

GAP USSEC global soy complex update

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U.S. 2020-21 March WASDE soybean balance sheet

SOYBEANS	2018/19	2019/20 Est.	2020/21 Proj. Feb	2020/21 Proj. Mar
		<i>Million Acres</i>		
Area Planted	89.2	76.1	83.1	83.1
Area Harvested	87.6	74.9	82.3	82.3
		<i>Bushels</i>		
Yield per Harvested Acre	50.6	47.4	50.2	50.2
		<i>Million Bushels</i>		
Beginning Stocks	438	909	525	525
Production	4,428	3,552	4,135	4,135
Imports	14	15	35	35
Supply, Total	4,880	4,476	4,695	4,695
Crushings	2,092	2,165	2,200	2,200
Exports	1,752	1,682	2,250	2,250
Seed	88	96	103	104
Residual	39	9	22	21
Use, Total	3,971	3,952	4,575	4,575
Ending Stocks	909	525	120	120
Avg. Farm Price (\$/bu) 2/	8.48	8.57	11.15	11.15

Ending stocks – no change = 120 mil bu / 3.27MMT

Exports = 2250 mil bu / 61.23MMT

Crush – no change – this will be the big swing factor as world export program shifts to Brazil

Imports – no change = 35 mil bu. Record imports are 1MMT higher vs the current estimate.

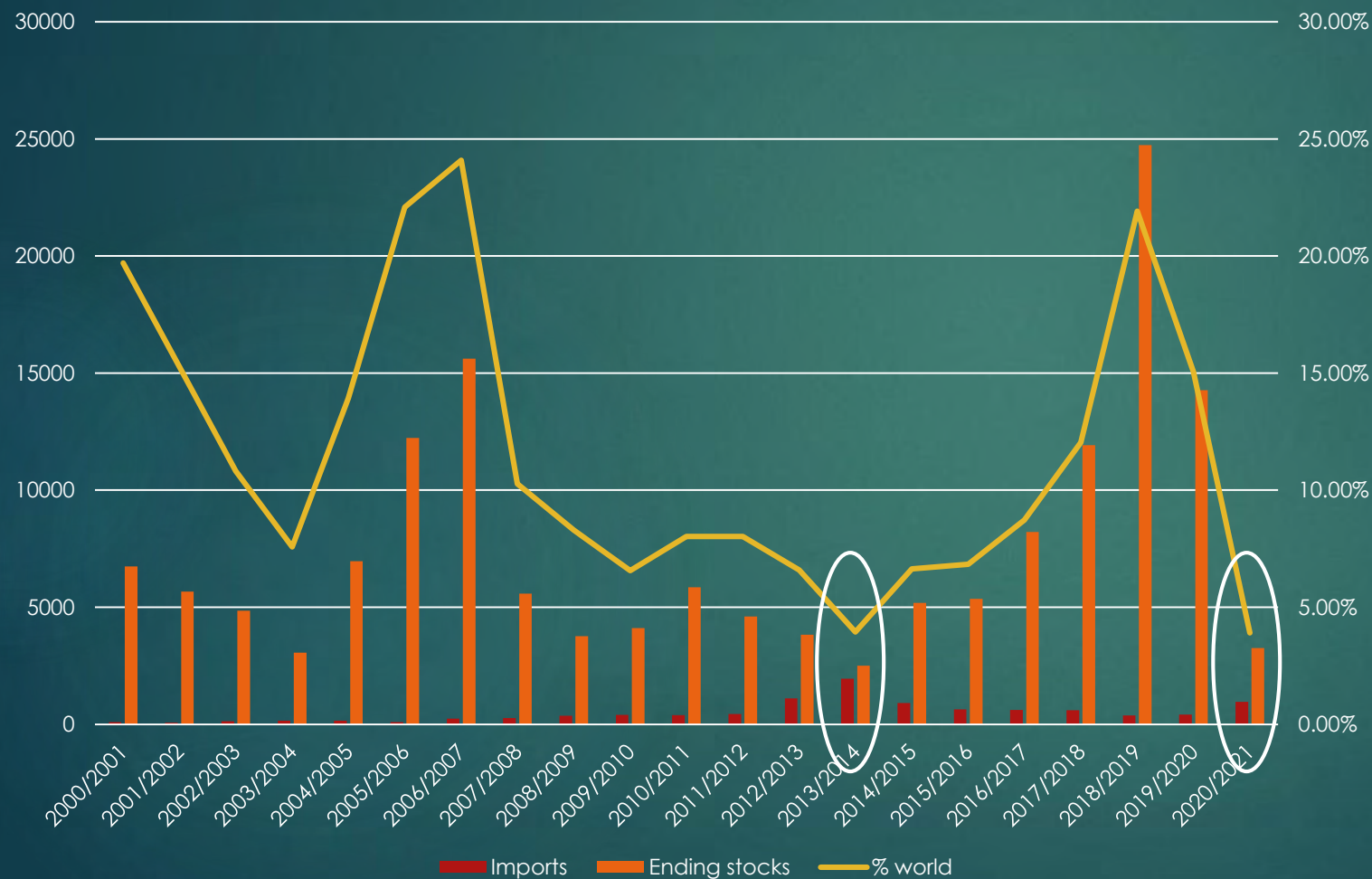
Total demand = 4575 mil bu – up 623 mil bu / 16.96MMT

Farm price – no change = 1115

Crop insurance: set a v. attractive levels. Normal crop rotations are expected however. 31 March planting intentions will receive plenty of scrutiny

U.S. soy ending stocks – drops to 3.25MMT or 3.9% of the world's stocks

U.S. ending stocks = 3.25MMT or 3.9% of world stocks - lowest since 2013-14. Imports that year = 1.953MMT vs 953KMT forecast for this year



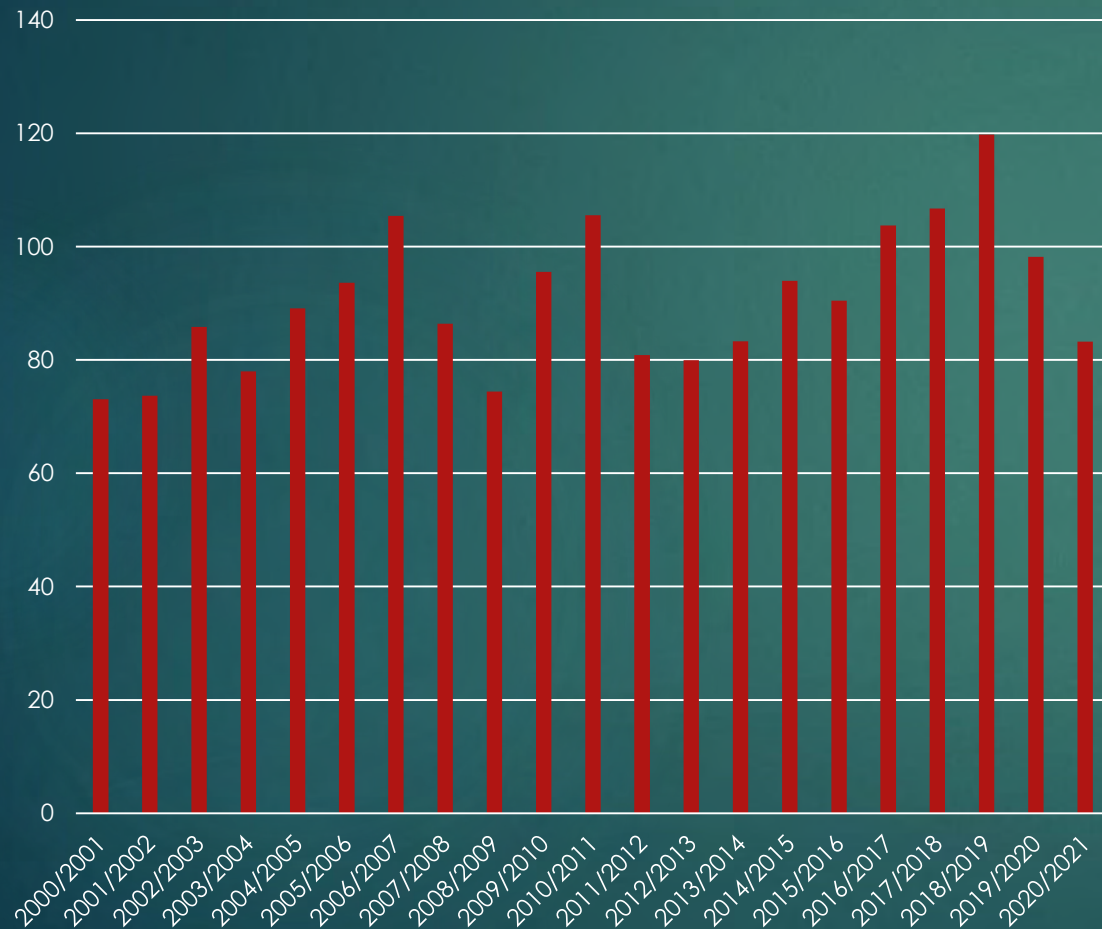
Key to price action Q1

- Fund length at record level in soybeans and soy oil for this time of the year
- U.S. ending stocks smallest since 2013-14 = 2.5MMT. Imports that year = 1.953MMT vs 953KMT forecast for this year
- Argentina weather: rains verify in this upcoming weekend of importance
- U.S. logistics – got it done for a record program
- Brazil soy harvest – will continue to pick up. Highly variable yields in the early going. No surprise there.

Bottom-line: if Brazil's production is even average – what happens to its soybean export trade with so much China biz directed at the U.S. this year?

World soy supply cushion for 2020-21 = 82.9 days (95.8 days LY) – down 12.9 days – with the world consuming 1MMT / day

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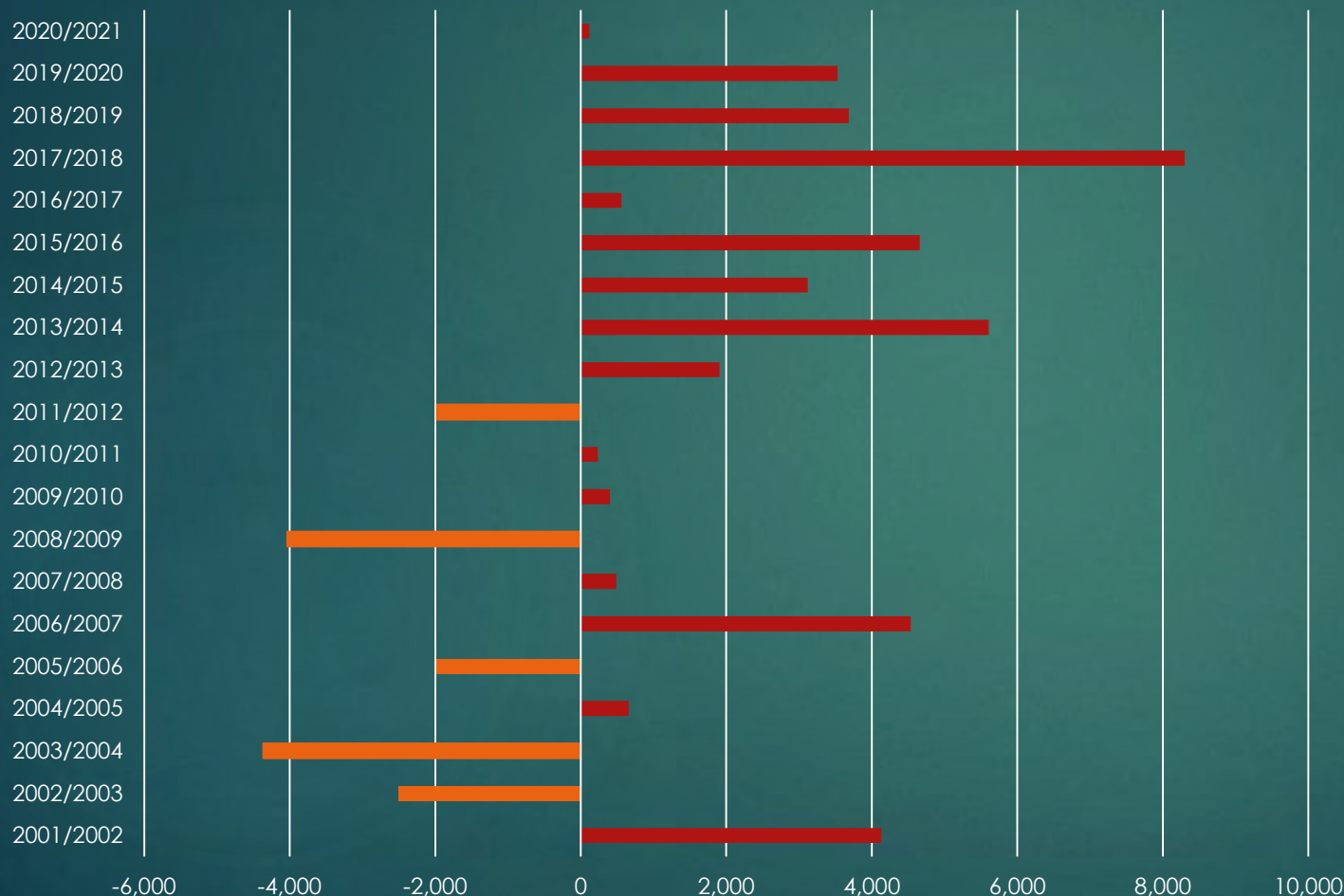


Global daily soybean demand = 1MMT (971.4KMT / day LY)



ROW soybean imports – a miniscule 117KMT. World trade growth has shifted its reliance outside China in the past 5 years

Rest of the world soybean imports vs previous year



China crush was lowered 1MMT in the March WASDE – no change to soy imports but its imports are forecast to increase 1.5MMT (maybe)

China started the MY with record supply cushion on 1 Sept 2020 = 85.8 days

China in-port soy stocks – v. comfortable levels at +8MMT

World soy import trade w/out China shows increase of 117KMT

Question: w/ U.S. soy sales (estimated) to China = 35.3MMT + 2.7MMT unknown = 38MMT (record = 36.1MMT in 2016-17) + slow start expected to Brazil's soy export program – the real question is – how long of an export tail will there be ex-Brazil with ROW soybean imports forecast to **increase 117KMT vs last year.**

BRAZIL: record soybean production – only question is to what degree?

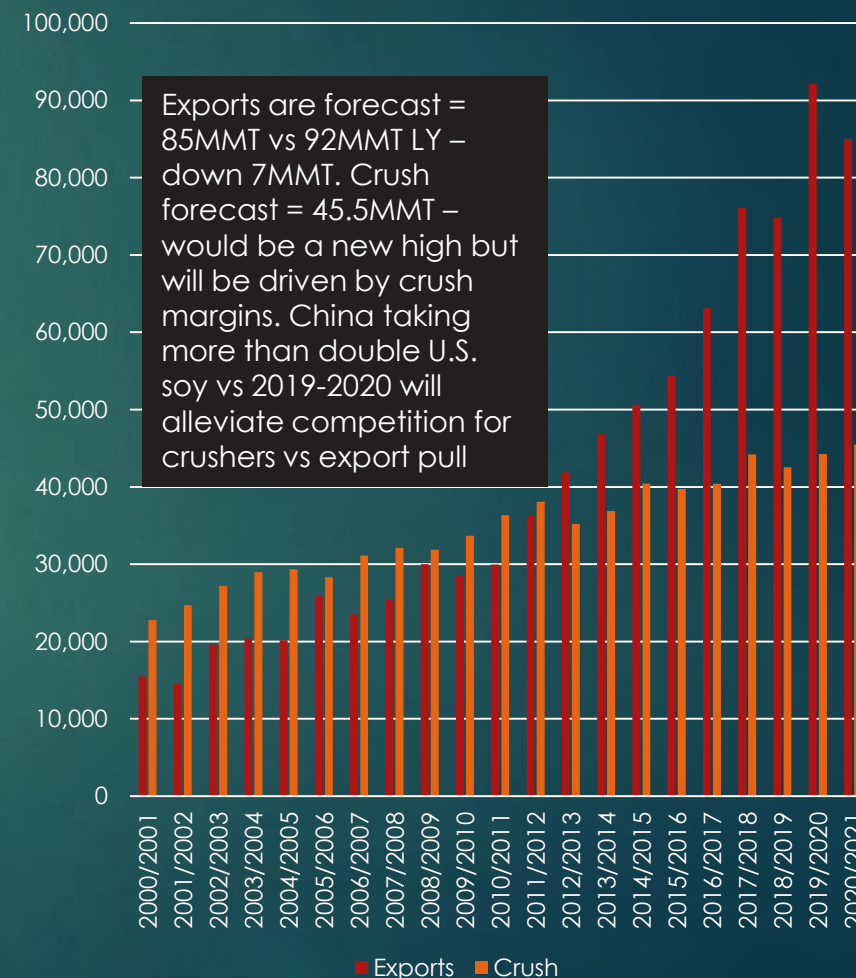
Brazil soy production = 134MMT - over double what it produced in mid-2000s



The math equation remains largely unchanged and unanswered:

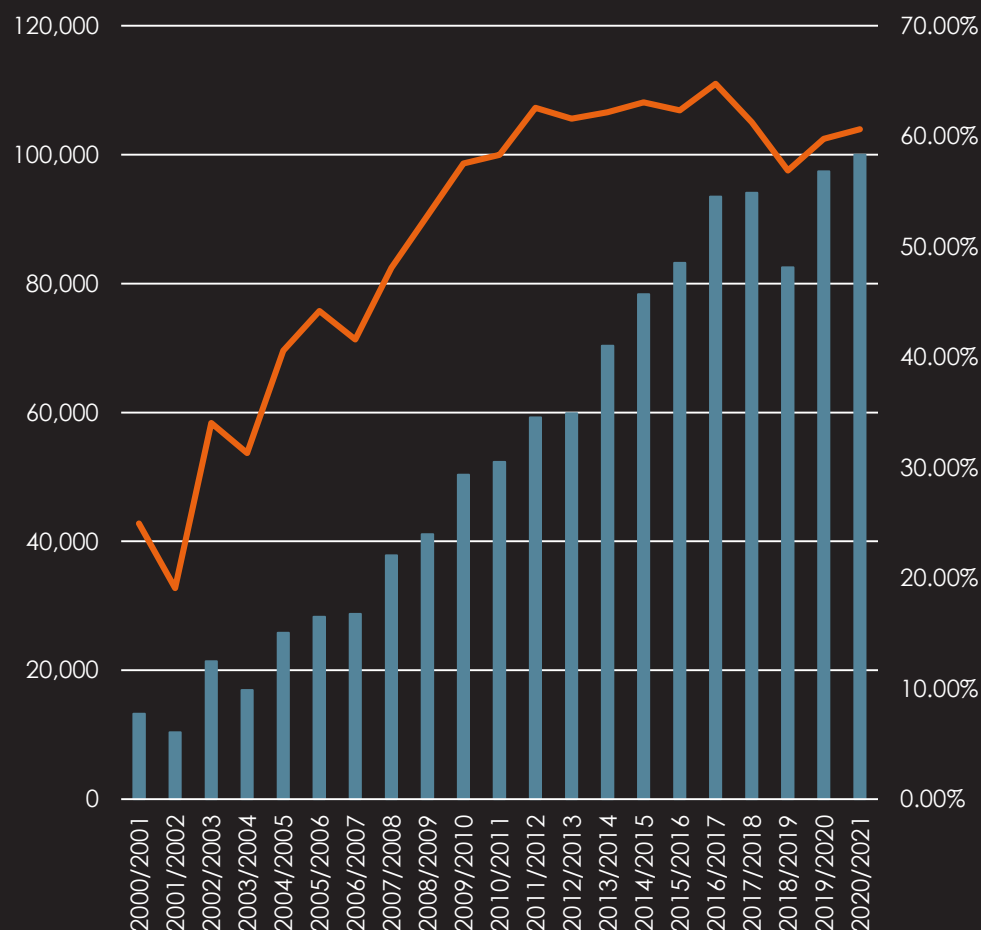
- (1) China U.S. ownership = 38MMT (vs 16.3MMT in **all** of 2019-2020). Record = 36MMT – let's call it 38MMT => China shifts 21.7MMT of its demand to U.S. vs LY
- (2) China soy imports +1.5MMT vs 98.5MMT LY.
- (3) 21.7MMT more by U.S. to China less 1.5MMT = 20.2MMT
- (4) ROW imports +117KMT
- (5) Brazil exports -7MMT vs LY
- (6) Still “missing” 13MMT with that increase by the U.S. to China Points to a VERY long export tail ex-Brazil if its production remains on track for a 134MMT crop

Brazil growth demand is from exports - not crush. Crush = quite flat over past 4 years



World soybean export trade: driven by China Phase I trade commitments for the U.S. and COVID-Real collapse for Brazil

China soy imports = 100MMT (98.5MMT LY) - 60.6% world trade (peak = 64.8% in 2016-17)



China soybean imports = 100MMT vs 98.5MMT in 2019-2020

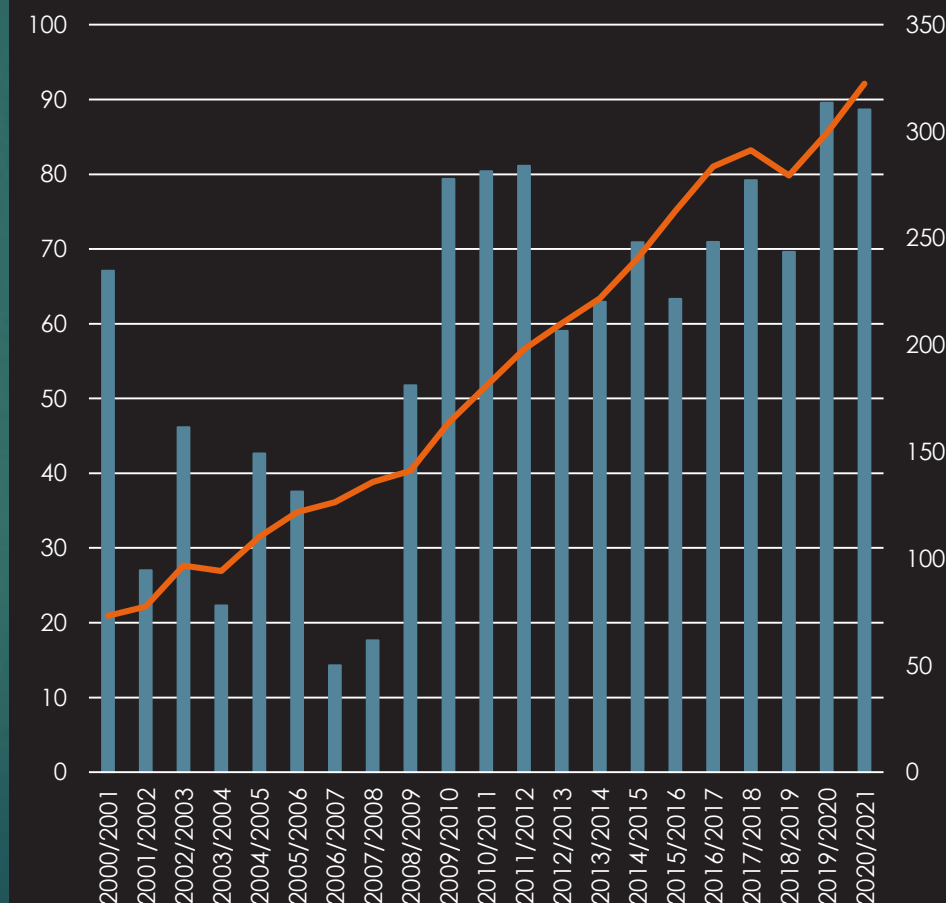
- Sino reserves
- ASF back
- Feed wheat
- Poor SM pricing

Crush rates now +15% MYTD LY with crush lowered 1MMT = 98MMT

China's domestic supply cushion = 88.7 days (89.6 days – new record on 31 Aug 2020)

China holds 34% world soybean stocks – a new record / allocation of world soybean reserves

China soybean supply cushion = 88.7 days (89.6 days LY) - with daily consumption = 320KMT / day (299.2KMT / day LY)



MONTHLY soybean price chart: over 1400 as soy oil supports



Soybean futures – closer to contract highs than not. This as Brazil soy premiums have collapsed & gone to discount

Fund soy complex position – 2nd largest position for this time of the year

China soy crush has slowed of late – ASF concerns, weak SM off-take / pricing, poor crush margins

No logistic issues in the U.S. – got it done

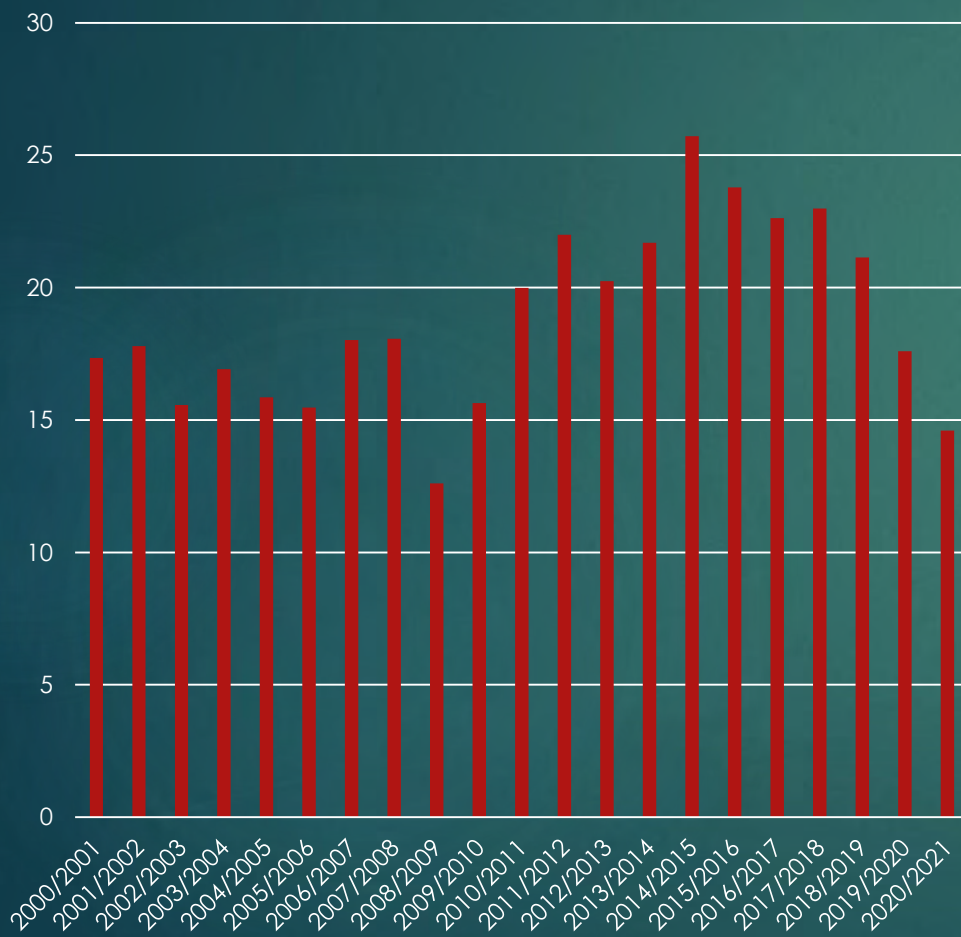
“FINAL” U.S. ending stocks for 2020-21 is predicated on final load outs to China and Brazil coming back online

Brazil March exports – possible new monthly record +15.4MMT vs 14.9MMT record in April 2019

Argentina – January & Feb rains were an absolute gift and sets up that crop to be v. good, crush margins quite improved & farmer is selling

World soymeal supply cushion (continues lower as global crush capacity expands) vs daily consumption (China key)

World soymeal supply cushion = 14.6 days (13.3 days Feb, 17.6 days LY)



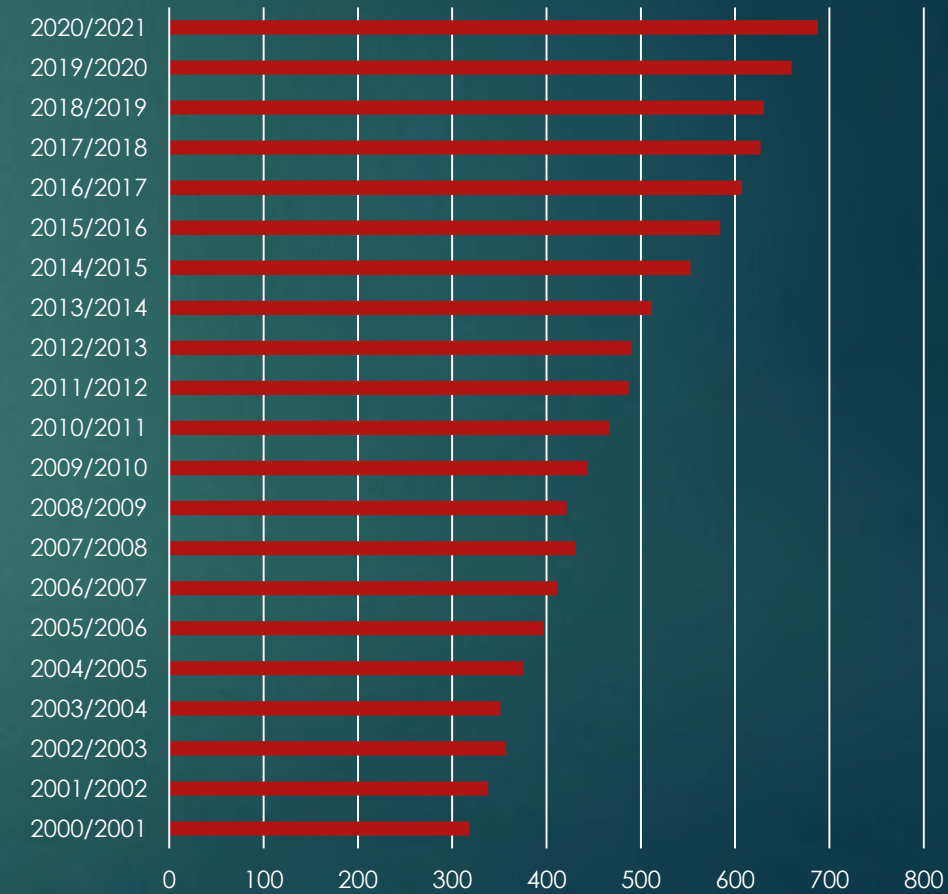
World consumes 689KMT of SM every day (662KMT / day LY)

World soymeal supplies – 14.6 days – near the record low 12.6 days in 2008-09 .. **But....**

World demand is forecast +4% or ~9.8MMT -- China the major growth engine here on a rebuild. But its SM demand was cut in the March WASDE (800KMT) or +5.1MMT vs LY

Remove China – the world increases 2.5% or 4.7MMT

World soymeal daily demand = 689KMT / day (662KMT / day LY) - up 4%



World soymeal export trade minimal growth +45KMT vs LY

World soymeal export trade - "up" only 45KMT vs LY's contraction



World export trade tries to stabilize this year – up 45KMT vs last year's contraction

However – contraction likely as Europe bid simply is not there

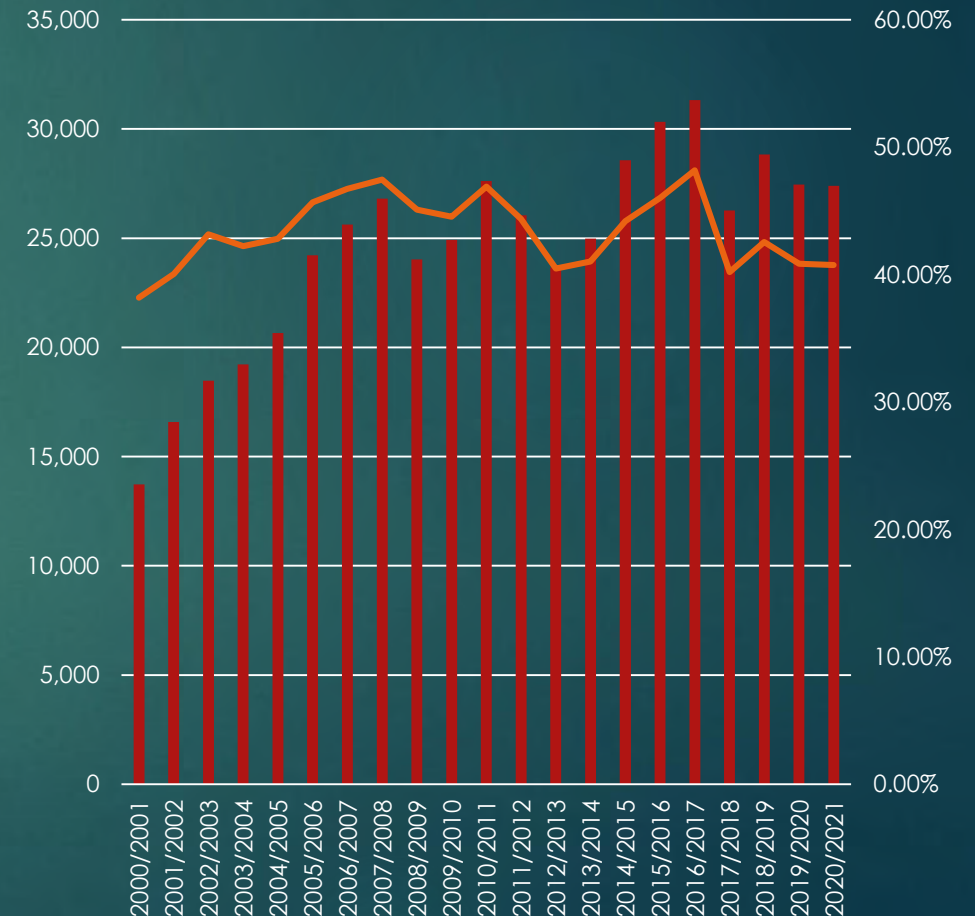
Argentina forecast to account for 40.7% of world soymeal trade (40.8% LY).

Brazil @ 25% (26.1% LY). Forecast to decline 700KMT

U.S. @ 19.2% (19% LY) – to increase 160KMT

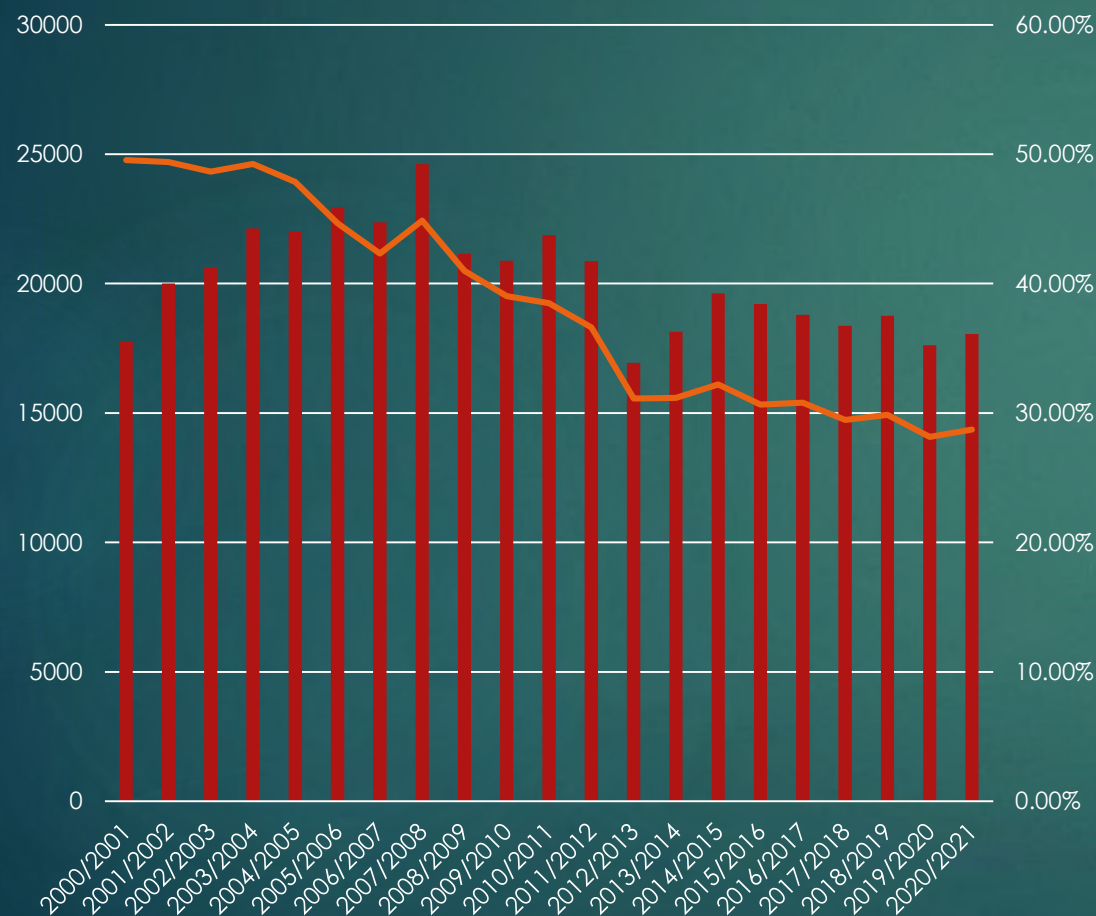
U.S. really did not gain much market share / demand with (1) slow Argentine crush rates and (2) tight Brazil soybean supplies

Argentina soymeal export = 27.4MMT - similar to LY and 40.7% of world trade. Now if there was the demand

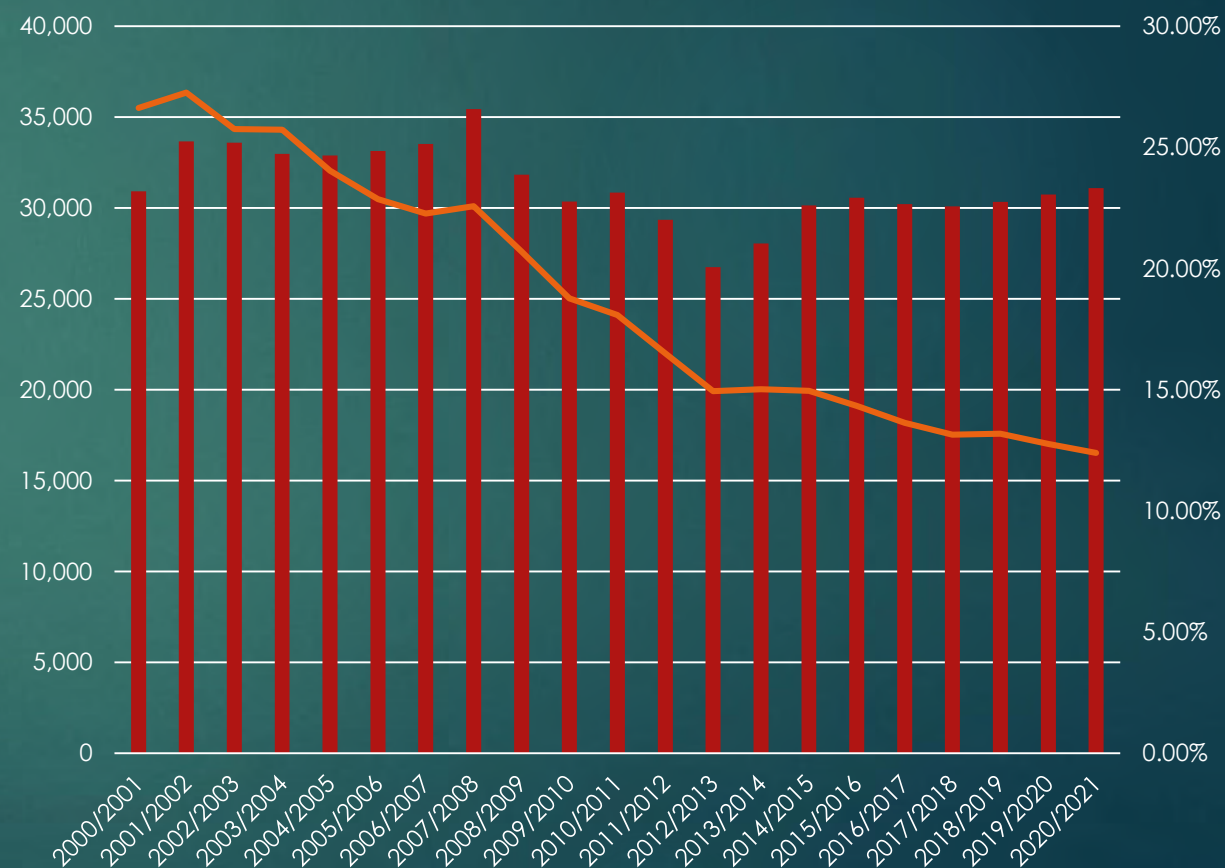


Europe soymeal import demand – a significant challenge vs USDA's import forecast +2.5% with imports down nearly 5.7% (1 July – 7 Mar)

Europe soymeal imports = 18MMT (+2.5%) vs current MYTD imports -9.8%

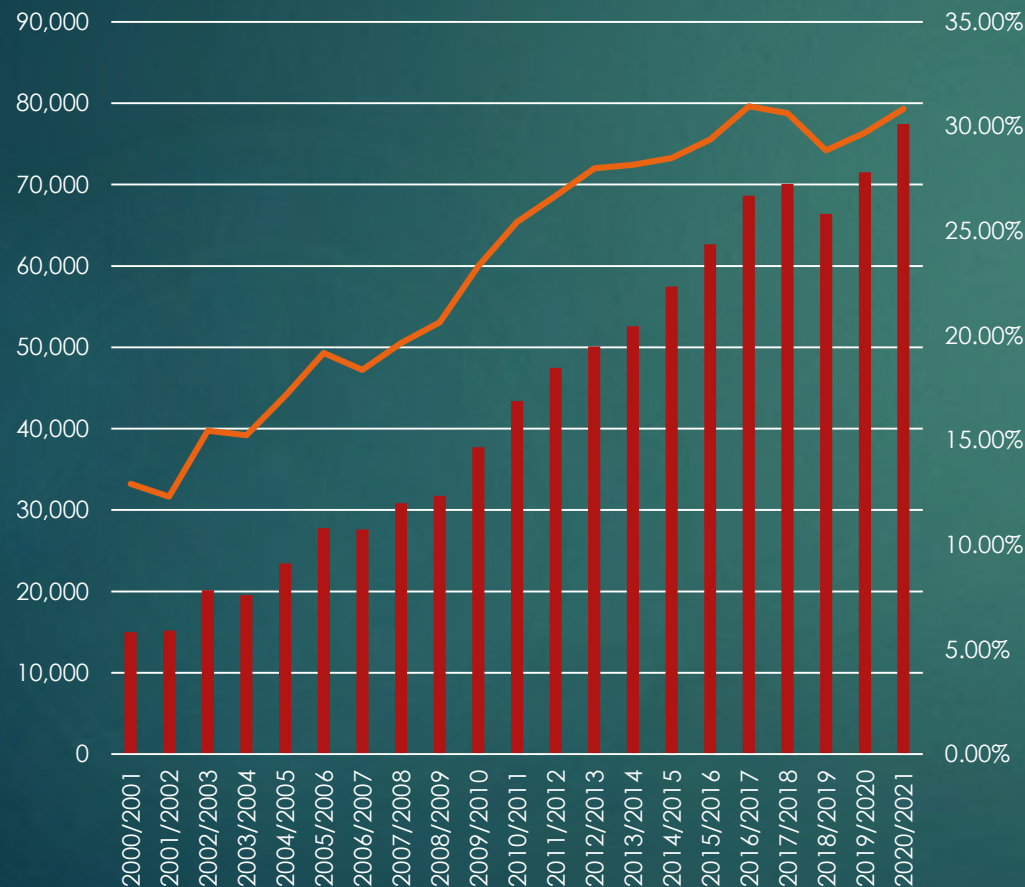


Europe soymeal demand - v. flat over the past 5-6 years. Continues to shrink as a % of world SM demand: emphasizes global feed expansion / dietary growth

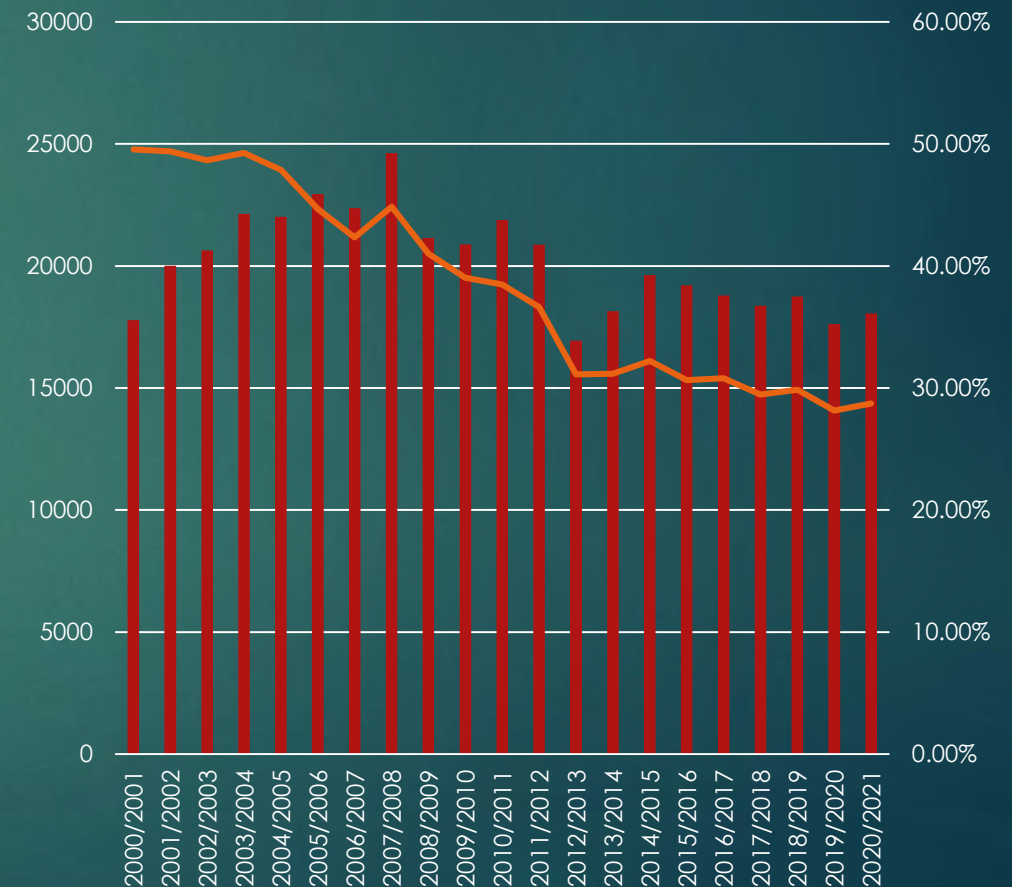


World soymeal demand: key countries to monitor → China (31% world) and Europe (12.4% world – and the world's largest soymeal importer as its soymeal imports underwhelm vs forecasts)

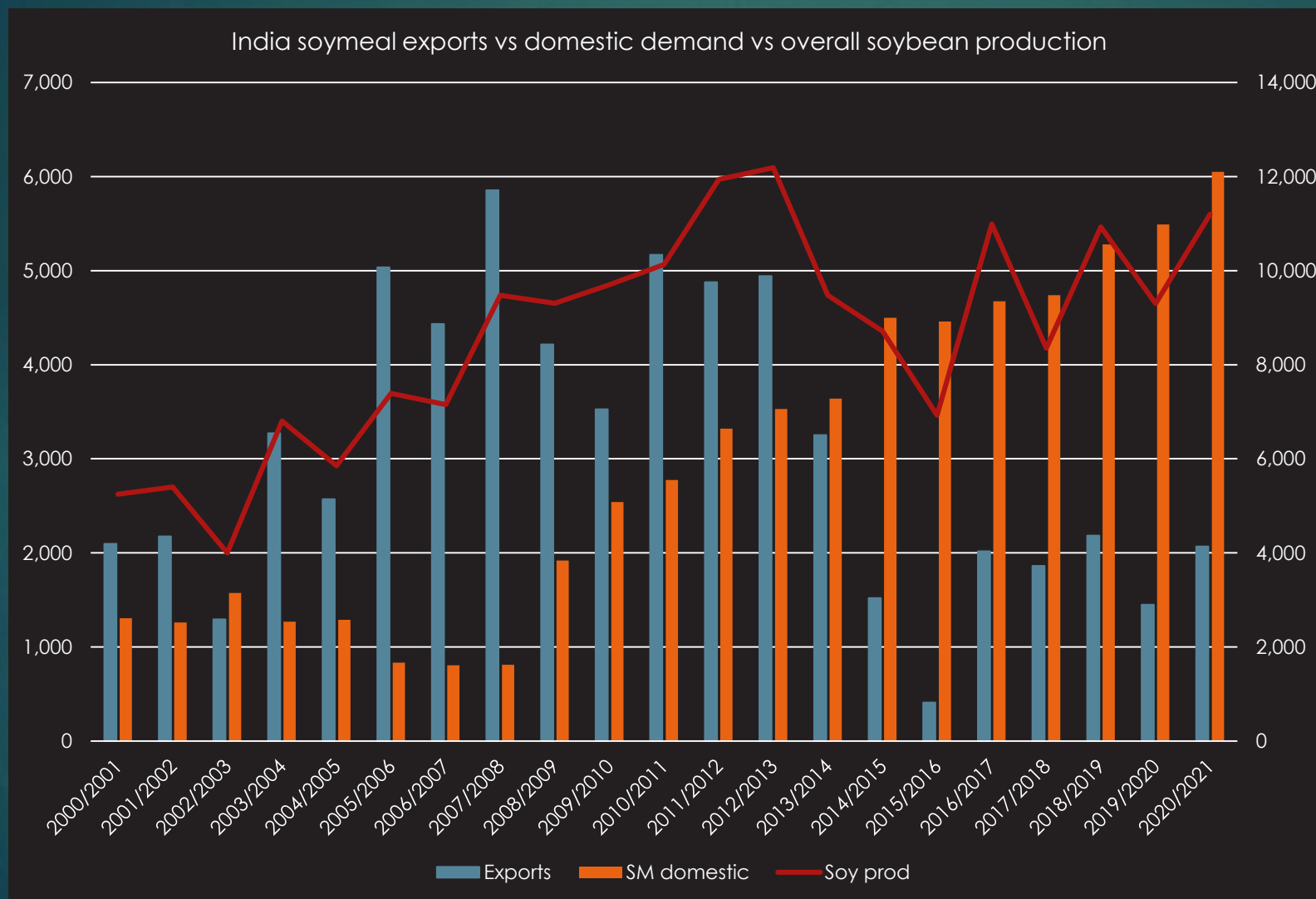
China domestic SM demand = 76.6MMT (71.5MMT LY) --> 30.8% of world SM demand



Europe soymeal imports = 18MMT (+2.5%) vs current MYTD imports -9.8%



India soymeal exports in 2020-21 could play / act as a bearish spoiler → low cost origin for world buyers



Peak Indian SM exports were nearly 6MMT in 2007-08 vs 1.87MMT forecast for this year (no change) – would be similar to 2017-18

The Indian SM export profile has diminished to an average of 2MMT during 4-5 past years as its domestic consumption / protein dietary shift has occurred (since 2008-09 – orange bar lines)

Keep an eye on **bird flu outbreak** + ongoing economic struggles due to COVID. Tensions between government and farmers also remain at high levels

MONTHLY soymeal price chart → prices exceed two previous Argentine droughts as world soymeal demand faces a number of challenges



Soymeal key support = 414-410 zone.
Remains under its 20d and 50d MA.
World demand is problematic with China
back in the headlines

Fund position continues to be quite long

Argentina soymeal premiums – v. soft in
the face of no depth to bids + higher
crush rates as margins improve there

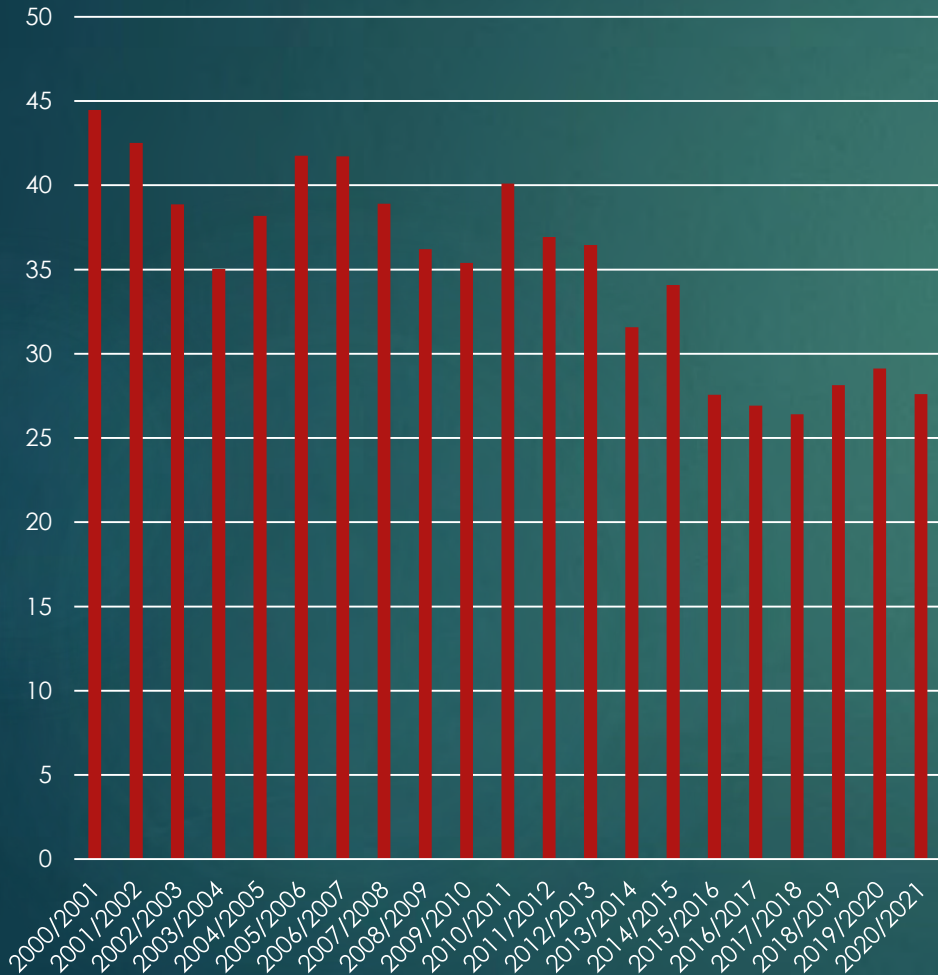
Europe soymeal imports – forecast to
increase 2.5% and are down 5.7% 1 July –
7 March

Brazil soymeal export book continues to
be executed

Not a huge swing of world SM demand
to U.S. despite slow monthly crush ex-
Argentina (since July) and its strike in
much of December

World soy oil supply cushion stable – above the 5-year average. Industrial demand a significant growth engine and key to 2021 demand

World soy oil supply cushion = 27.6 days (29.1 days LY)

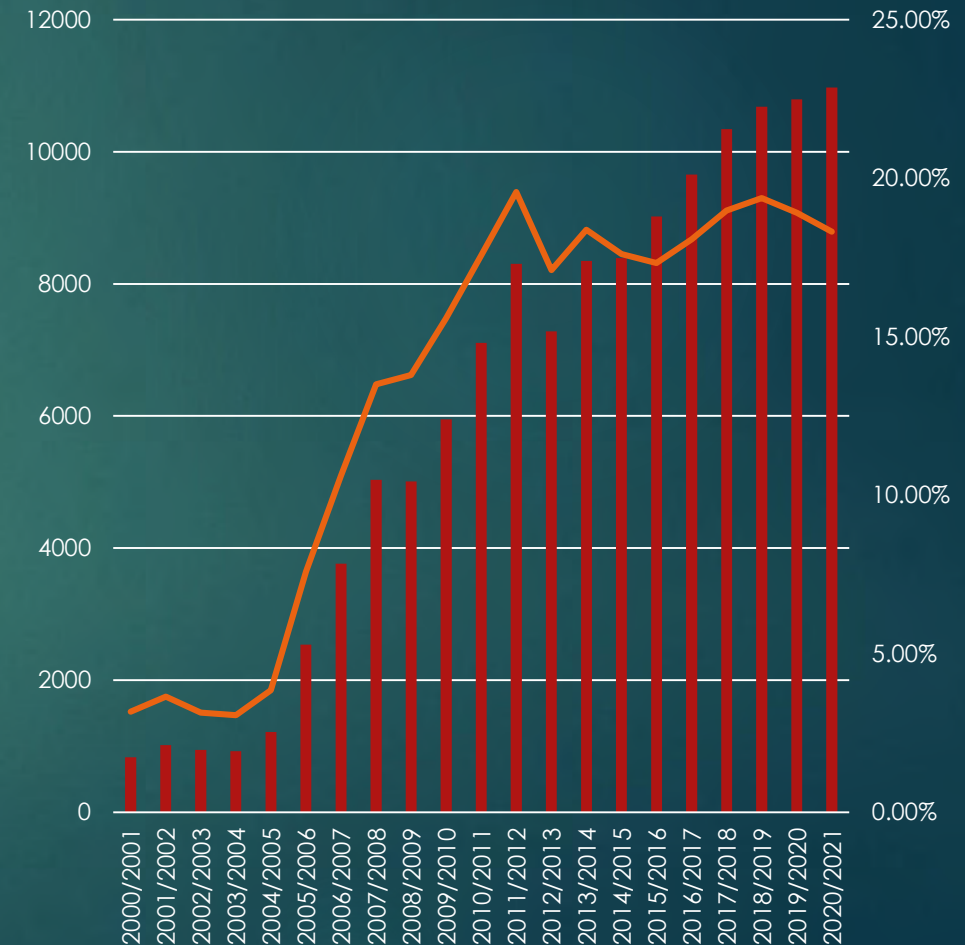


World forecast to consumes 164.2KMT of soy vs 156.4KMT /day

World soy oil supply cushion has largely been quite steady (esp. when compared to other supply cushions). World stocks are more / less the same as LY

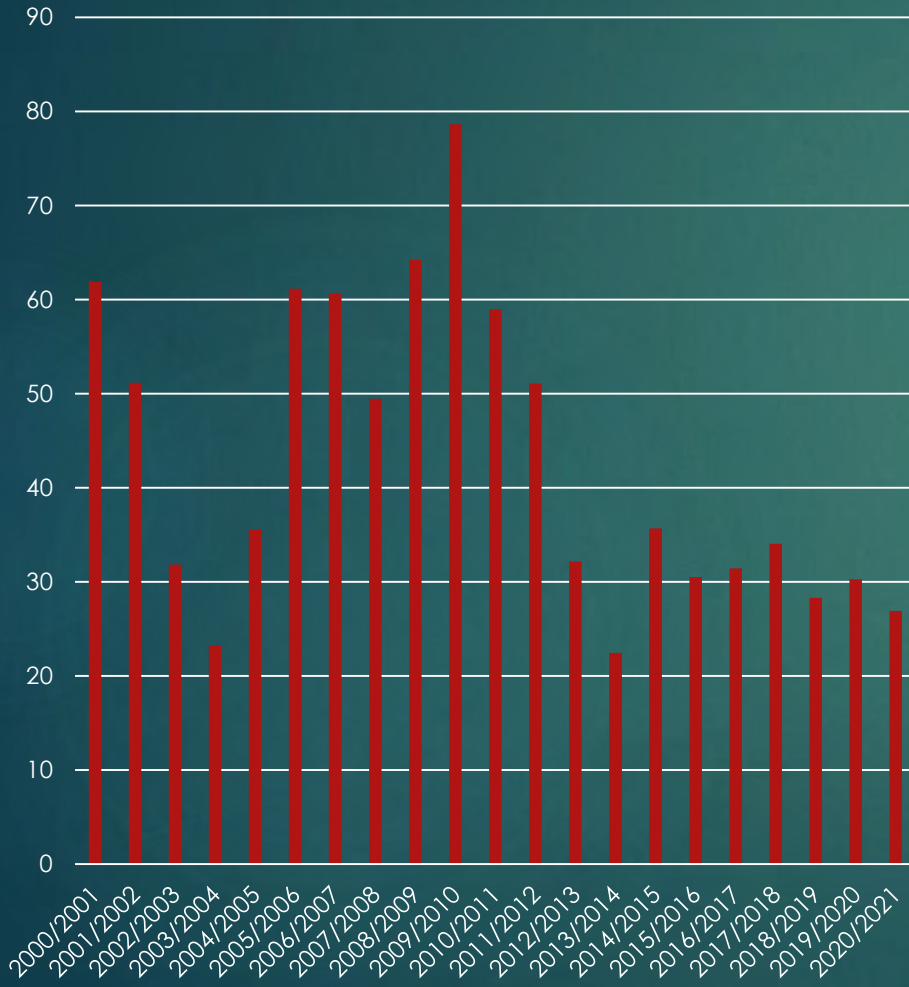
World industrial demand to increase 1.6% vs last year when 2019-2020 contracted vs 2018-19. Industrial demand has been a decent growth engine in overall volume (5-fold since 2005-06) but “only” accounts for 18.3% of total soy oil demand

World soy oil industrial demand = 10.97MMT or 18.3% of all world soy oil demand



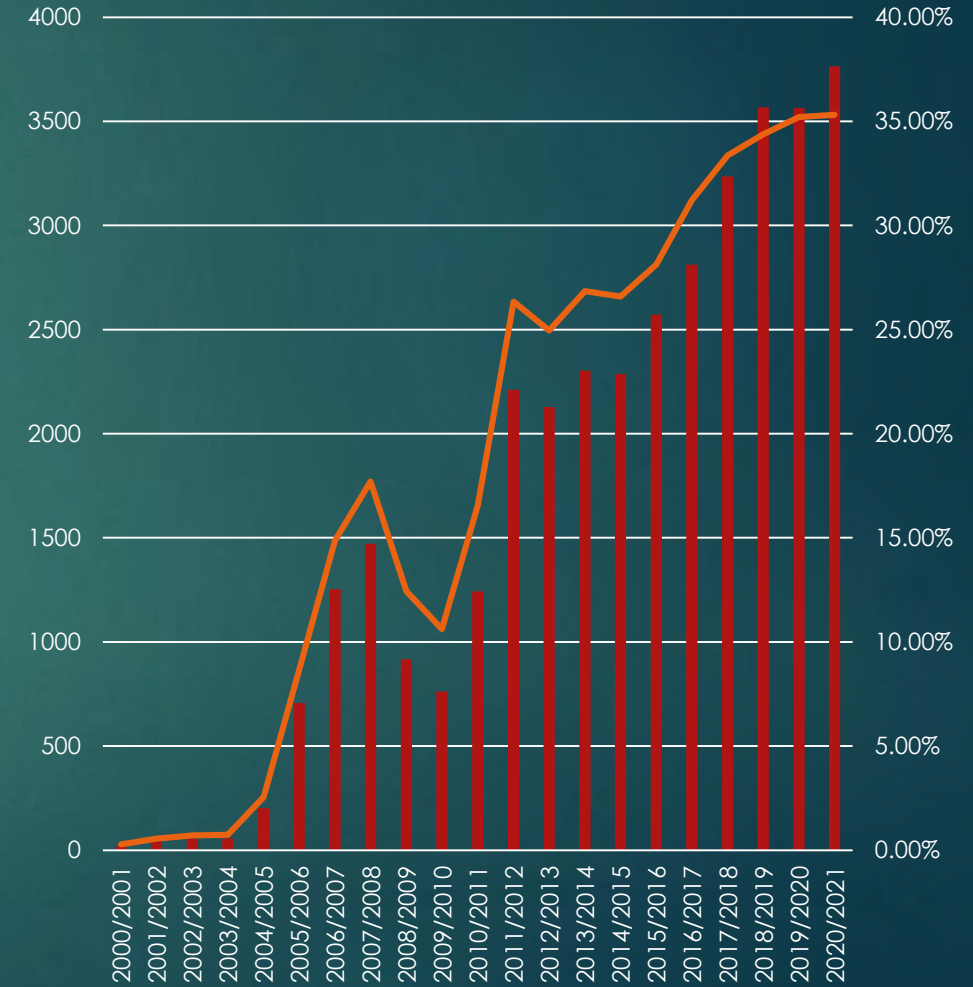
U.S. soy oil stocks driven by domestic demand. Export demand has waned of late. Biden-Harris friendly. Renewable diesel the buzz

U.S. soy oil supply cushion = 27 days (30 days LY) vs low = 22.5 days in 2013-14



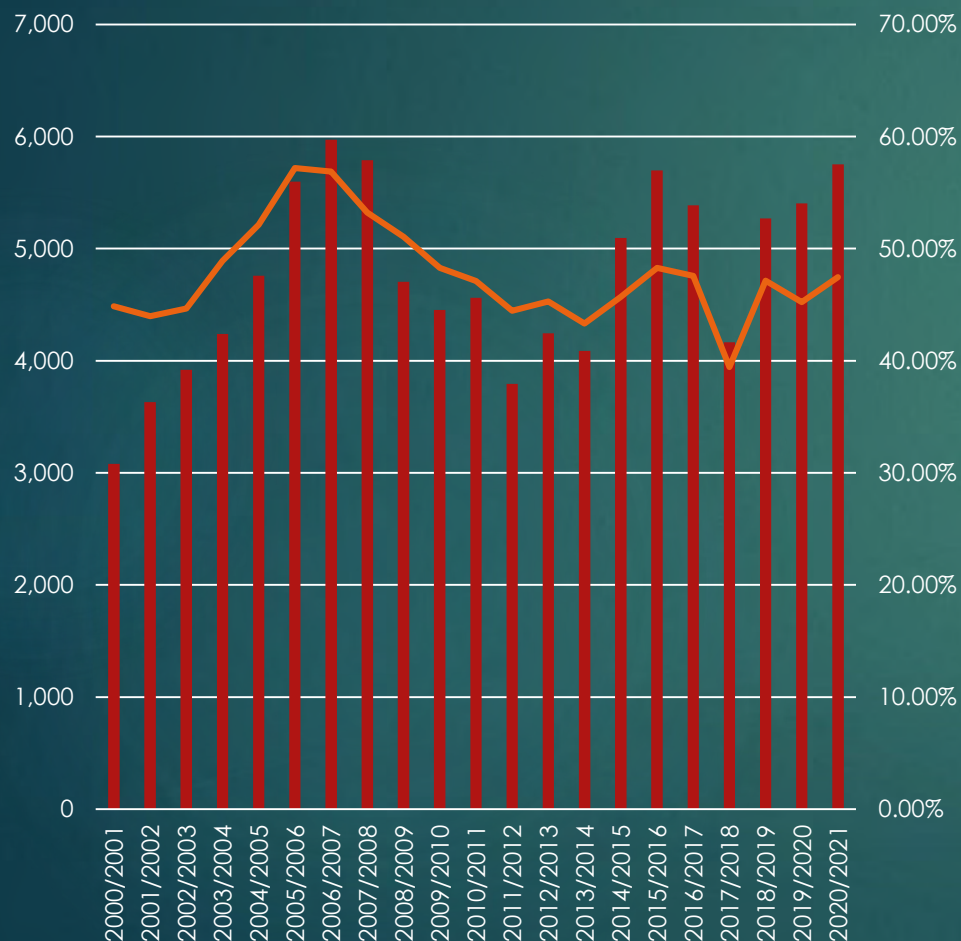
- U.S. oil yield – shows improvements vs LY
- A Biden Administration is more friendly for green energy / renewable fuels
- Industrial demand a bright light in U.S. energy demand sector: renewable diesel
- U.S. soy oil supply cushion fairly stable. Ranges mid-20 days to just over 30 days since 2015-16
- U.S. consumes 29KMT / day (vs 23.3KMT in 2013-14)
- U.S. export biz now down 18.3% vs LY (-8.5% now forecast)

U.S. soy oil industrial demand - accounts for 35% of demand = 3.77MMT



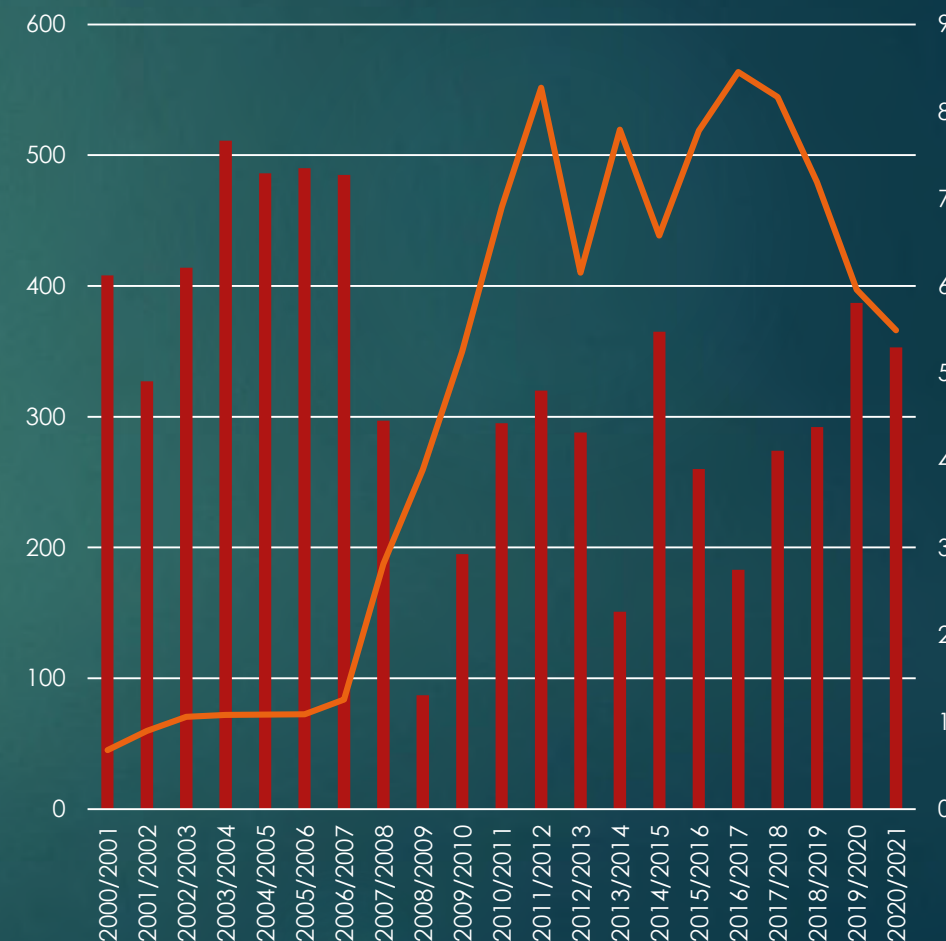
Argentina soy oil exports set for a new record in 2020-21. Crush margins remains profitable for April-July. Crush rates normalized much faster than expected

Argentina: large & in charge of world soy oil exports = 6MMT (49% of world trade) vs 5.4MMT LY - up 11%



- Argentina is set to export 6MMT in 2020-21 or 49% of world trade
- Fernandez Administration + crushers formulate domestic edible oil prices to "help" with inflation
- Argentina to stores 7.7% of the world's soy oil stocks
- Argentina's daily domestic demand = 5.5KMT / day vs 6KMT / day last year

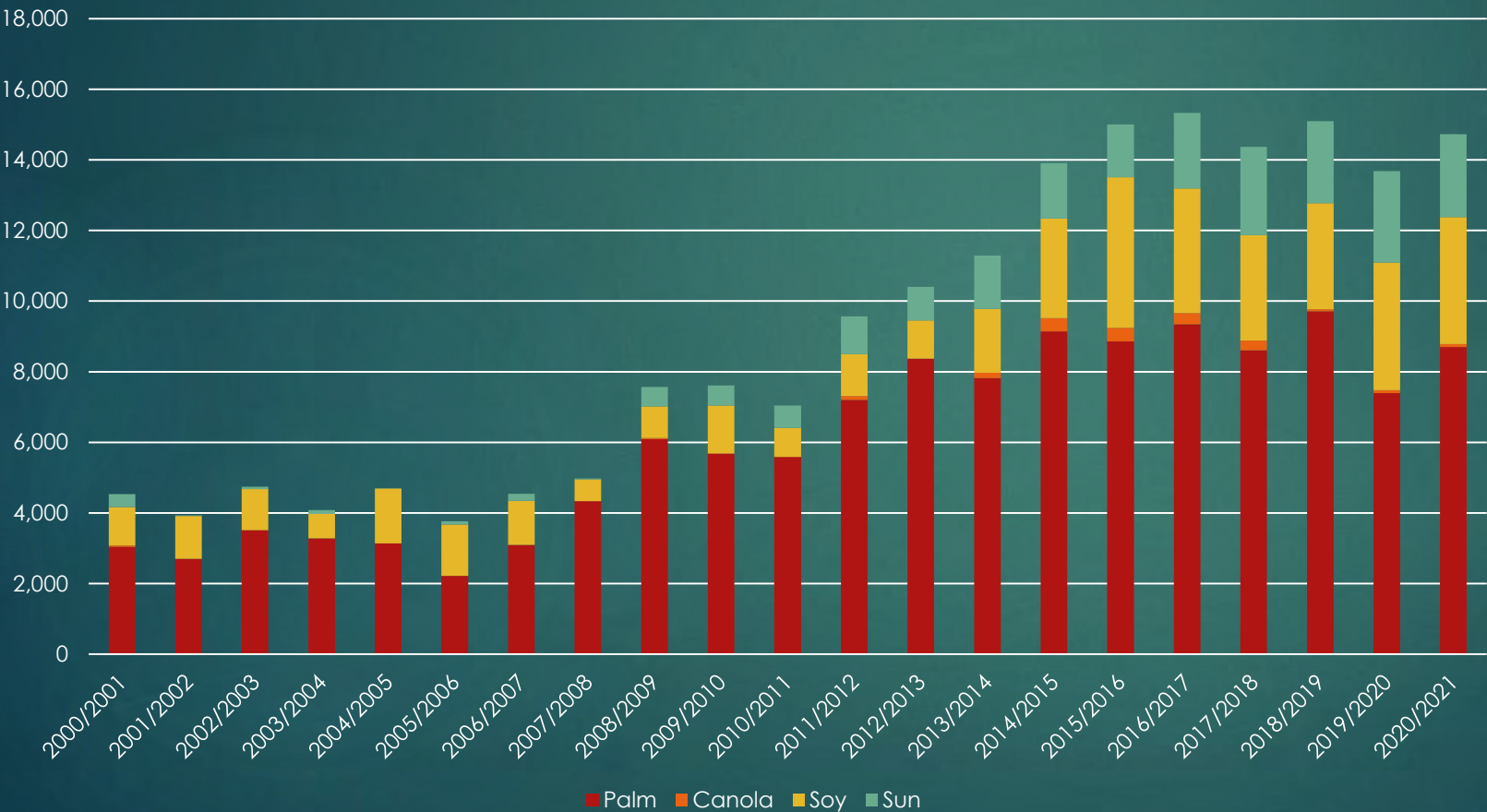
Argentina soy oil ending stocks = 353KMT. Daily consumption = 5.5KMT vs 6KMT / day in 2019-20



India key to world edible oil imports – forecast to increase 1MMT or 7.6% vs 2019-2020 (contracted vs 2018-19). Wilmar out on 9 February noting domestic demand weak and looks for reduced imports again in 2021



India edible oil imports = 14.73MMT vs 13.69MMT LY - up 7.6% or 1MMT



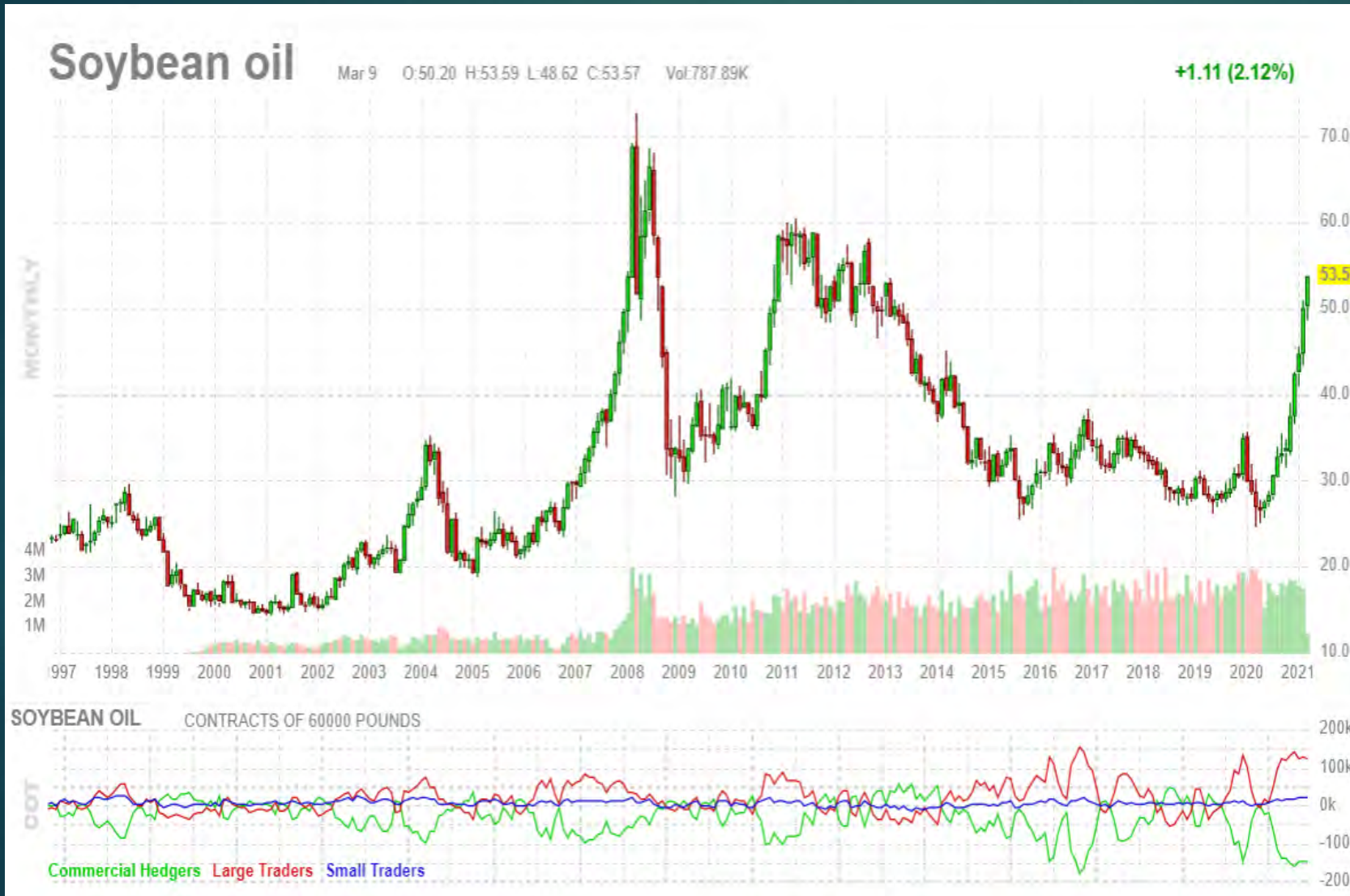
India edible oil demand to contract again in 2021? Adani Wilmar notes that a large section of the Indian population is price cautious. Incomes are not rising because of COVID-19 ... per capita consumption to decline about 5% (vs what had been - an annual growth of 2-3% per year BC - Before COVID). Imports are forecast = 12.5MMT (13.2MMT LY) - and that would be a 6-year low with palm oil imports forecast at a 9-year low = 7.2MMT. Likewise, high oil crops (canola / rapeseed) are expected to be higher this year and that would lend itself to higher domestically produced veg oil for its population.

Oil share: key price relationship for 2021 – new highs for the year



- Oil share – the relationship between soy oil and soy meal ... with renewable diesel demand in U.S. – some talking oil share of 50-60%
- Key to edible oil going forward: Indonesia + Brazil biodiesel program + India economic recover / edible oil import demand recovery
- World edible oil demand appears to be “performing” better than protein meal
- Protein meal – specifically soymeal – has to deal with slowing SM demand from China + animal disease + COVID lockdowns
- China ASF – threat remains ever present
- Europe SM demand remains v. soft vs USDA’s estimates (as measured by SM imports)
- India’s soy oil imports revised here – but overall view is total edible oil demand to contract

MONTHLY soy oil price chart – new highs, new highs, new highs



Soy oil train continues to churn and burn higher. Literally no seller out there.

Fund length – closer to record than not

Riding energy + U.S. soy oil balance sheet

Oil share – new highs for CY2021

Palm oil discount to Argentina soy oil widens

U.S. soy oil export demand has fallen off a cliff

Indonesia palm oil biodiesel program is key in the years ahead. Brazil soy oil of equal importance on the demand side.