# World Soy & Grain
# Supply and Demand Outlook for 2017/2018

**August 16th, 2017**



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# 20/20

- Trifecta (Hat trick) of record yields in the U.S. for Wheat, Corn and Soy leads to record production
- A smaller crop in South America combined with reserved farmer selling due to currency play led them to hold stocks leading to good U.S. exports
- U.S. Ethanol and meat production continued at record levels
- Imports of Soybean from China continued at a good pace
- Global GDP rates have been growing steadily
- Trading ranges have been small
- Burdensome Wheat stocks
- Increased DDGs inclusion in rations

# Key issues for the year ahead

- Final yields for U.S. Corn and Soybeans
- Large Speculator fund length
- Farmer movement from South America
- Chinese appetite for Soybeans
- US share of corn and soy exports
- Soybean meal import growth
- Edible oil imports from Chindia
- Acreage allocation for corn and soybeans



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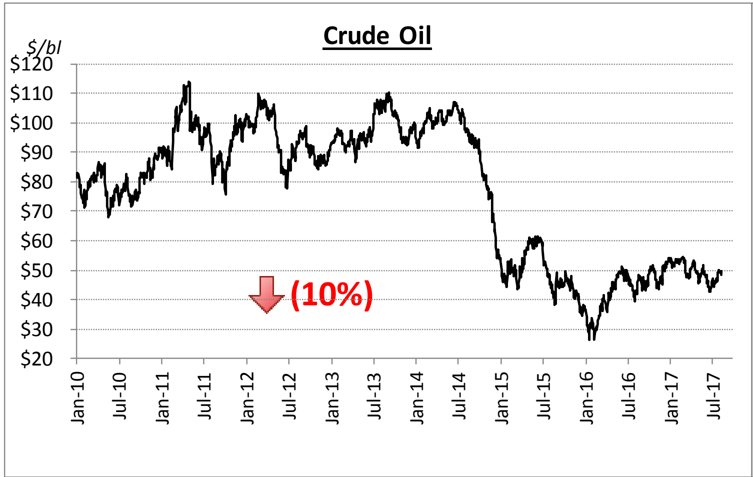
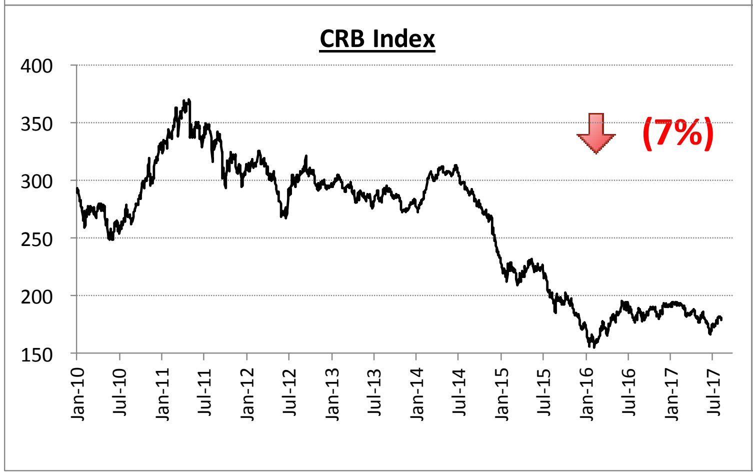
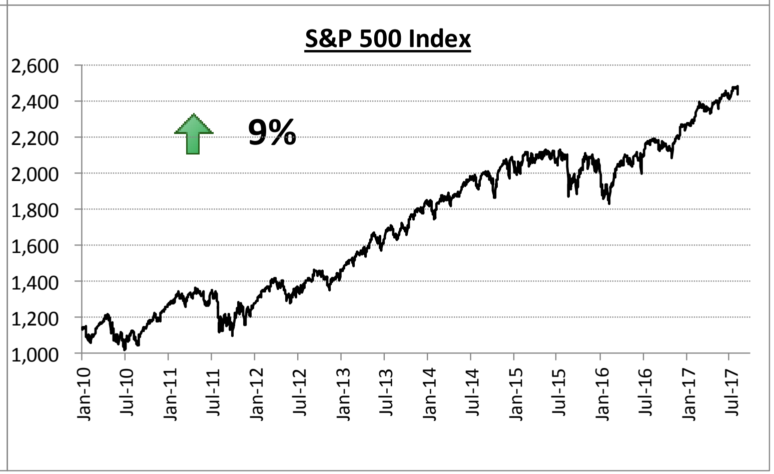
# Year to date returns

## Big moves in the various asset classes over the last 6 months







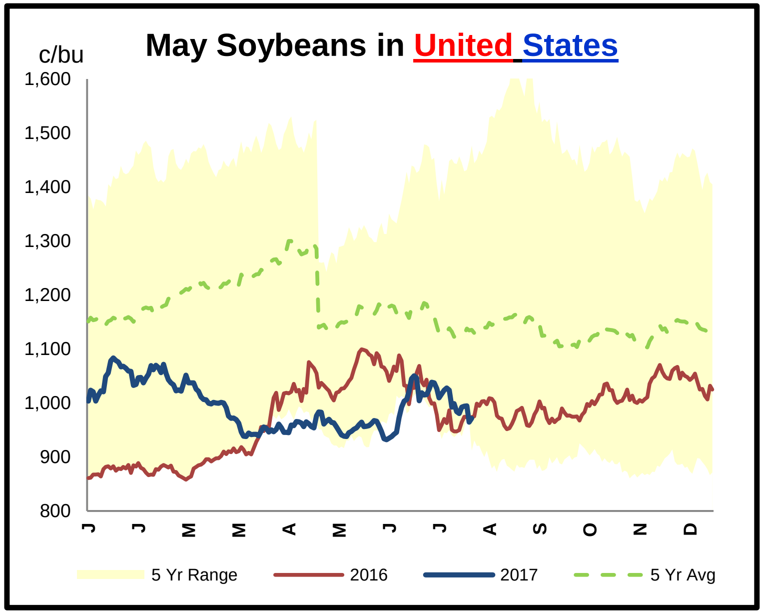



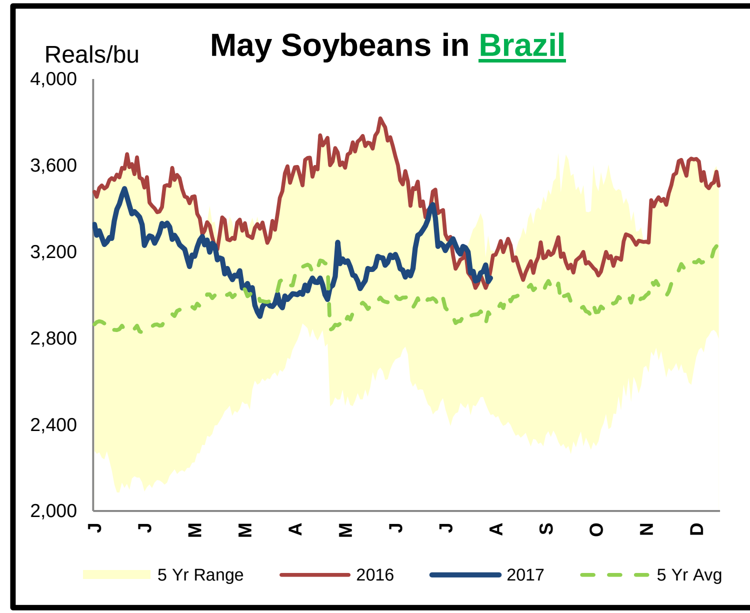
# US$ Dollar Jan 2017 = 100

| Country | Value |
|---|---|
| **Euro** | **112** |
| **Australian Dollar** | **109** |
| Indian Rupee | 106 |
| **Canadian Dollar** | **106** |
| **Ukranian Hryvnia** | **106** |
| Chinese Yuan | 104 |
| **Brazilian Real** | **103** |
| **Russian Ruble** | **102** |
| **Argentina Peso** | **89** |

# THE DICHOTOMY: MAY Soybeans in US$ and REALS

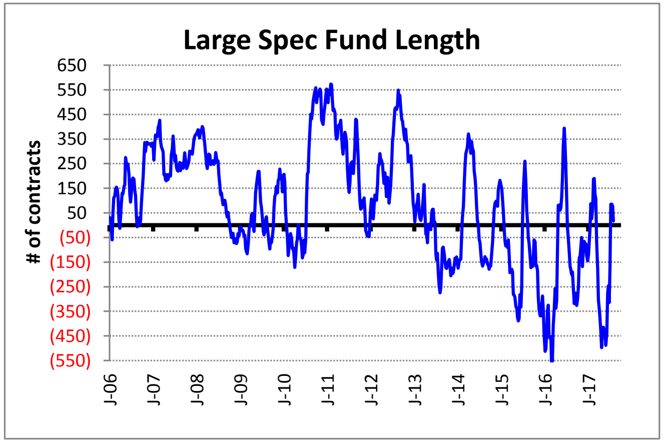
- The farmer still remains undersold

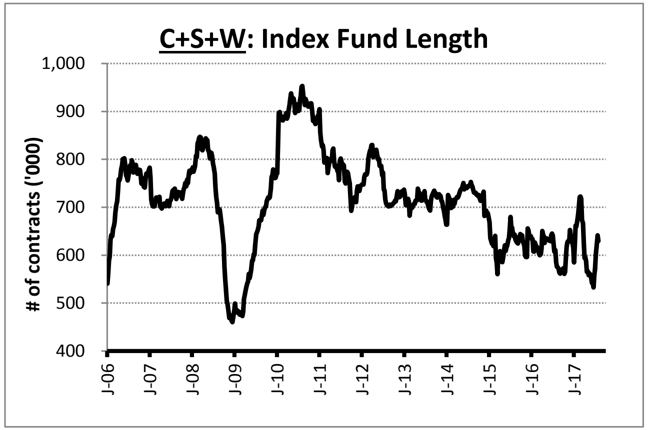



# The large spec are LONG grains and FLAT soybean

## Grains (Corn+Soy+Wheat)



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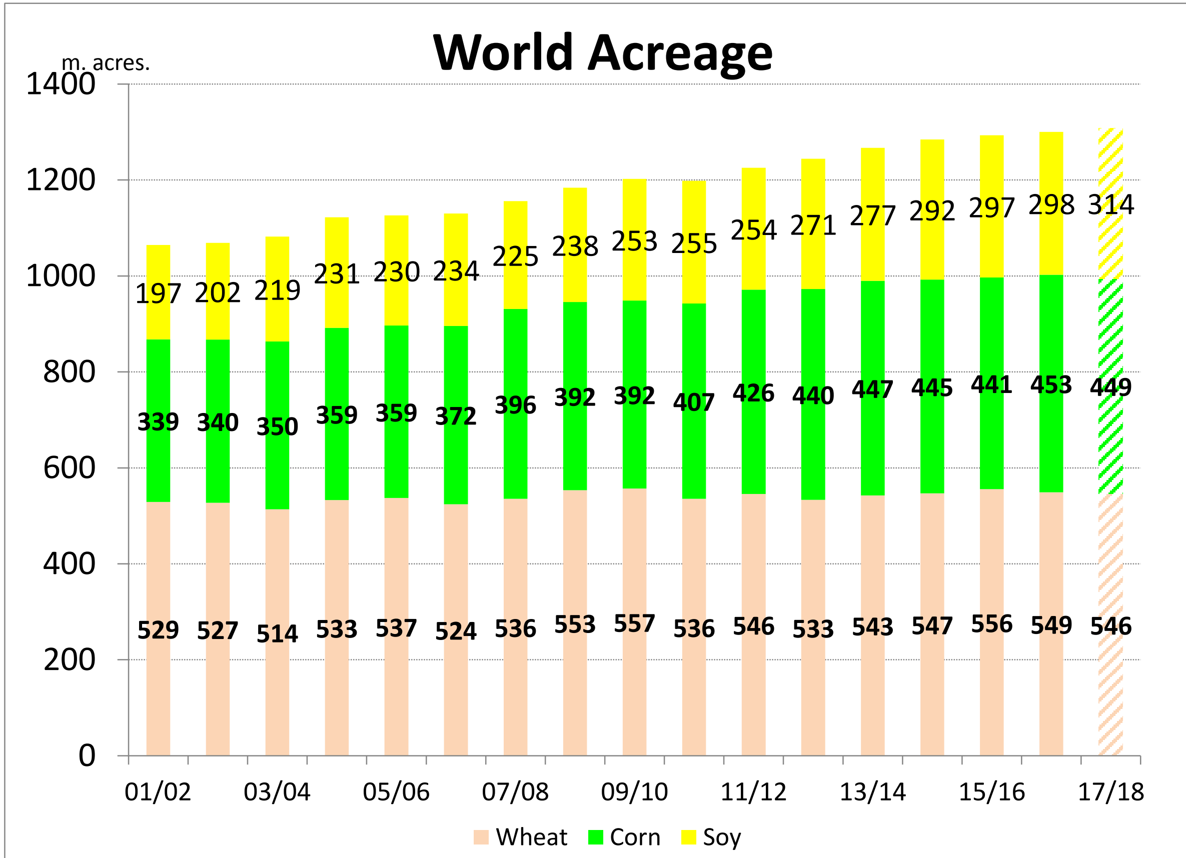
# World acreage continues to expand

- The 3, 2, & 1 Rule

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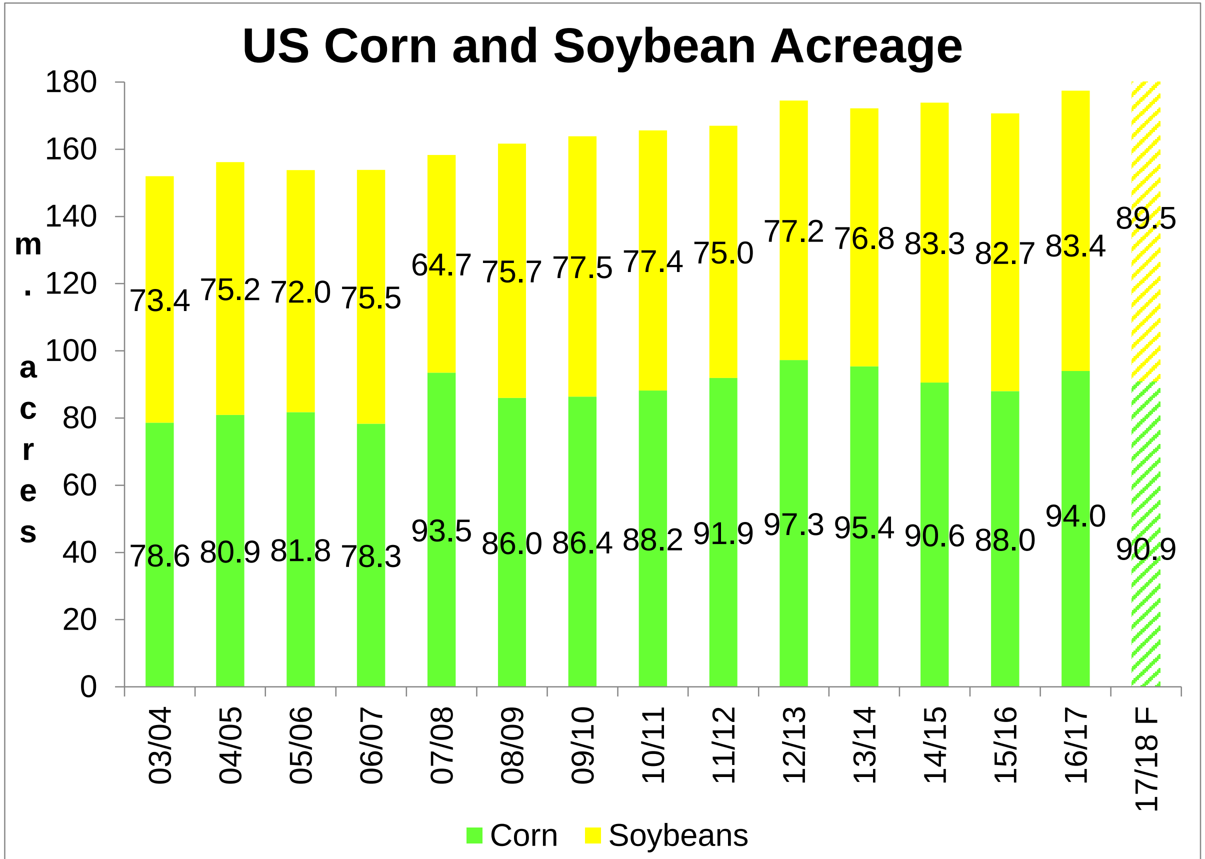
# U.S. planted 180.4 m. acres of corn & Soybeans UP 3.0 YoY

- This came at the expense of Wheat and fewer PP acres
- The USDA is forecasting a shift of 3.0 m. acres from Corn to Soy

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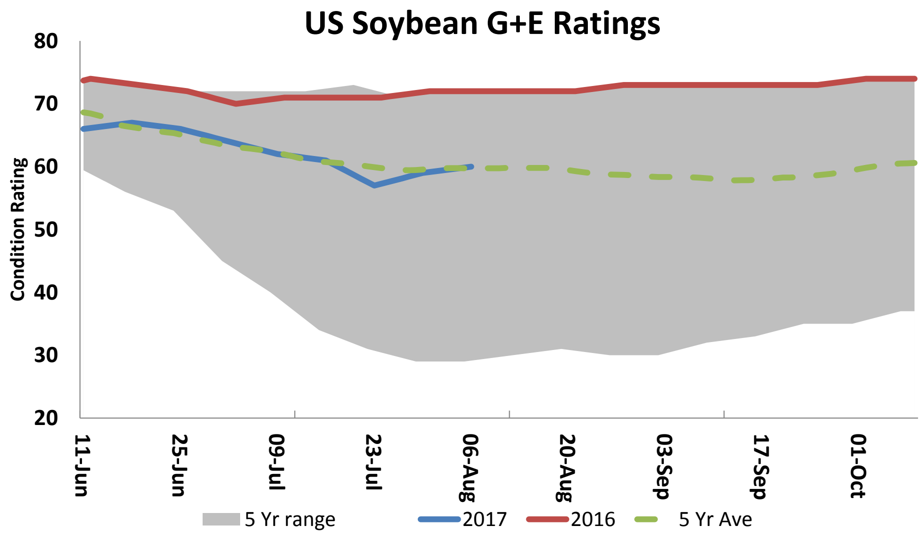
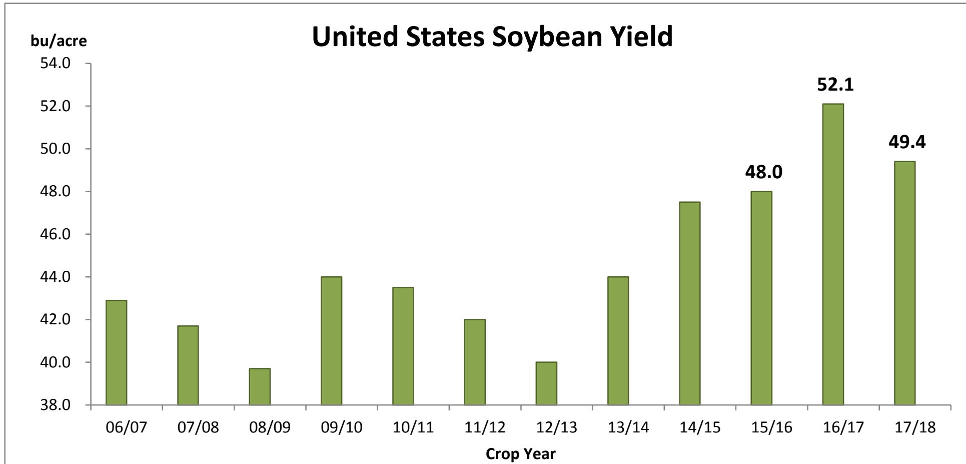
# U.S. Soy Good + Excellent conditions have increased over the last few weeks - USDA surprised the market with above Trend yield at 49.4 bu/acre



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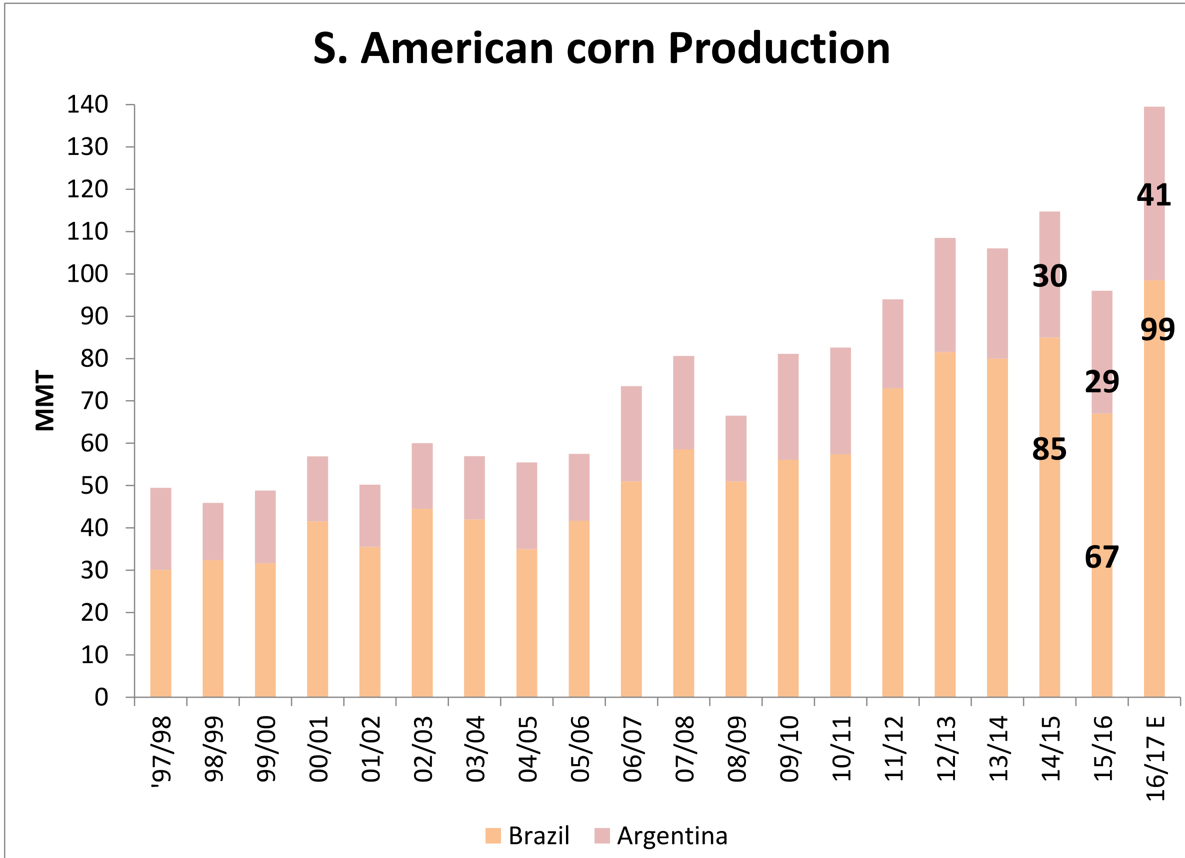
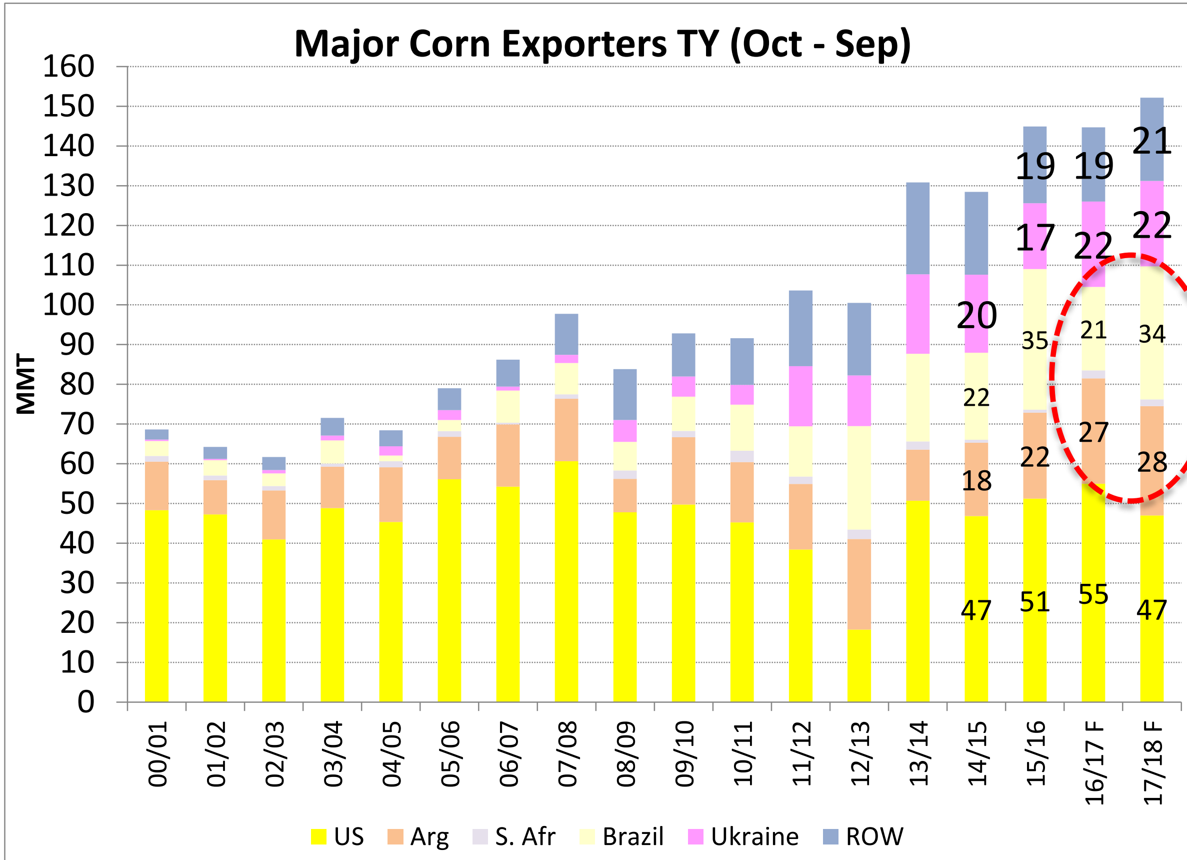
# Muito milho Mucho maiz




***This is a [1700 mbu]() Increase from last year***

# U.S. corn exports are forecast to decline led by increased competition from South America



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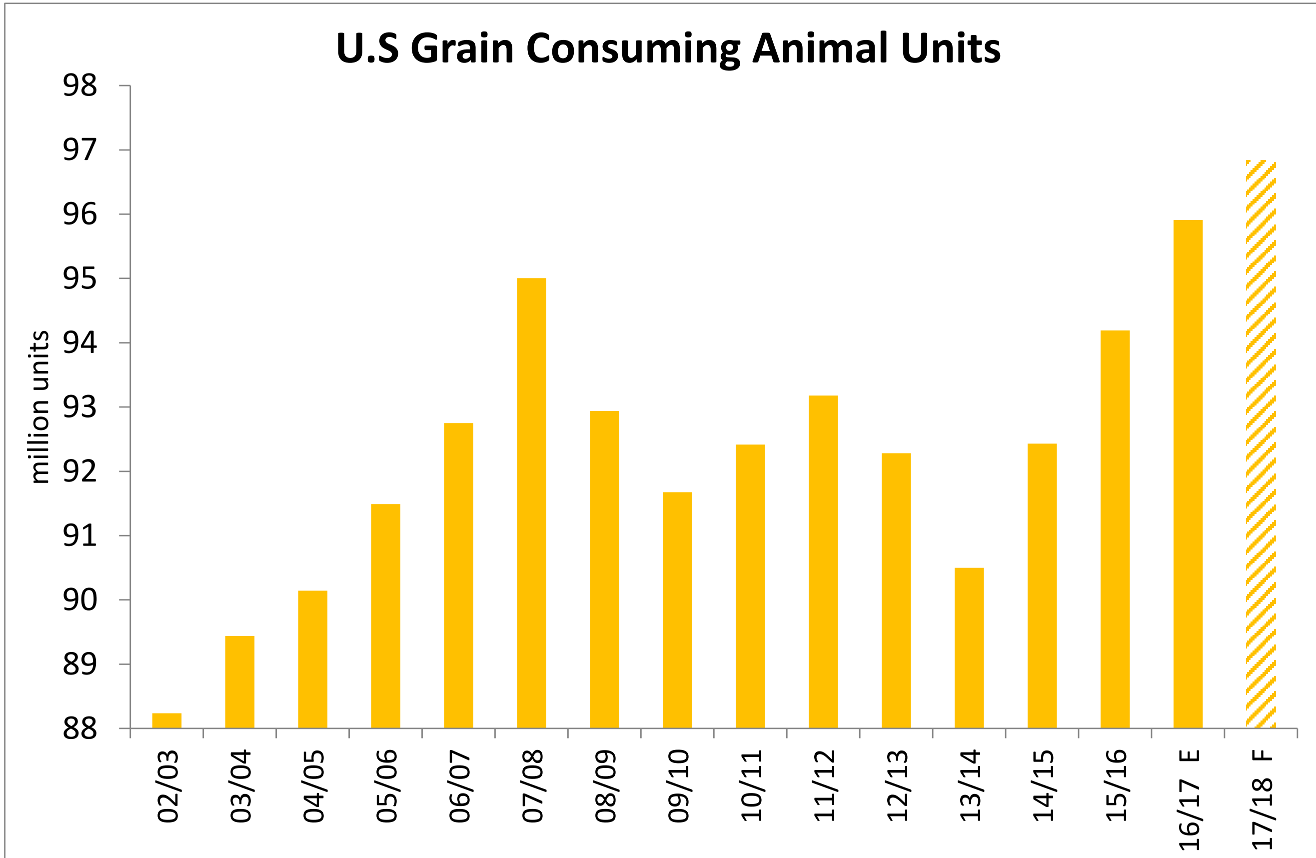
# Fourth consecutive year of increase in animal units to a record level



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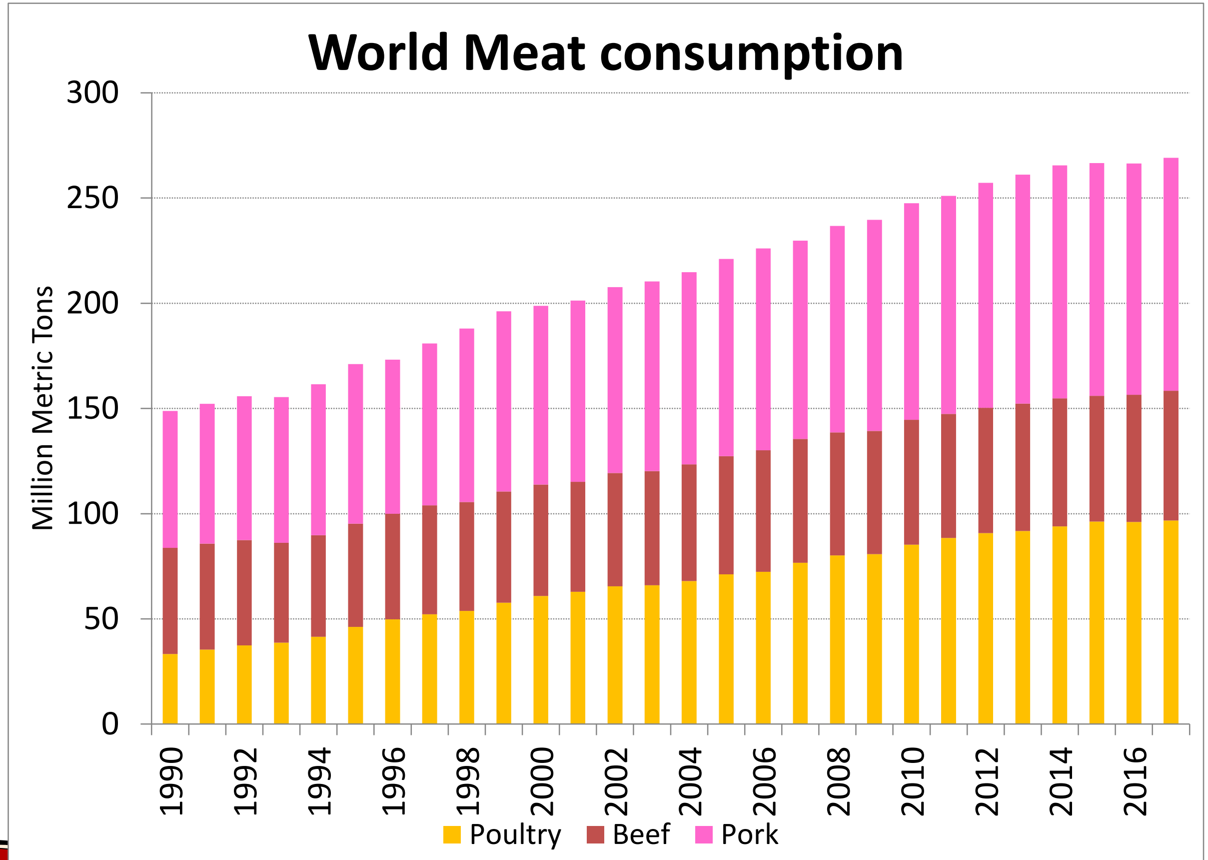
# World meat consumption continues to grow led by Poultry



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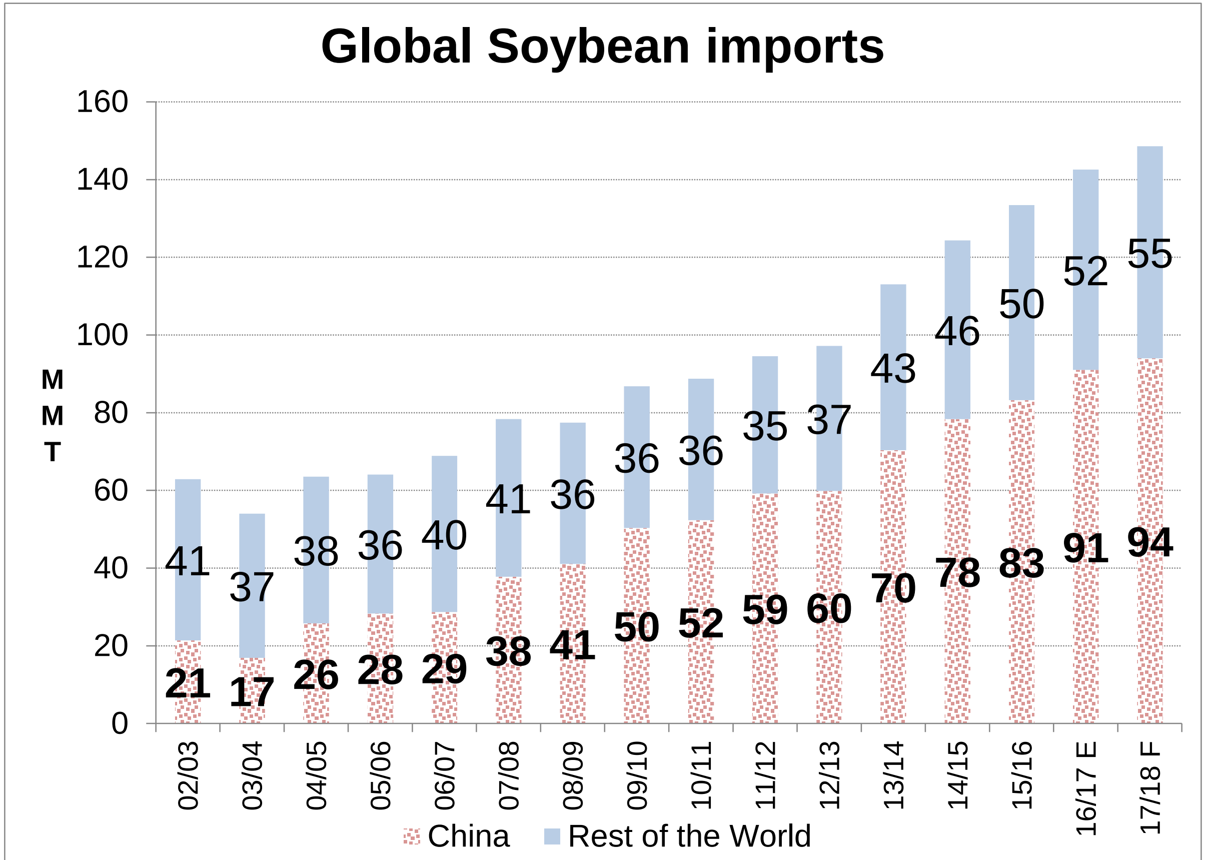
# The growth story continues….!



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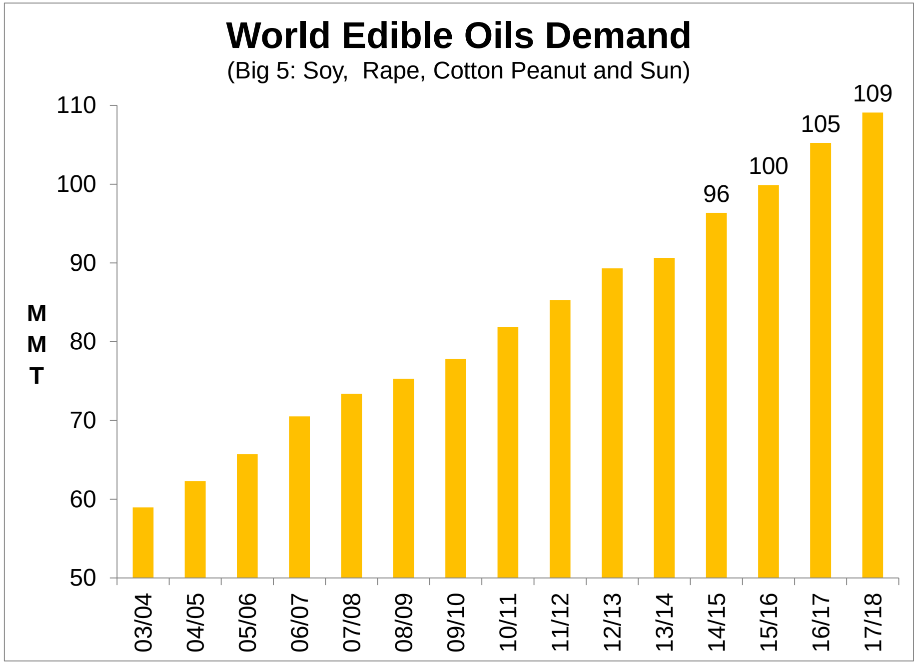
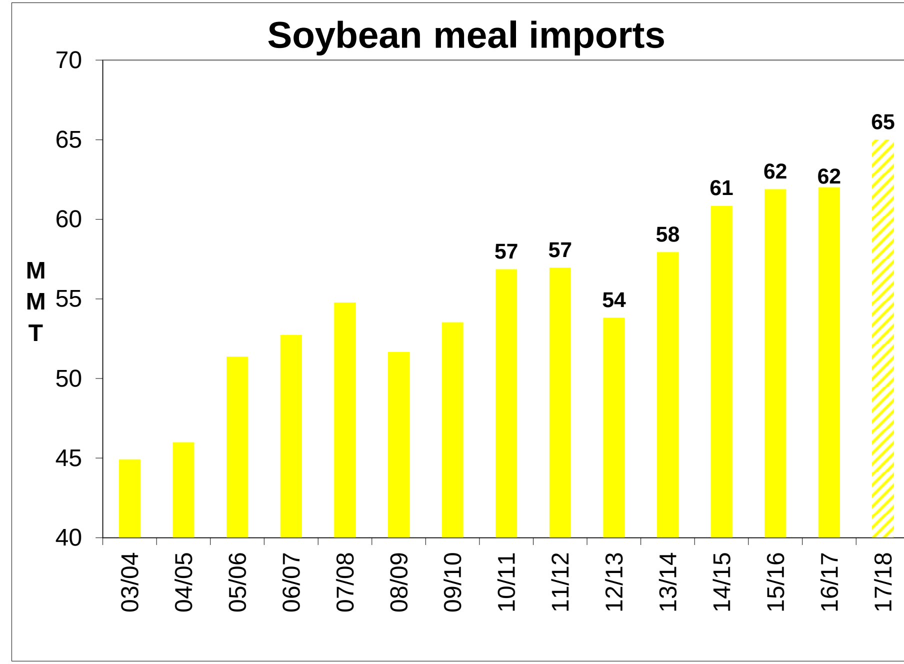
# Soybean meal imports are forecast to rise by 5% YoY
## - Oil demand growth remain unabated



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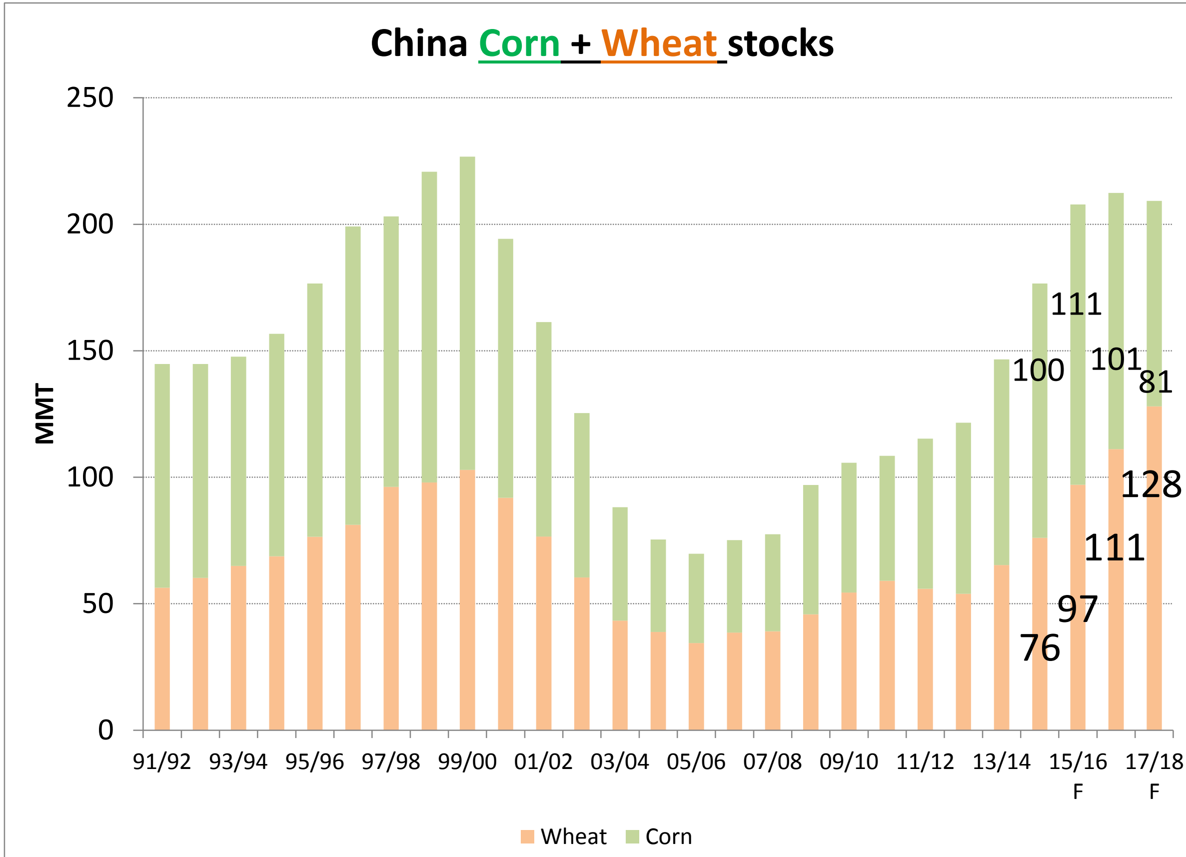
# One policy to another

## - Corn + Wheat stocks DOWN 3 MMT

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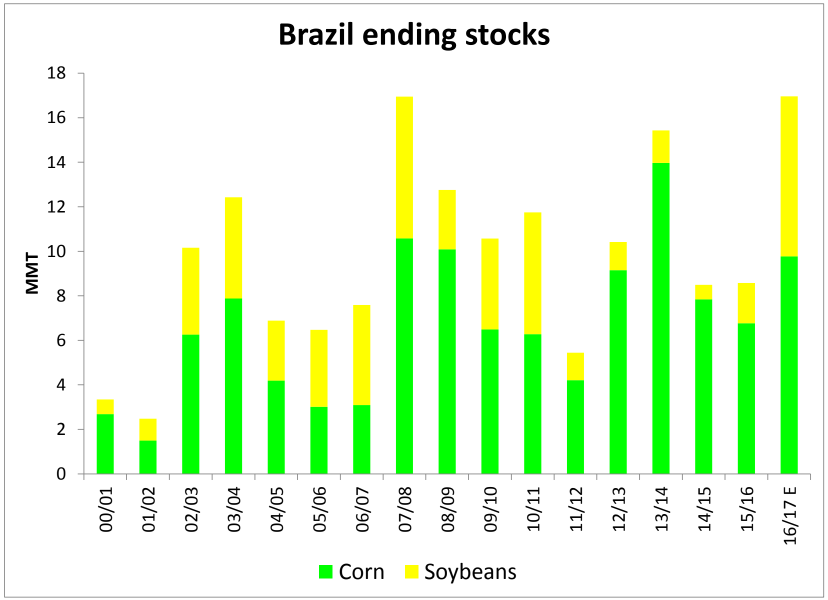
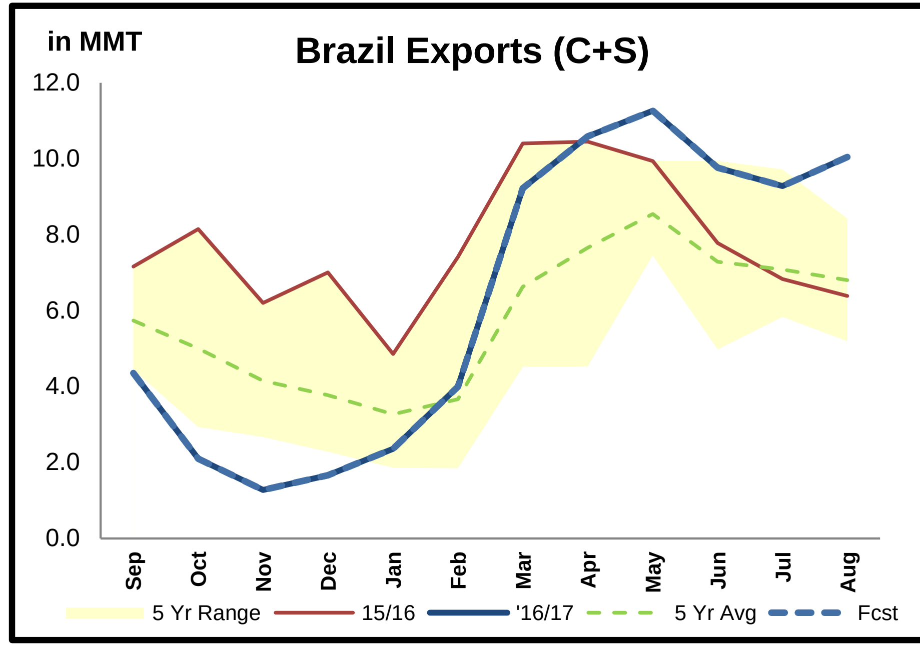
# Brazil: Corn + Soy exports will likely break records in the coming months




*Ending stocks 16/17: Jan 2018*

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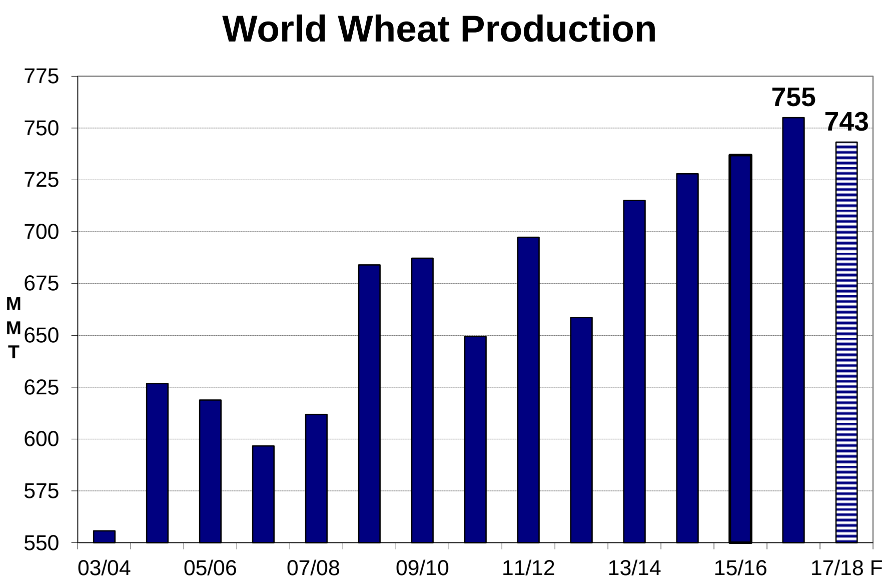
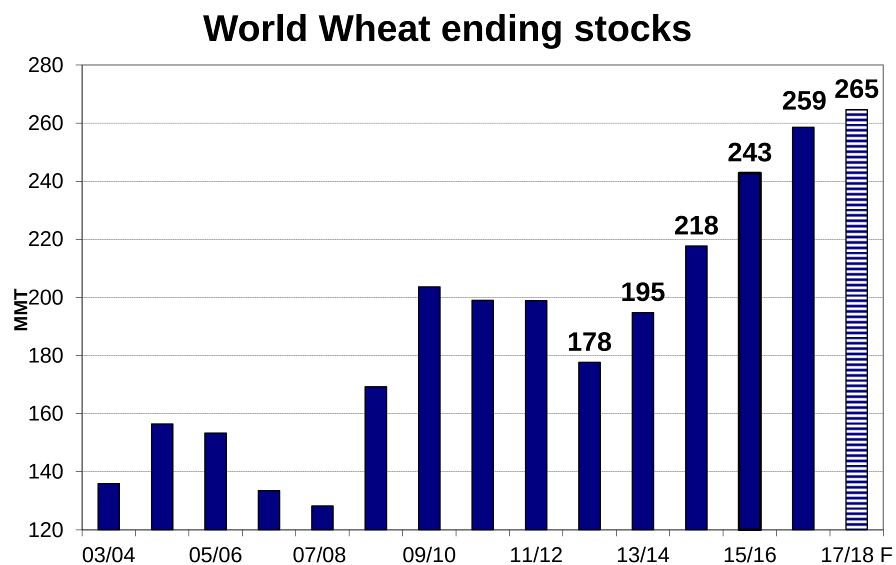
# World Wheat production and ending stocks

- 5 years of Big production along with slower growth in Demand has added ~85 MMT of stocks



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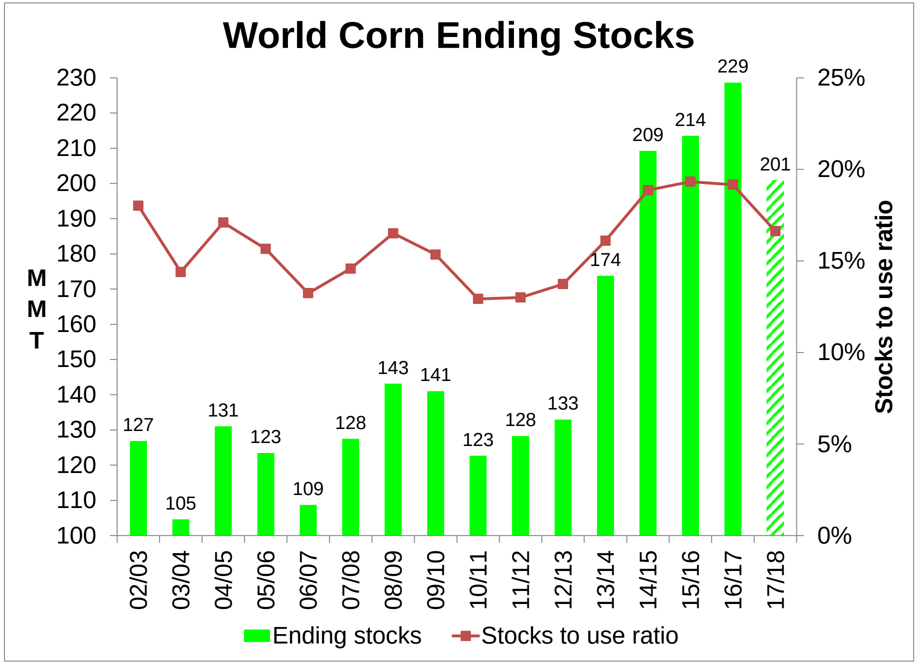
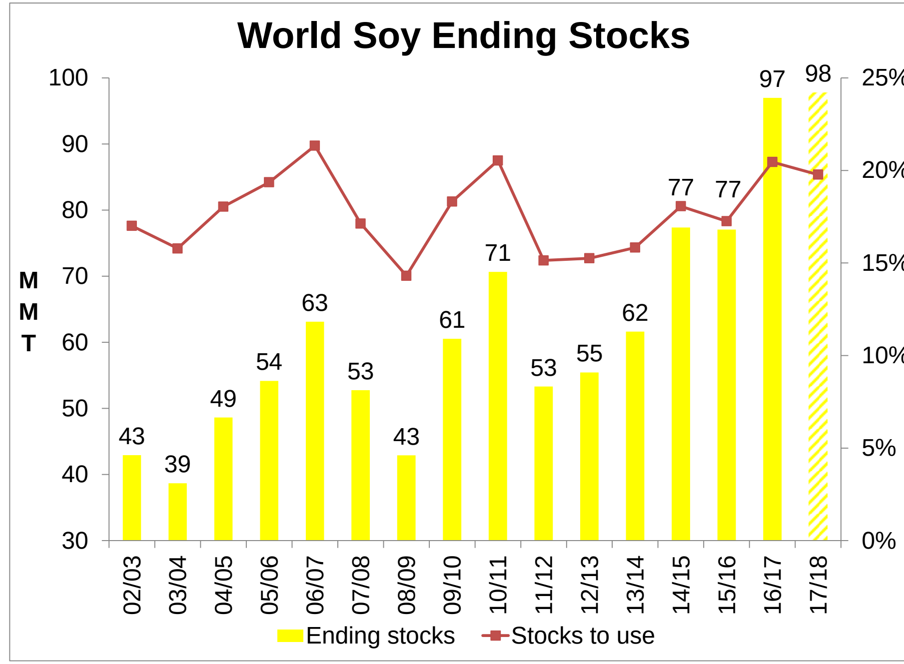
# Big Global ending stocks forecasted for corn and soybeans



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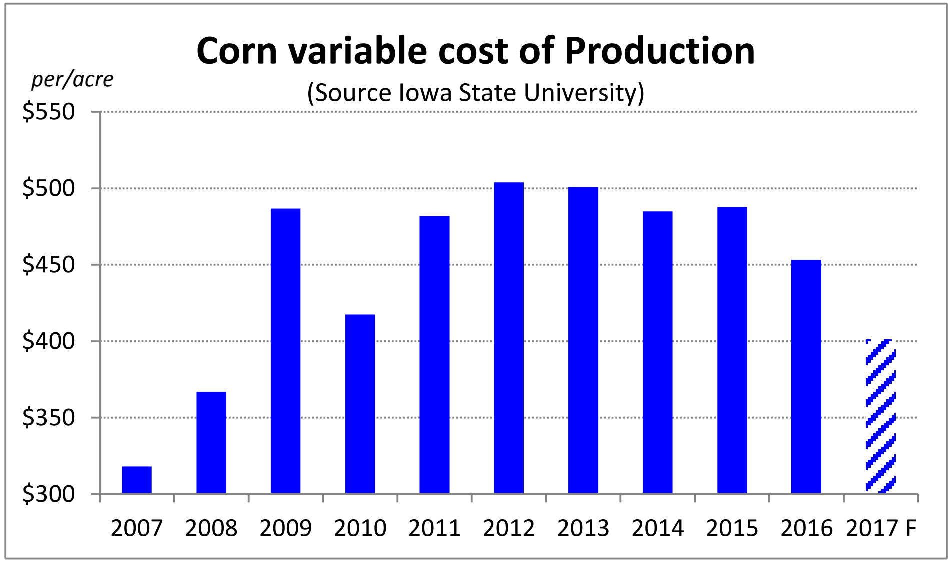
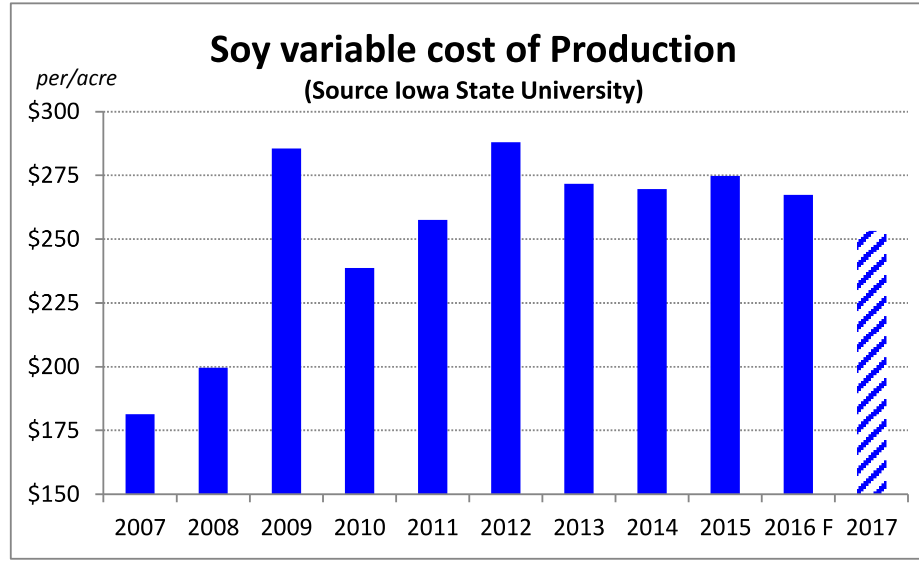
# Can 2018 corn costs drop below $400/acre???



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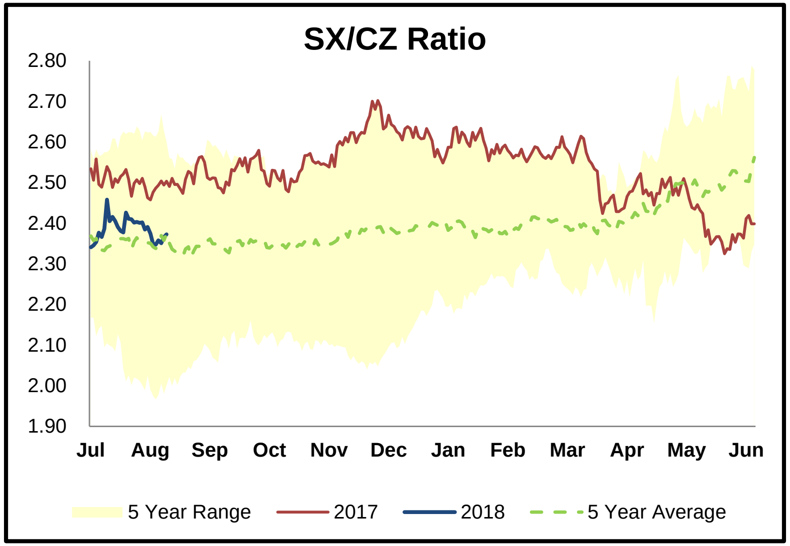
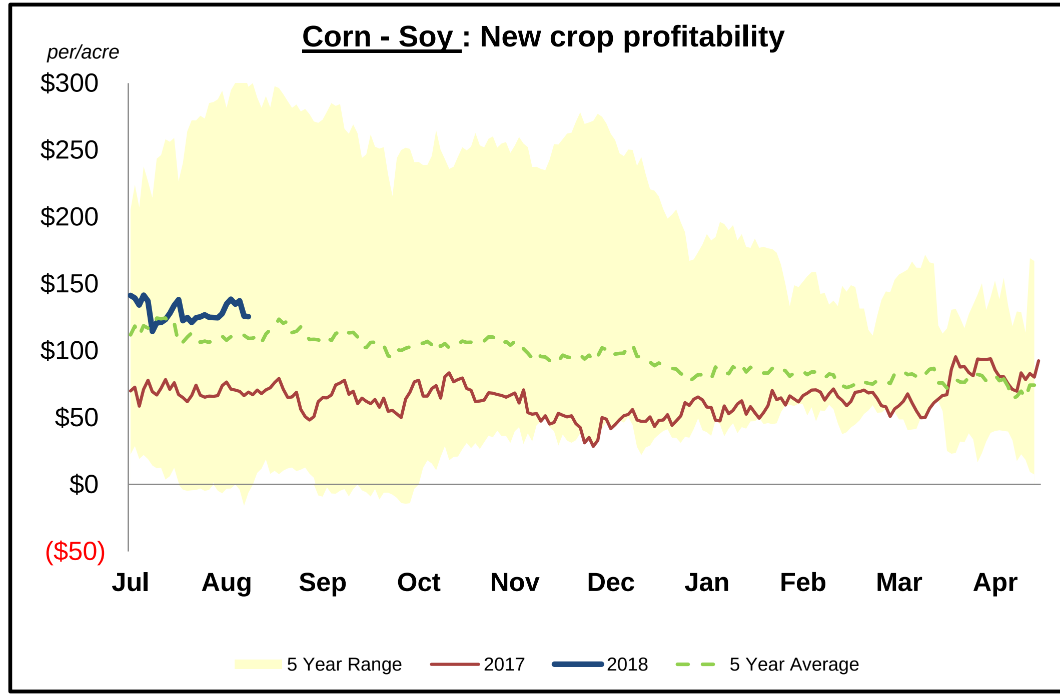
# Looking Forward: Based on the current ratio of Corn vs. Soy, Returns on corn are being favored over Soy



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# Takeaways

- Large Speculator carrying very SMALL positions
- DECLINE in the value of US$ will likely help exports
- RECORD South American crop has been confirmed leading to big ending stocks
- Producer remains UNDERSOLD and end-user is hand to mouth
- Size of US row crops STILL to be determined
- World trade for Soybeans to INCREASE into 2017_18, but product imports needs to be WATCHED
- Chinese policies will continue to lead to LOWER corn acreage
- Oilseed demand growth continues led by Soybeans and will DEMAND acres in the coming year



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