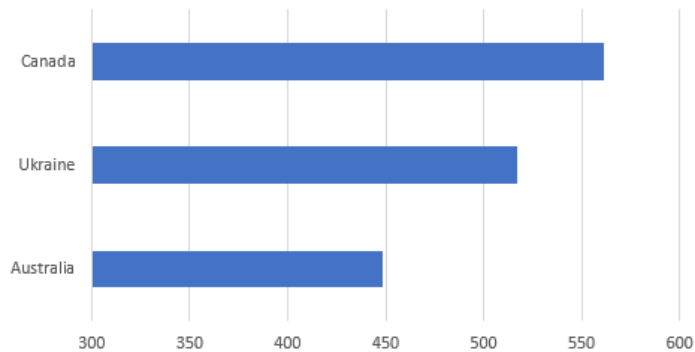


Global Canola Supply – Canada not priced for export

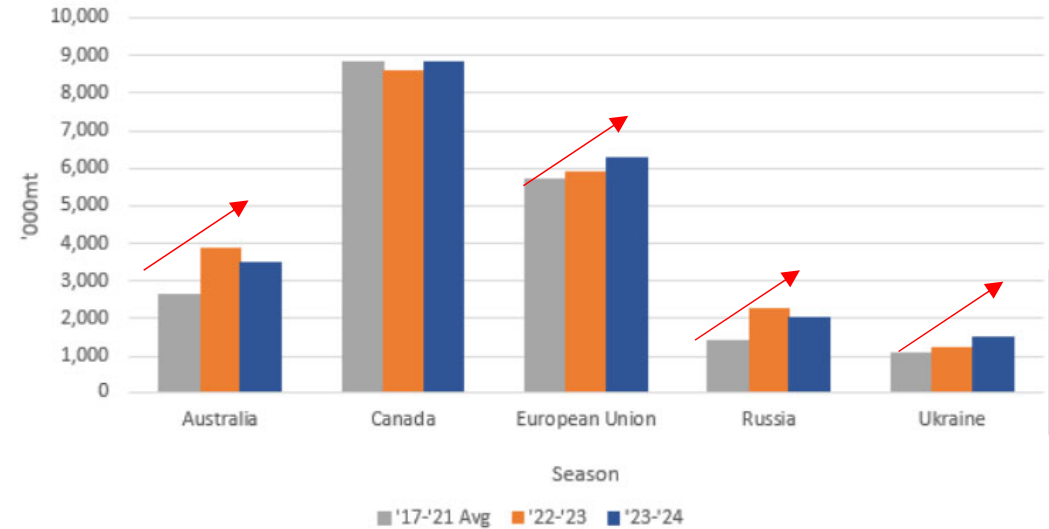
Key Points

- Non-Canada area up 2.5Mac past 5 years (23%... >5Mmt equiv)
- Canada canola 80-100 CAD/mt more expensive than Aus/Ukr
- Any non-Canadian specific demand dominated with surplus
- Canadian specific demand lacking – only China and crush margins compete with soybeans.
- Canada canola not finding demand, at risk of staying in farmers bins with real exports potentially 2-3Mmt vs the surplus 7-8M

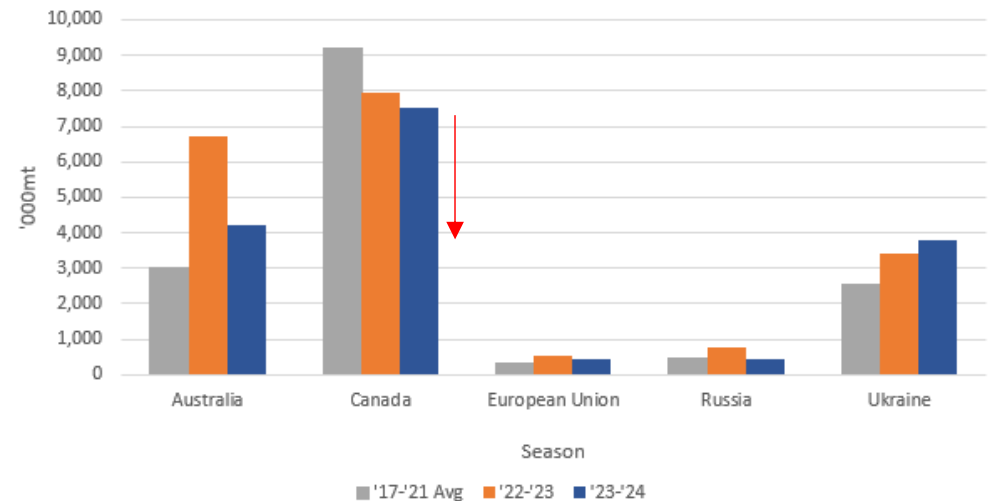
FOB Price Comparison USD/mt



M5 Canola Area



M5 Canola Exports JJ

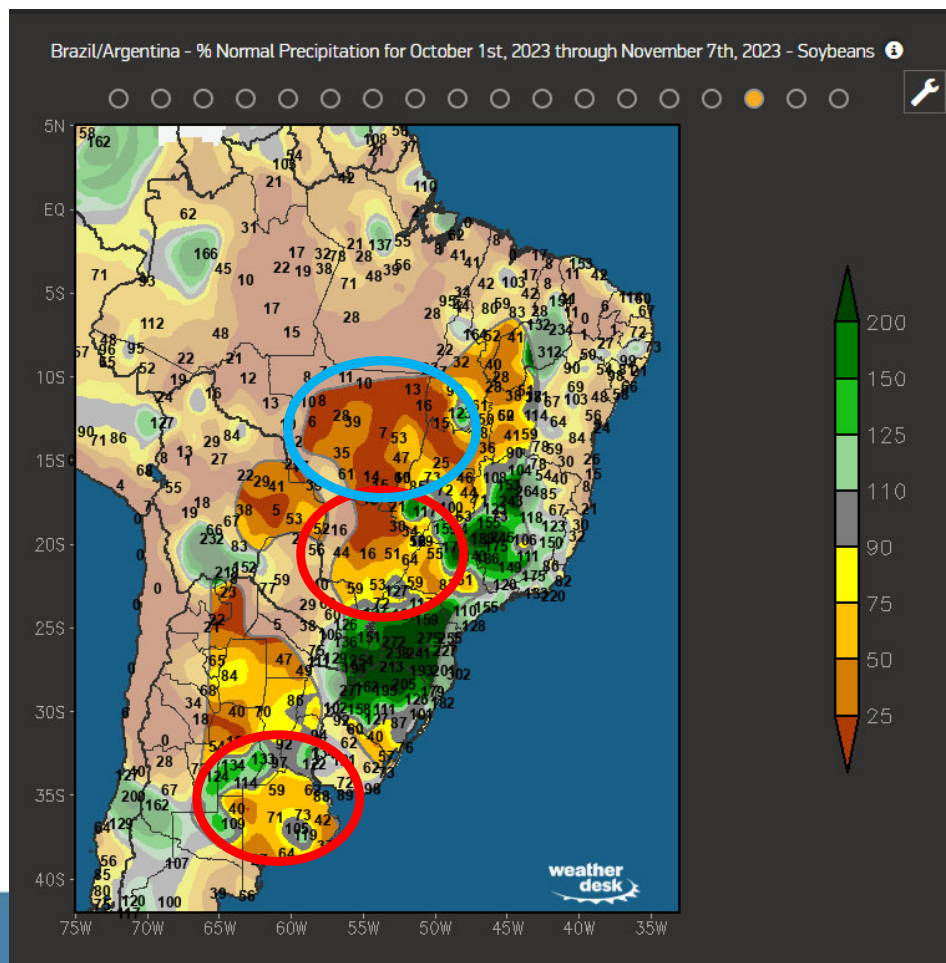


Source: USDA, D-Next, GCC

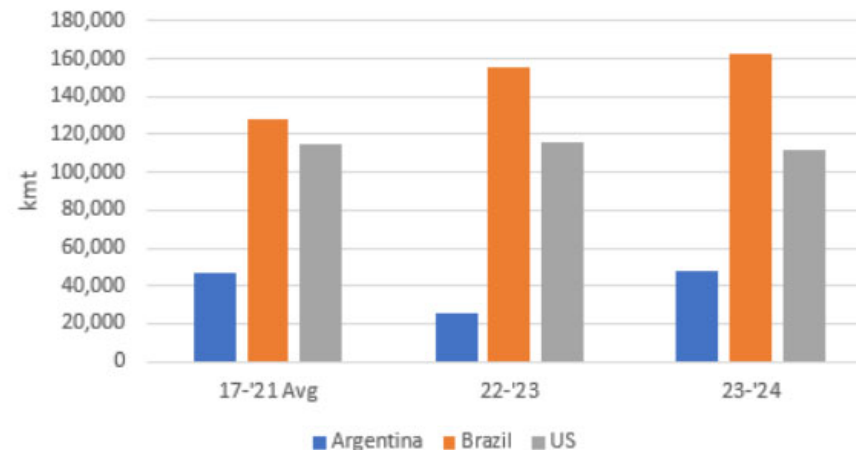
Brazil Area + Global Soybean Supply

Key Points

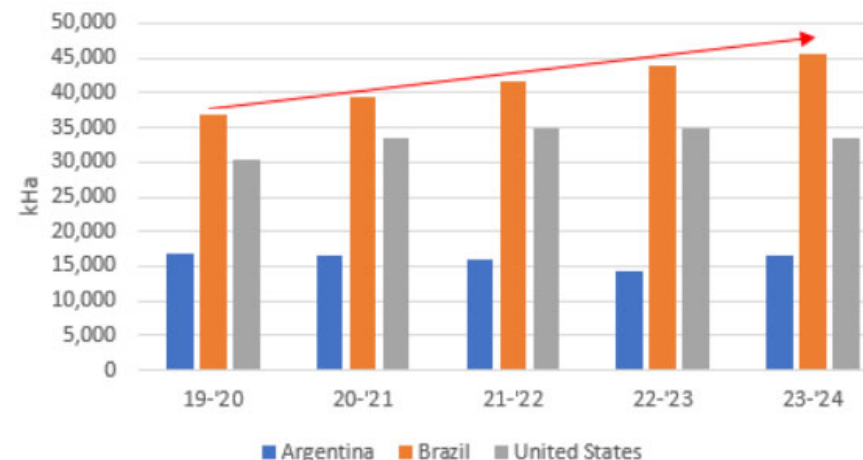
- Brazil planted area expansion continues, 23% over 5 years
- Like corn, Brazil 22/23 saved average US and poor Arg. production. 23/24 Brazil crop 40% planted
- Argentina poor production LY, large net importer to supply crush. 23/24 depends on DJF moisture.
- Major focus circles: 1st crop red, 2nd crop blue



Big 3 Soybean Producers



Big 3 Soybean Area (Ha)



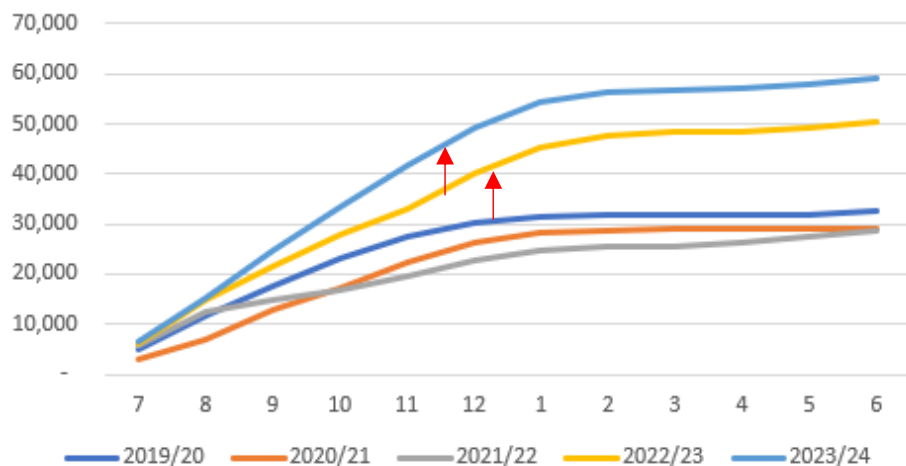
Source: USDA

Export Capacity – Brazil impacting PNW/West Coast

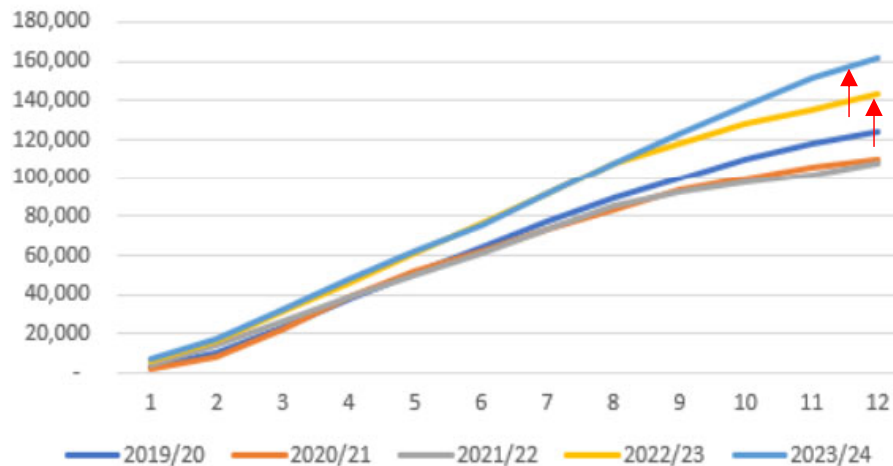
Key Points

- Expanding Brazil export capacity Jul-Dec, growing Corn+Bean exports surplus, now competing with US Oct-Mar
- PNW export pace lacking, demand for rail logistics worse than 2021/COVID slowdown year
- 2nd market BNSF premiums very weak. Additionally seeing PNW terminals granted rebates of 15-20 USD/mt!

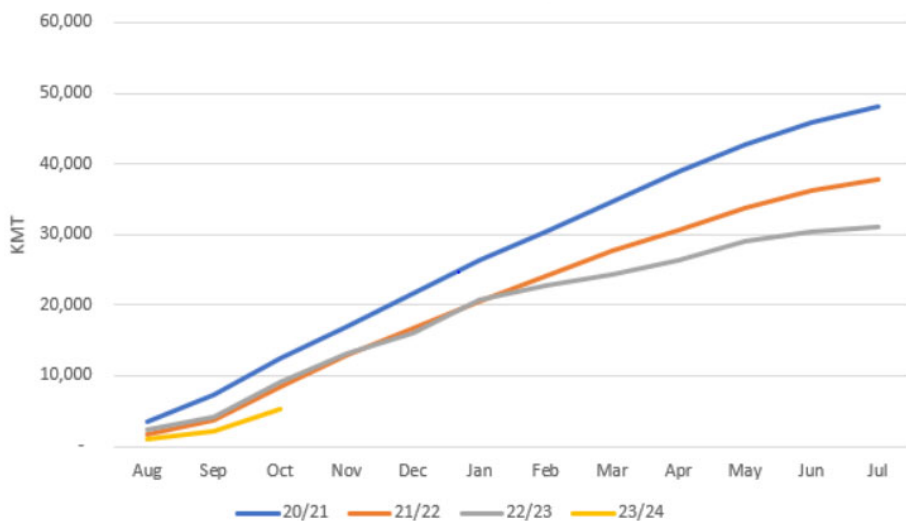
Brazil Corn Exports



Brazil Corn+Bean Exports

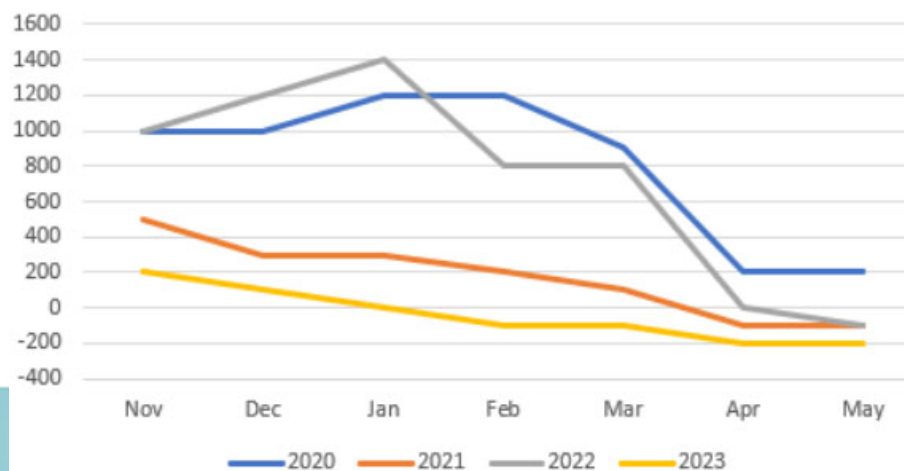


US PNW All Grain Exports



Source: D-Next, Lineups, GCC

BNSF Rail Premium * Nov. Comparison

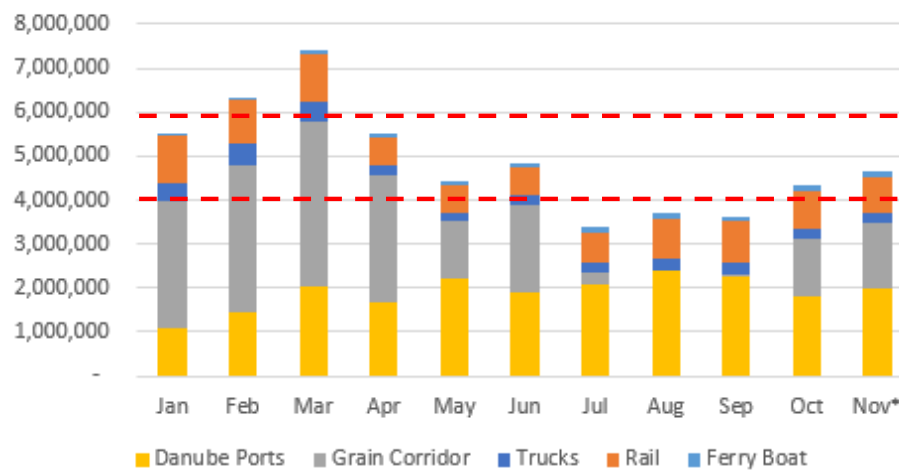


Export Capacity - Ukraine Timing

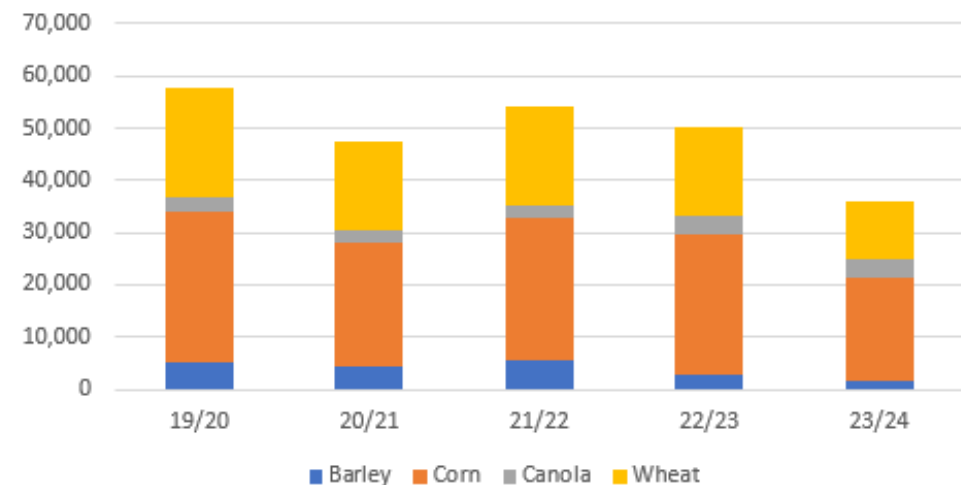
Key Points

- Developing multiple channels to market, ultra cheap interior prices desperate for access
- Trans-continental complications with cheap grain impacting EU farmers
- Ukraine 23/24 export surplus all grains 35-40Mmt. 4-6Mmt per month export capacity = 45-60Mmt
- Ukraine can clear its production, question all about timing, risk premium and safety.
- Insurance costs upwards of 150 USD/mt for Black Sea vessels
- Less production, less surplus to move. Yet low interior prices to buy demand for high-risk movement

Ukraine Grain Exports 2023



Ukraine All grain Exports



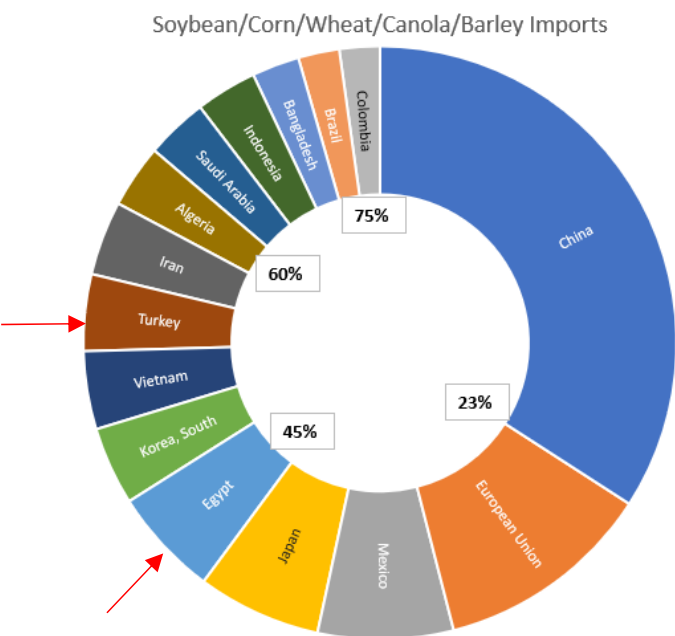
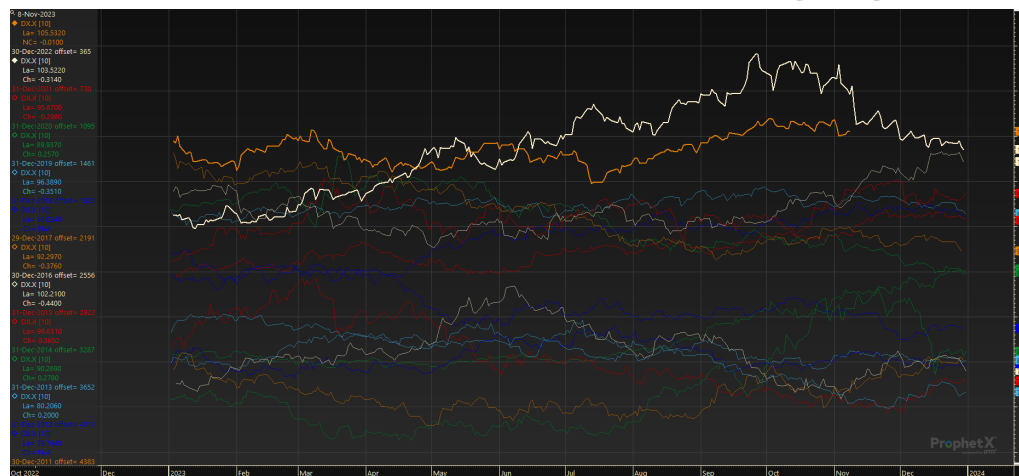
Source: USDA, BSG

Macro Indicators – Strong DX

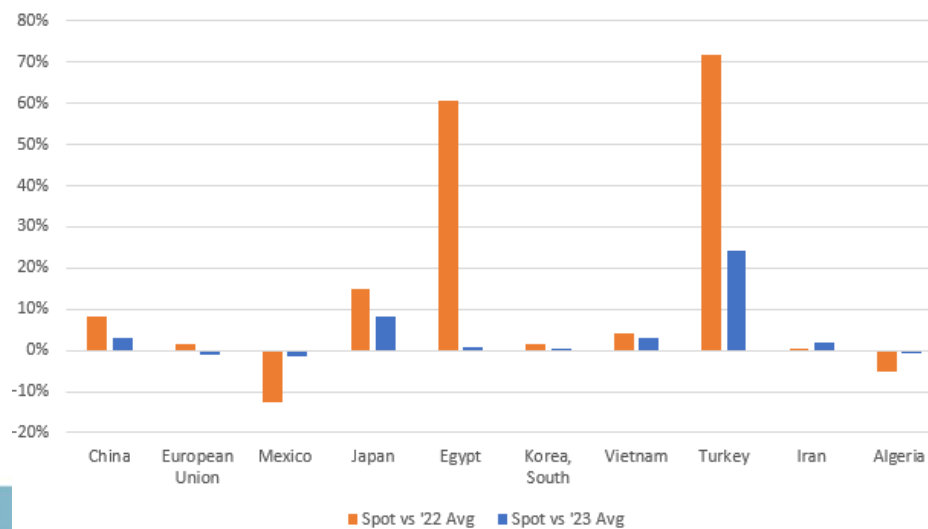
Key Points

- DX at 20-year highs
- Egypt and Turkey the worst performers currencies of top 10 agri-importers. China & Japan also devaluing
- Enough to slow demand?

2006-2023 USD Index: 2022/2023 highlighted



USD Cross

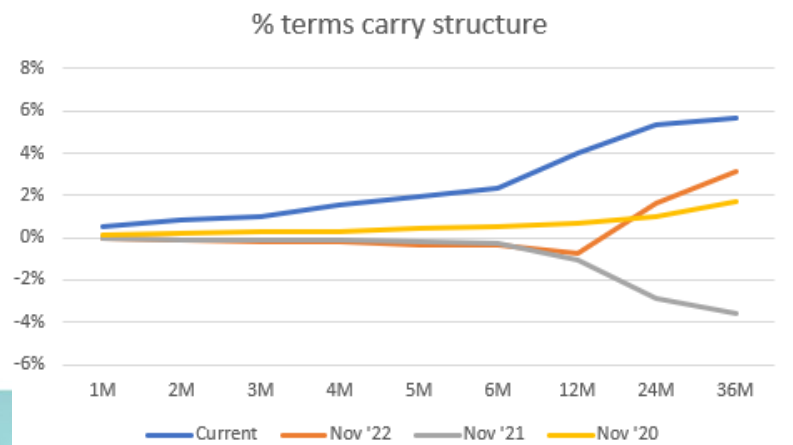
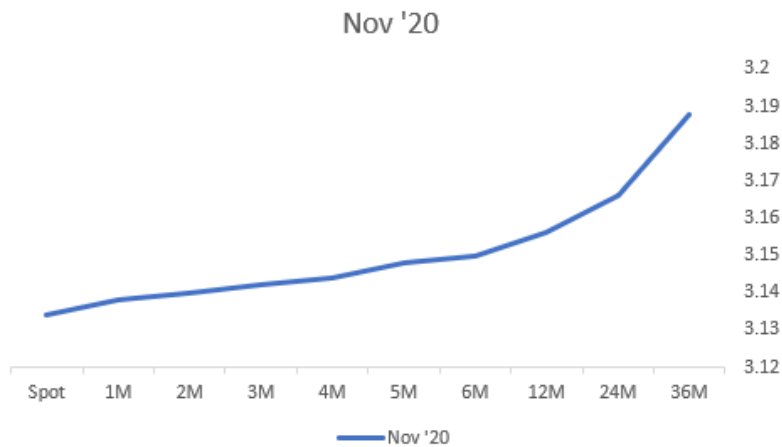
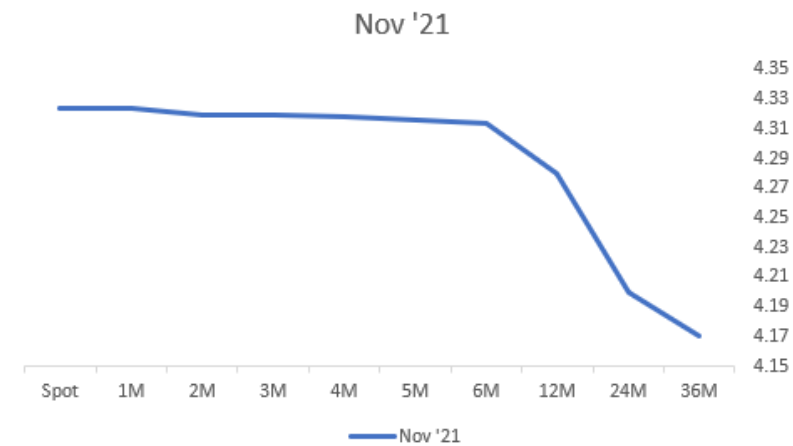
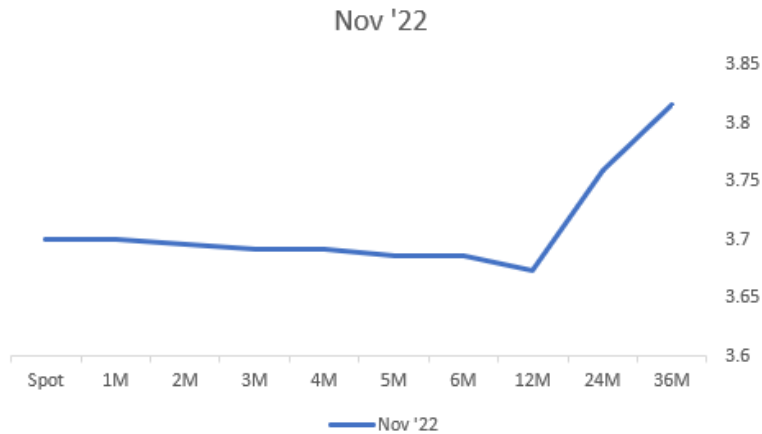
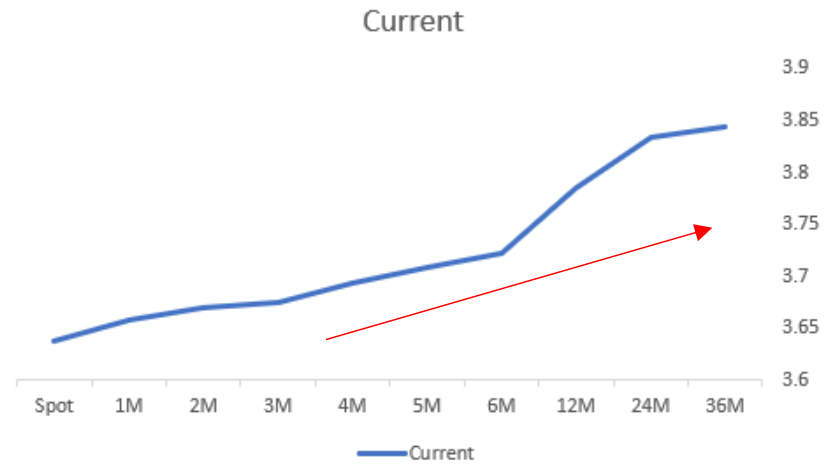


Source: USDA, DTN

Macro Indicators – Copper

Key Points

- Copper historical leading indicator for industrial demand
- Market in strong carry
- In % terms far stronger than during COVID
- Points to slowing of economy



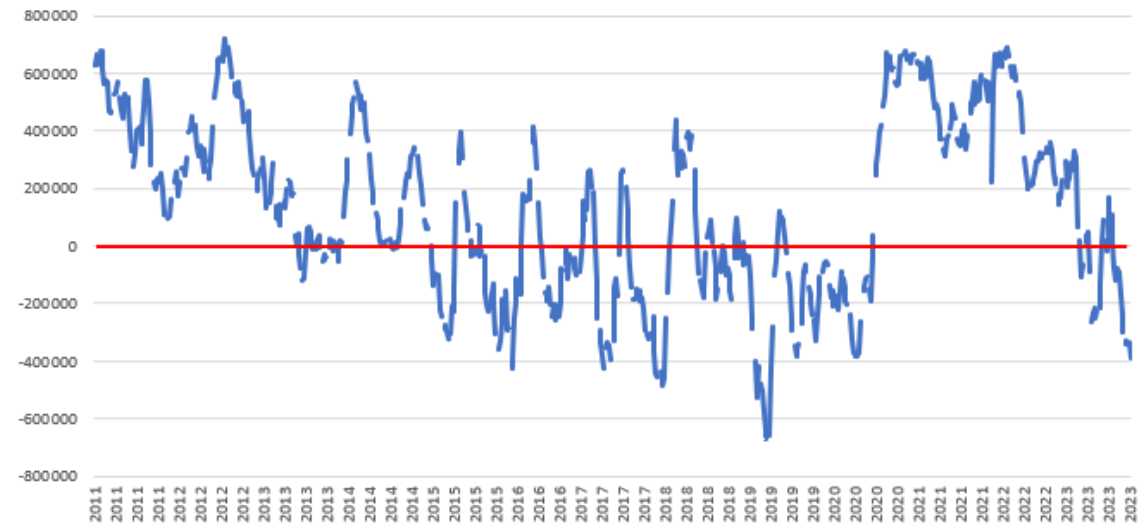
Source: DTN

Managed Money – Net Short.. very

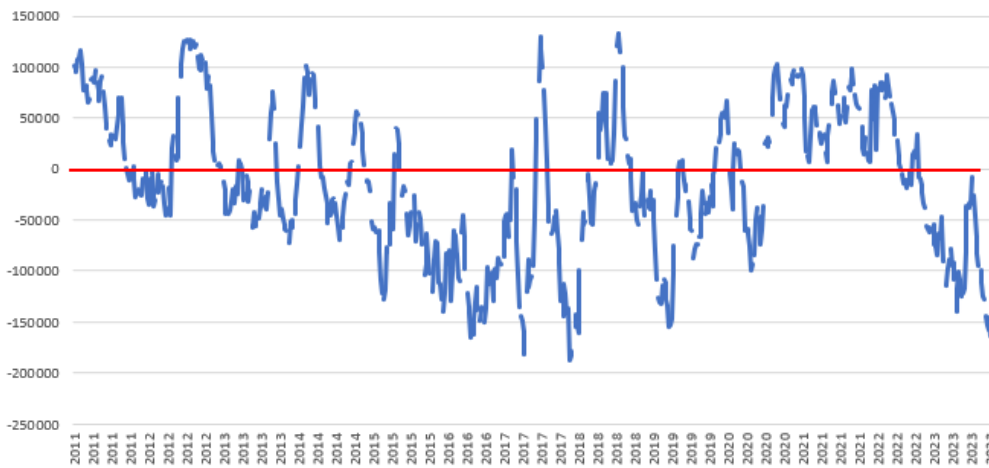
Key Points

- Net short positions across Ag space
- 2Mmt canola, 20Mmt wheat, 13Mmt corn
- Shorting the world farmer saying demand not there
- Position like this at risk of supply in time (Brazil corn DJF, Nth Hemisphere wheat MAM)

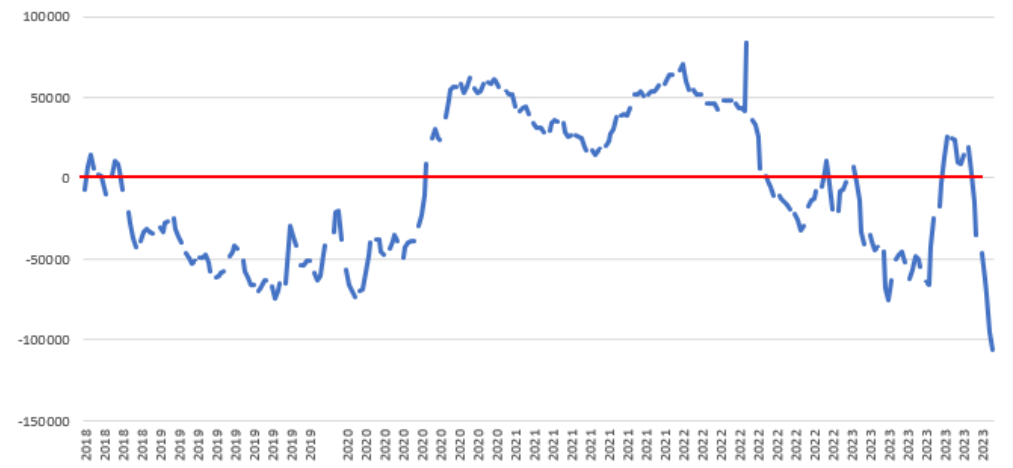
Net Managed Money Position Wheat/Corn/Beans/Canola



Net Managed Money Position Wheat



Net Managed Money Position Canola



Source: CFTC

Global Summary

Key Points

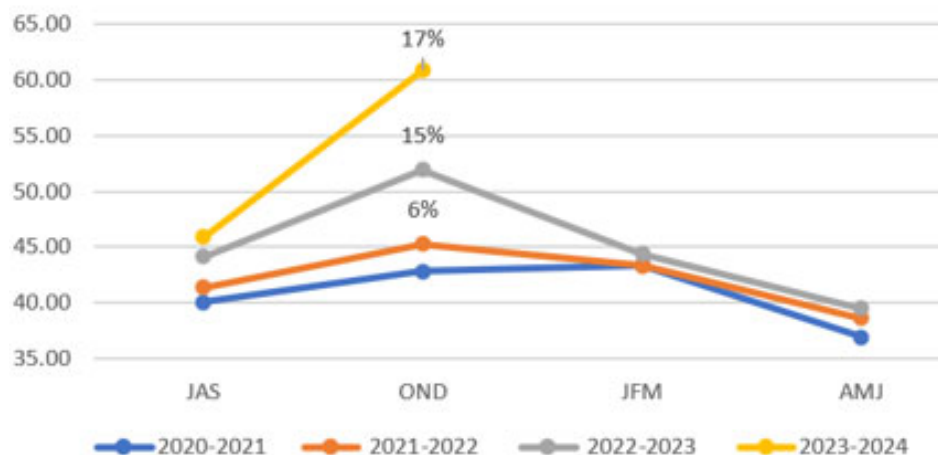
- Supply is good, demand is weakish and weakening, export capacity expanding across globe
- World wheat supply tightening from LY, but no issue today with Russia selling “cheap”.
- No corn or wheat supply constraints pending S.Am corn production
- Aus. wheat tightening and pricing closer to N. Am
- Aus. canola supply in surplus, global supply increasing.
- World canola price 100 CAD/mt cheaper than Canadian, which is stuck in between farmer and energy markets
- Expanding Braz export cap OND, growing corn/bean area, all adding export competition Oct-Mar
- PNW competitiveness impact and US railroads reacting to try stay competitive in addition to 2nd market premiums – all commodities including wheat
- Ukraine unstably stable – whilst world supplies adequate
- Strong USD Index, heightened inflationary pressures around world. Large bets on slowing demand

Local Takeaways

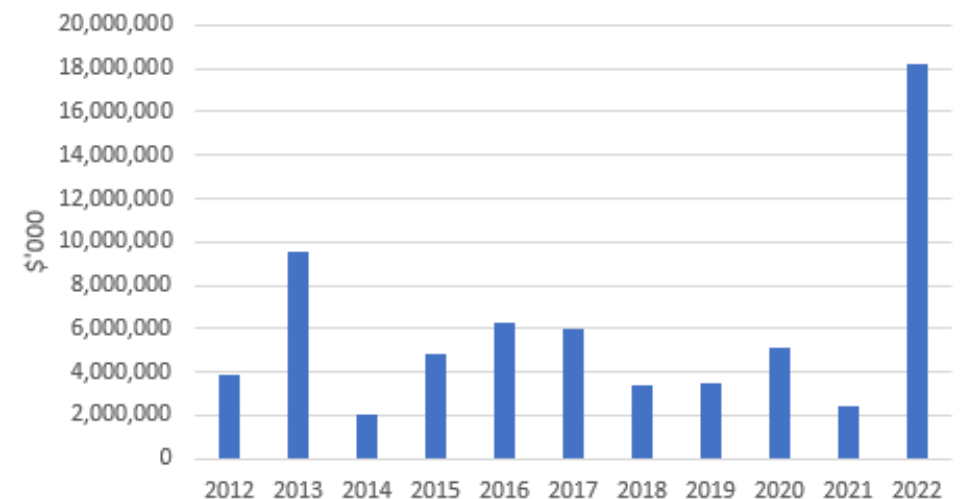
Key Points

- Obvious need to react to global competition
- Maximum rail rates set by federal government analysts based on input costs, then granted, budgeted and accrued by the railroad.
- Wrong mindset: Discount deferred periods when demand scarcest, except OND no longer safe. SOND volumes down >15% and we are standing flat footed.
- On-farm income ballooning – major capacity investments + war-time prices released the genie from bottle. Will correct in time..

SK Rates to Vancouver CAD/mt



MB + SK + AB on-farm income



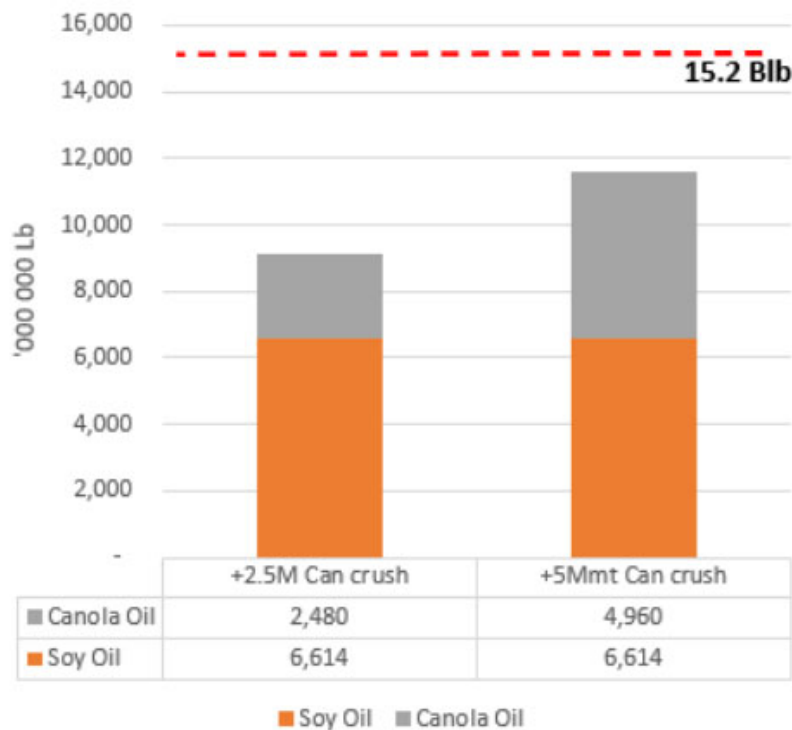
Source: Statscan, GCC

Biomass Based Diesel (BBD)

Key Points

- Congressional target for BBD was 5B Gal, set in 2007. Combination of Biodiesel (D4) and Advanced (D5)
- Current production is 3.1B Gal = 1.9B Gal short of target
- Additional canola crush is 2.5Mmt very likely, 5Mmt announced
- Additional announced soybean crush is 15Mmt, 2023 onwards. Equivalent 3Mmt soyoil, 6.614B lb
- 1.9B Gal BBD @ 8lb/Gal = 15.2B lb feedstock
- Room to grow yet...

Feedstock Production vs RFS Mandate



Congressional Volume Target for Renewable Fuel

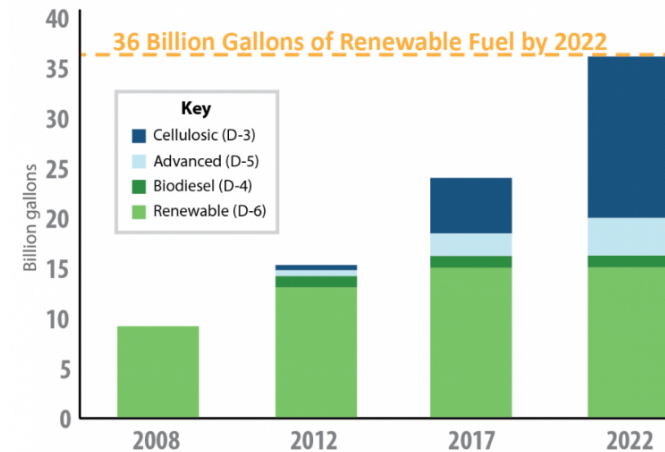
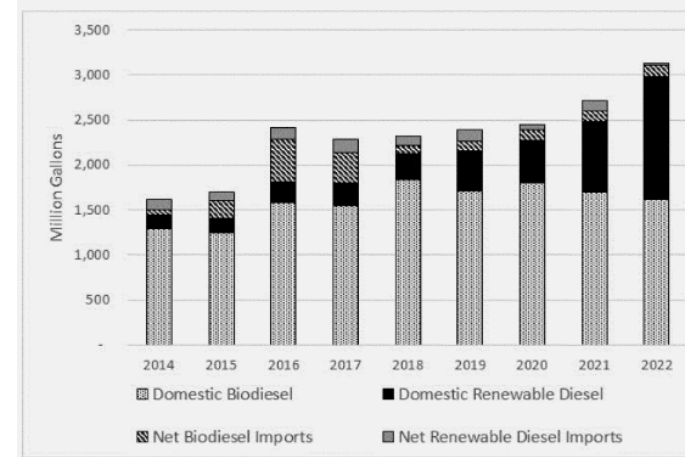


Figure III.B.2-1: Biodiesel and Renewable Diesel Supply 2014–2022^a



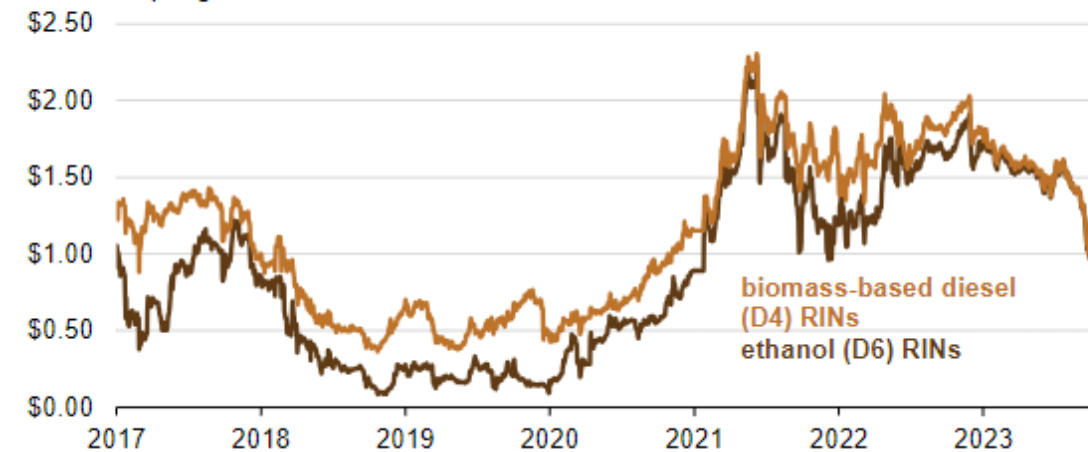
Source: EPA, GCC

Biomass Based Diesel (BBD)

Key Points

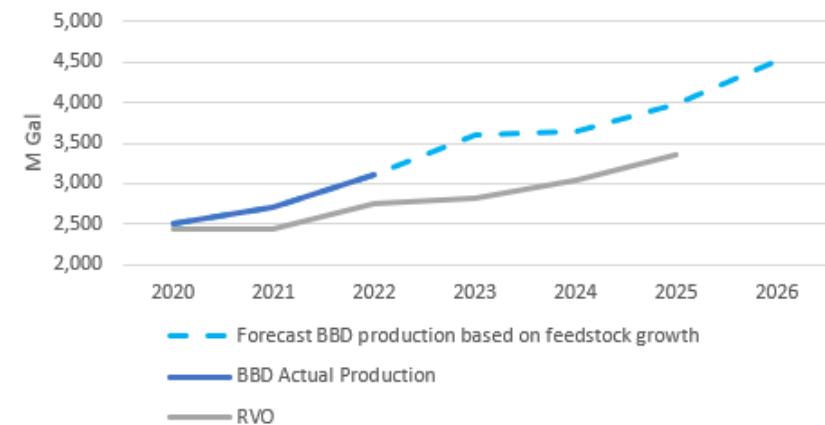
- June 2023 – EPA finalised the Renewable Volume Obligation (RVO) for '23/'24/'25 BBD at 2.82/3.04/3.35 billion gallons
- Actual BBD production about 3.1B Gal in 2022. Feedstock supply expect to grow to 4B Gal '25 and 4.5B Gal '26
- RVO mandate levels well within supply levels of feedstock production
- Value of RINs discounted significantly – RIN price determined by what an emitter will pay to get within the RVO. A surplus of RINs produced could take RIN price to zero
- Already impacting domestic crush margins, supply side of oil becoming heavier. Will influence trade balance of canola seed.
- A surprisingly dovish position, not expected. Anything further behind this? Food prices? Deficit + interest rates? War?
- Reminder of how the entire industry dependant on subsidies & policy

Inflation-adjusted daily spot prices for ethanol (D6) and biomass-based diesel (D4) renewable identification numbers (RINs) (Jan 2, 2017–Oct 16, 2023)
real dollars per gallon



Data source: Oil Price Information Service and U.S. Bureau of Labor Statistics, Consumer Price Index

Bio-Diesel Supply vs RVO



Source: EPA, GCC



Thank You