

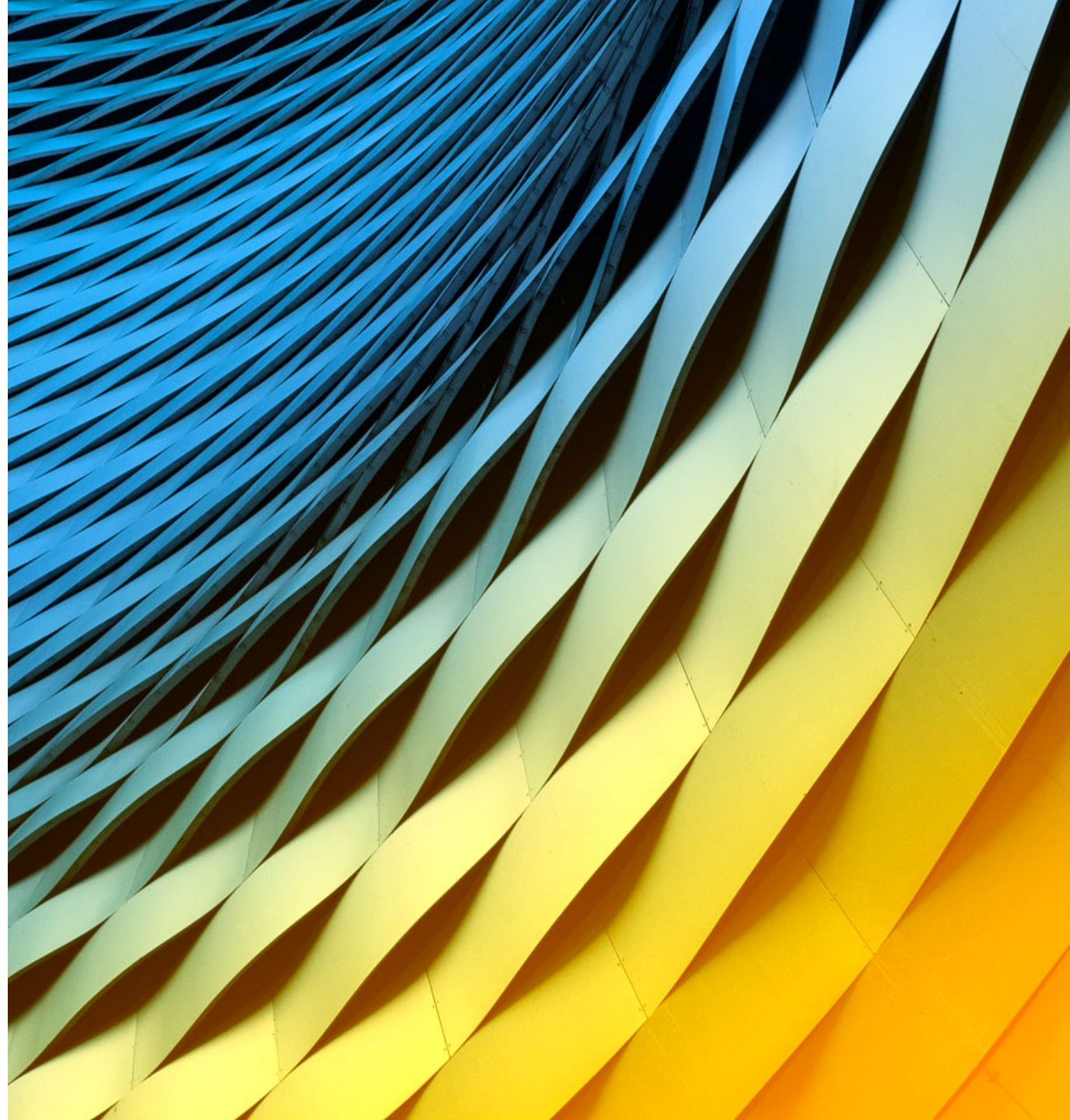
CME Group – An Introduction to Soy-complex & Corn Trading - An Agri Trader's Perspective

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The background of the image shows several burlap sacks filled with different types of grains and beans, arranged on a wooden surface. The grains include yellow corn, white rice, black beans, and yellow soybeans. The text is centered in a white box with a thin black border.

Soybeans & Grains

An Introduction to trading from an Ag
trader's perspective
By Ong How Tuan

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Soycomplex and Corn : Intro

- What are futures contract in Ags and its function for the Ag trader?
- Backwardation / Carry Market - Why?
- Contango / Inverted Market – Why ?
- Origin country price setting vs Destination country price finding

TIME

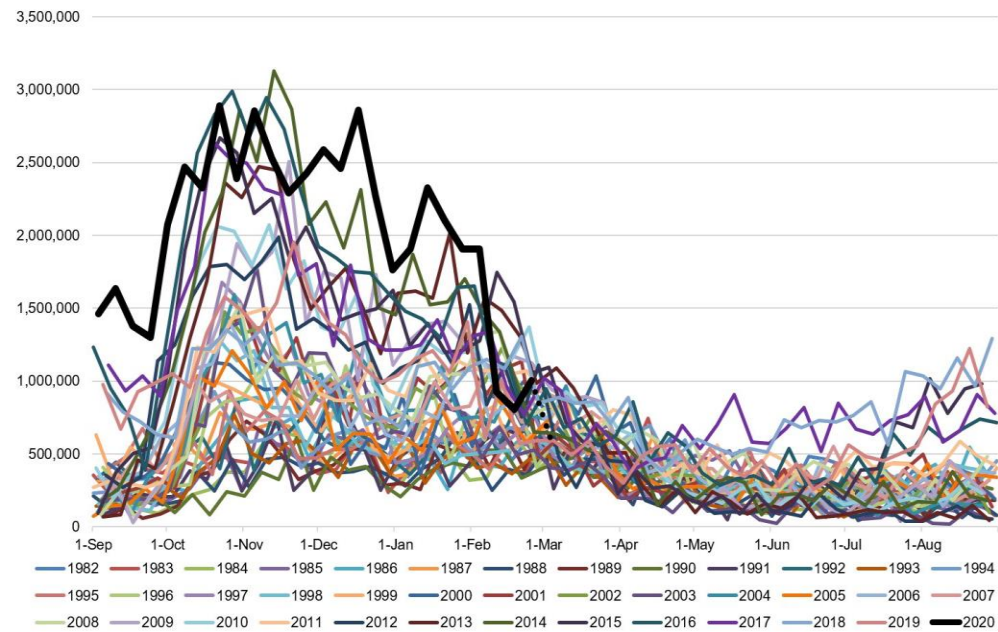
- Biggest risk carrier. We don't know what will happen in the future but futures contract gives collective intelligence into what might happen. What is the market telling you ?
- How time brings risk to farmers/buyers?
- - Supply uncertainty vs demand growth.

FUNDAMENTALS DRIVING SOYBEAN AND CORN TRADING

- SUPPLY
- - PLANTING SEASONALITY
- - WEATHER IMPACT ON YIELDS
- DEMAND
- POPULATION GROWTH/INCOME GROWTH
- ANIMAL PROTEIN NEEDS AND VEGETABLE OIL

Seasonal Pattern

Weekly U.S. Soybean Export Inspections Since 1983 (tonnes)

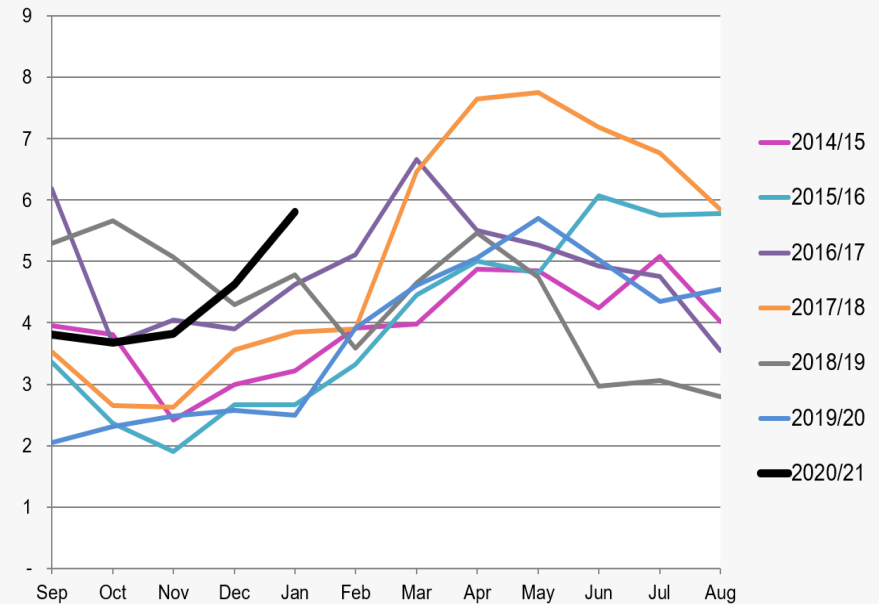


Note: 2020 (2020/21) through Feb. 25, 2021. Dashed line shows preliminary total for week ended March 4, 2021.

Data source: USDA

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Monthly U.S. Corn Exports (millions of tonnes)



Data source: U.S. Census Bureau

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COMMODITY FLOWS ARE MORE TRANSPARENT – Why trade commodities?

- DATA SOURCES FROM USDA, CONAB, BAGE, CNGOIC
- ONLINE FARM/AGRI BASED REPORTS AVAILABLE.
- IN THE PAST, COMMERCIALS DICTATE PRICES, WHEN INFORMATION IS NOT INSTANTANEOUS COMPARED TO TODAY!
- A bid can last for 2 weeks vs now a bid last for max 1 hr or less.
- WEATHER REPORTS FROM CPC/WEATHER PREDICT

SUPPLY Seasonality - source of corn and beans

- US SUPPLY – 1 Season Mar-Aug
- BRAZ SUPPLY - 2 Seasons Safra (Summer) / Safrinha (Winter)
- ARG SUPPLY – 1 Season Nov-Mar

USDA Report

U.S. Soybeans and Products Supply and Use (Domestic Measure) 1/

CORN

	<i>Million Acres</i>			
Area Planted	88.9	89.7	90.8	90.8
Area Harvested	81.3	81.3	82.5	82.5
	<i>Bushels</i>			
Yield per Harvested Acre	176.4	167.5	172	172
	<i>Million Bushels</i>			
Beginning Stocks	2140	2221	1919	1919
Production	14340	13620	14182	14182
Imports	28	42	25	25
Supply, Total	16509	15883	16127	16127
Feed and Residual	5429	5903	5650	5650
Food, Seed & Industrial 2/	6793	6282	6375	6375
Ethanol & by-products 3/	5378	4852	4950	4950
Domestic, Total	12222	12185	12025	12025
Exports	2066	1778	2550	2600
Use, Total	14288	13963	14575	14625
Ending Stocks	2221	1919	1552	1502
Avg. Farm Price (\$/bu) 4/	3.61	3.56	4.2	4.3

	2018/1	2019/20 Est.	2020/21 Proj. Jan	2020/21 Proj. Feb
SOYBEANS				
	<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	4428	3552	4135	4135
Imports	14	15	35	35
Supply, Total	4880	4476	4695	4695
Crushings	2092	2165	2200	2200
Exports	1752	1682	2230	2250
Seed	88	96	103	103
Residual	39	9	22	22
Use, Total	3971	3952	4555	4575
Ending Stocks	909	525	140	120
Avg. Farm Price (\$/bu) 2/	8.48	8.57	11.15	11.15

SAM production estimates

2020/21 South American Crop Production

(millions of tonnes)

	CORN		SOYBEANS	
	Argentina	Brazil	Argentina	Brazil
USDA Feb.	47.5	109.0	48.0	133.0
Trade average	47.03	108.4	47.64	132.46
USDA Jan.	47.5	109.0	48.0	133.0
<i>USDA 2019/20</i>	<i>51.0</i>	<i>102.0</i>	<i>48.8</i>	<i>126.0</i>

Data sources: USDA/FAS; Reuters

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Brazil corn estimate by CONAB

Brazil Corn/Soybean S&D

Conab estimates February 11, 2021

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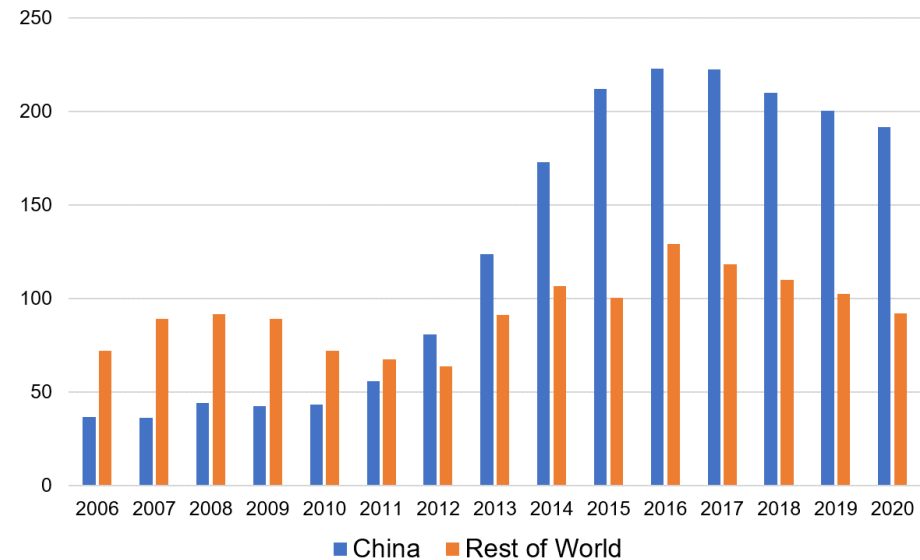
	20/21 Feb	20/21 Jan	2019/20
Corn Production	105.48	102.31	102.5
Second corn prod.	80.08	76.76	75.05
Corn exports	35.0	35.0	34.9
Corn ending stocks	9.93	7.33	10.6
Soy Production	133.82	133.69	124.84
Soy exports	85.6	85.7+	83

Note: Estimates in millions of tonnes

World Corn ending stocks vs China

Corn Ending Stocks: World vs. China

(million tonnes)



Note: 2020 refers to the 2020/21 marketing year.

Data source: U.S. Department of Agriculture

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DEMAND

- CHINA
- - 100 MIL MT BEANS AND 7.2 MIL MT CORN (UNDER TRQ)
- NORTH ASIA (JAPAN – 15MIL MT CORN, KOREA – 11 MIL MT CORN, TAIWAN – 4.5 MIL MT CORN)
- SOUTH EAST ASIA (MALAYSIA 3.5 MIL MT ,INDONESIA - ZERO,VIETNAM – 11 MIL MT, THAILAND , PHILIPPINES)

TYPES OF PRICE RALLY

- Supply driven rally
- - Sudden change, high volatility / fear
- Demand driven rally
- - Slow burn, market needs to see evidence to lock step up through sales flashes or export confirmation
- - Harder to predict the turning point as question will be when will prices be high enough to stop/switch/replace

Supply Driven Rally



Characteristic Supply Rally

- Very sudden price increase
- Fear driven
- Demand rationing happens very fast and the supply cut is solved by switching to other countries or other switchable commodity
- Caused by adverse weather

Demand Driven Rally



SUPPLY

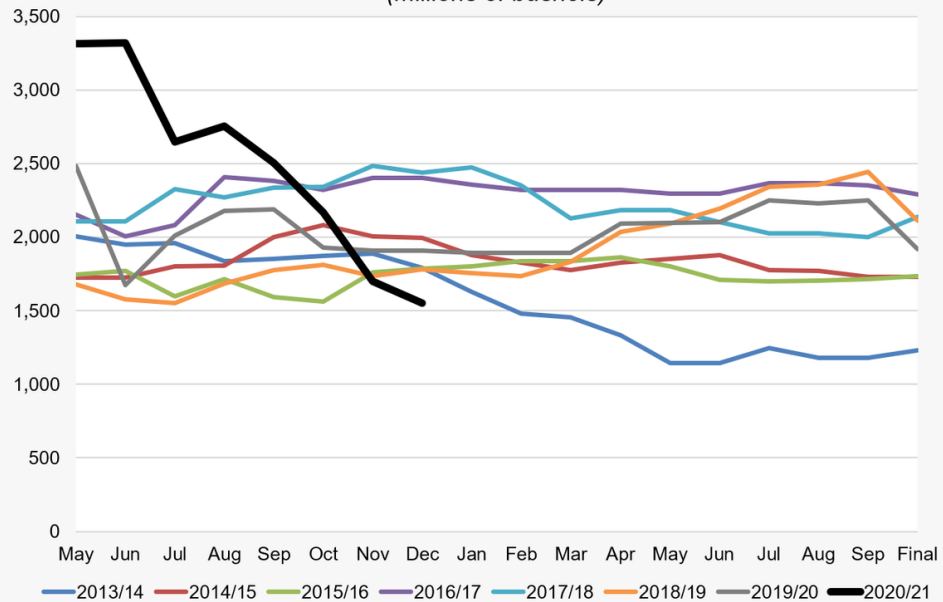
DEMAND

Characteristic Demand Rally

- Very slow to materialize
- Hope driven
- Price rise more gradually
- Last longer
- Supply shortage takes another crop cycle to refill.
- Caused by economic growth

Dwindling stocks

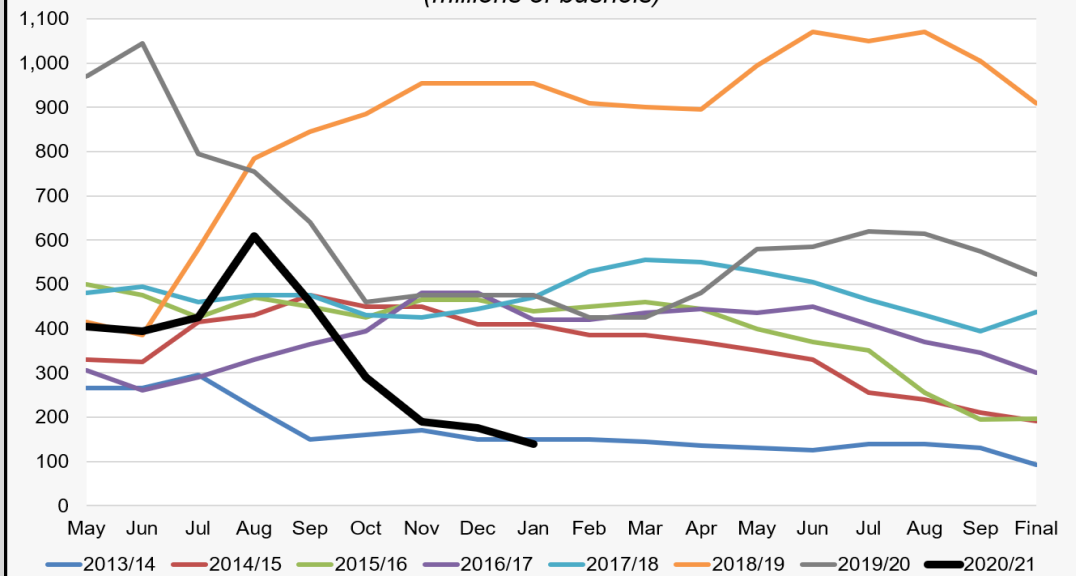
U.S. Corn Ending Stocks:
USDA's Monthly Forecast
(millions of bushels)



Data source: U.S. Department of Agriculture

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U.S. Soybean Ending Stocks:
USDA's Monthly Forecast
(millions of bushels)



Data source: U.S. Department of Agriculture

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What needs to happen with lower stocks?

- Rationing of demand
- Market needs to find a level to increase supply/decrease demand – How ?
- This brings volatility and with that opportunities for trade
- Ag traders – directional / long term

United States Planted Acres 2021

(USDA Outlook Forum Feb. 18, 2021; millions of acres)

	CORN	SOY	WHEAT
Outlook Forum	92.0	90.0	45.0
Trade average	92.9	89.4	45.5
USDA 2021 baseline	90.0	89.0	46.0
<i>USDA Final 2020</i>	<i>90.8</i>	<i>83.1</i>	<i>44.3</i>

Data sources: USDA; Reuters

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United States Ending Stocks

USDA March 9, 2021 – billions of bushels

	2020/21	Trade Avg	<i>USDA Feb.</i>
Corn	1.502	1.471	1.502
Soybeans	0.120	0.117	0.120
Wheat	0.836	0.839	0.836

Data sources: USDA; Reuters

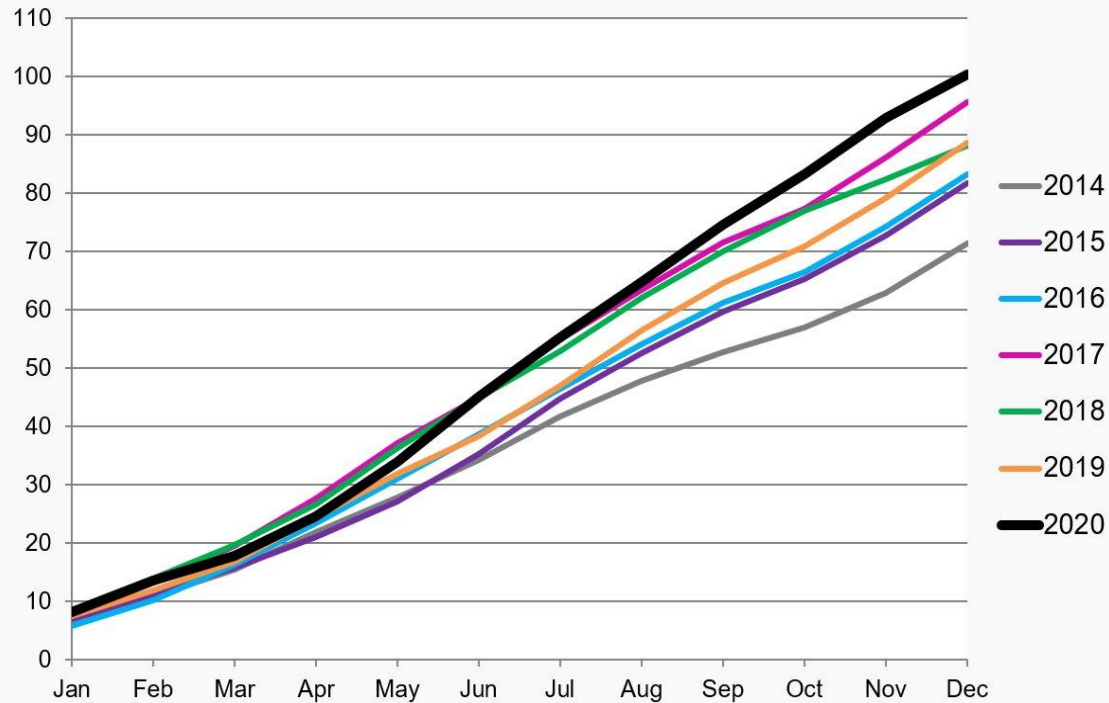
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Where will market go ?

- We are in a demand driven rally
- - Reasons
- 1) US/China relations – trade deal
- 2) COVID – fear of supply chain disruption
- 3) Post COVID recovery expectations
- 3) Supply concerns Bean/Corn and Palm oil
- 4) China demand for raw materials in general

The China Factor

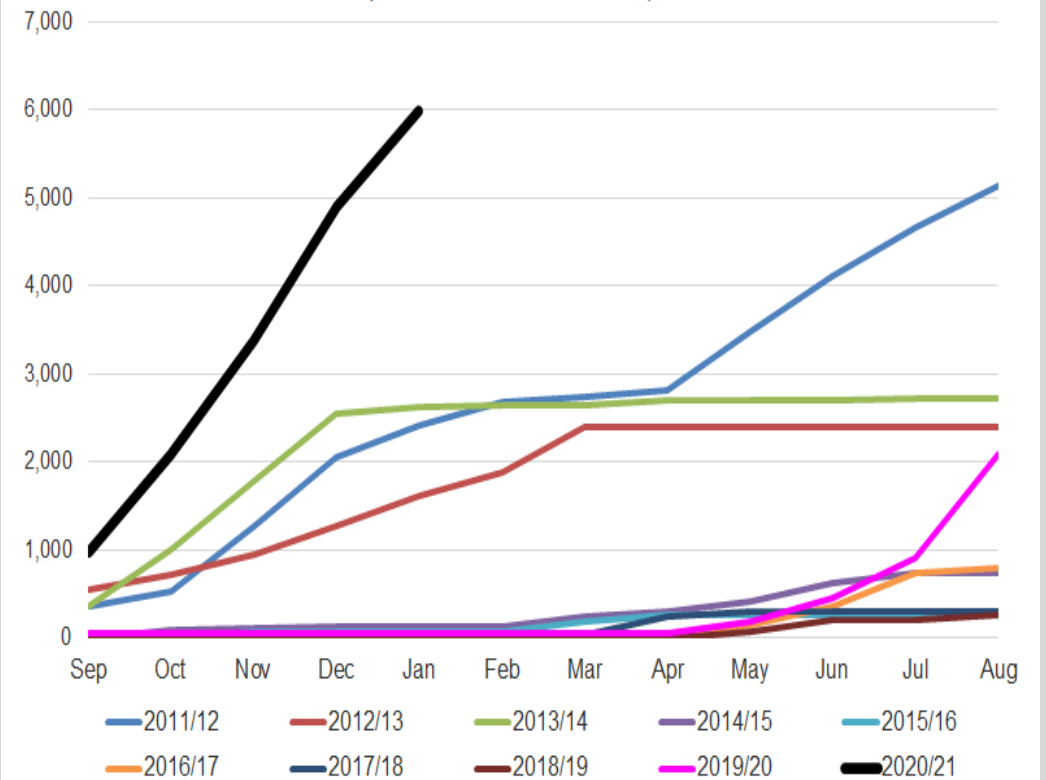
China's Cumulative Soybean Imports (millions of tonnes)



Data sources: General Administration of Customs of China; Reuters

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U.S. Corn Exports to China (cumulative; 1,000 tonnes)



Weekly Export Inspections

U.S. Weekly Inspections, w/e March 11 *(thousands of tonnes)*

	Trade Range	Actual	<i>Last week</i>	<i>YTD (YOY)</i>
Corn	1,200 – 1,900	2,204	1,673	29,956 (+87%)
Soybeans	350 – 650	519	595	53,120 (+74%)
Wheat	300 – 500	683	485	19,278 (-2%)

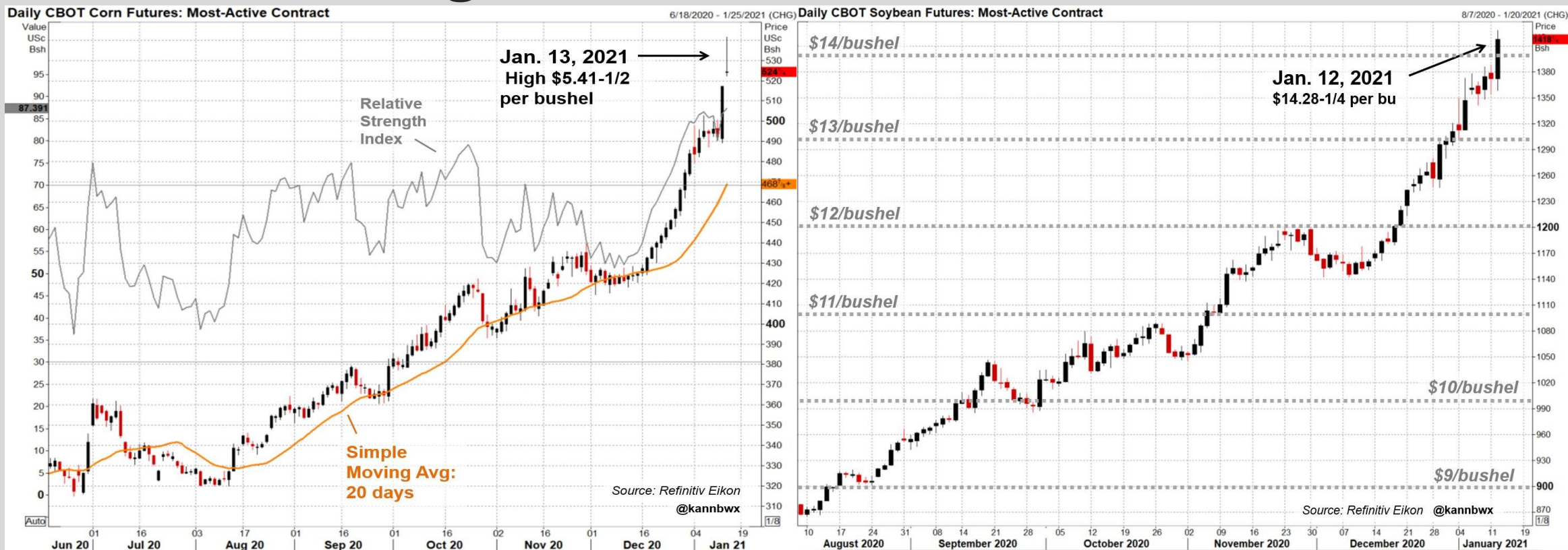
Data sources: USDA; Reuters

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Types of Trade

- Directional Trading – Long/Short Future
- - Current prices / views on short/medium/long term
- - Soybean tight stocks, demand, new crop planting drivers
- - South America new crop planting
- Spread Trading – Calendar Spread
- - Current spreads CNCZ & SNSX Backwardation/Inverse

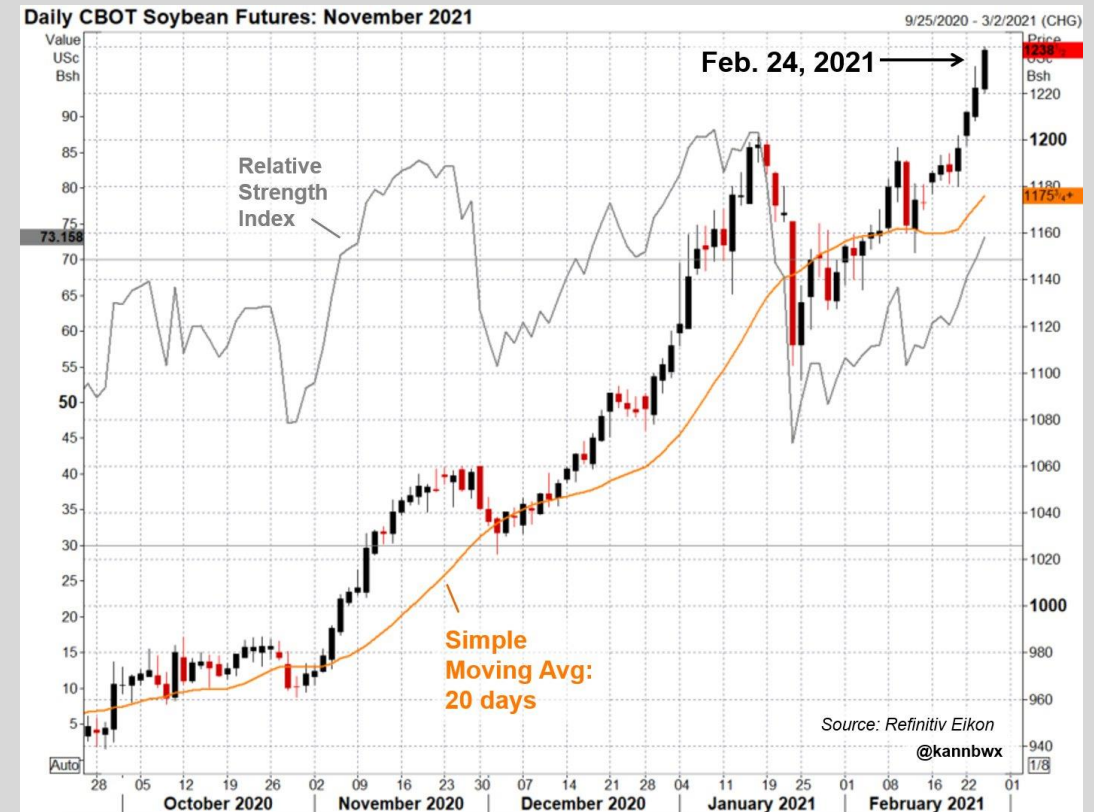
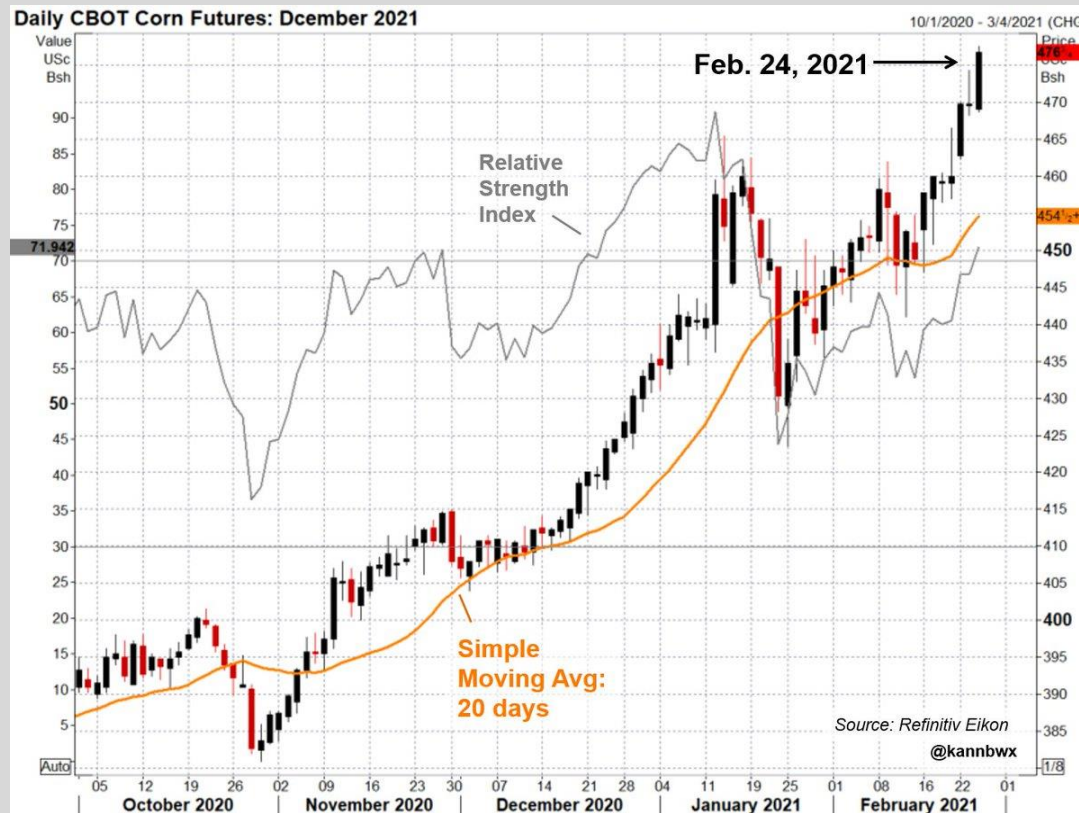
Corn & Soybean Futures Price



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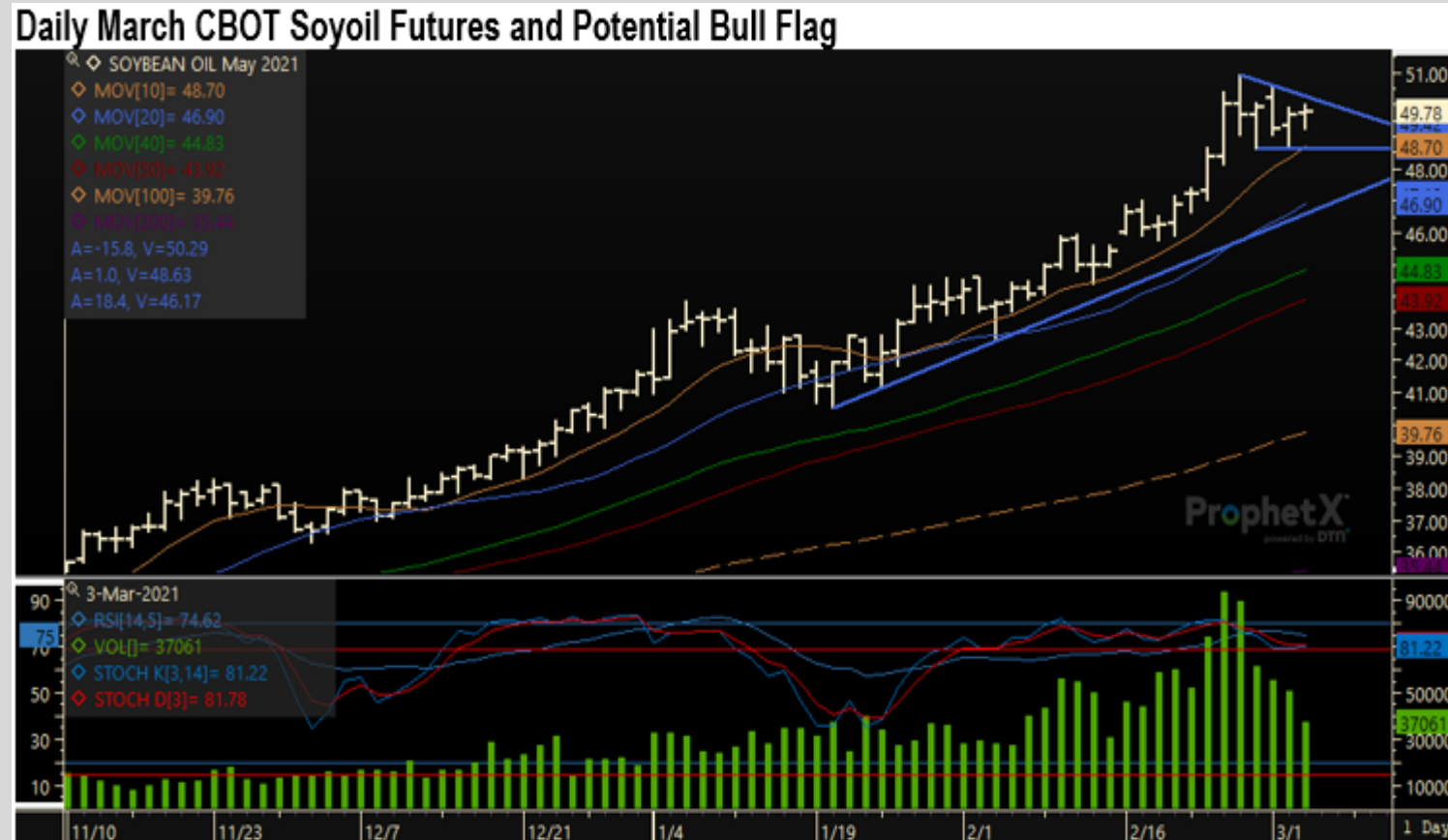
New crop CZ21 & SX21



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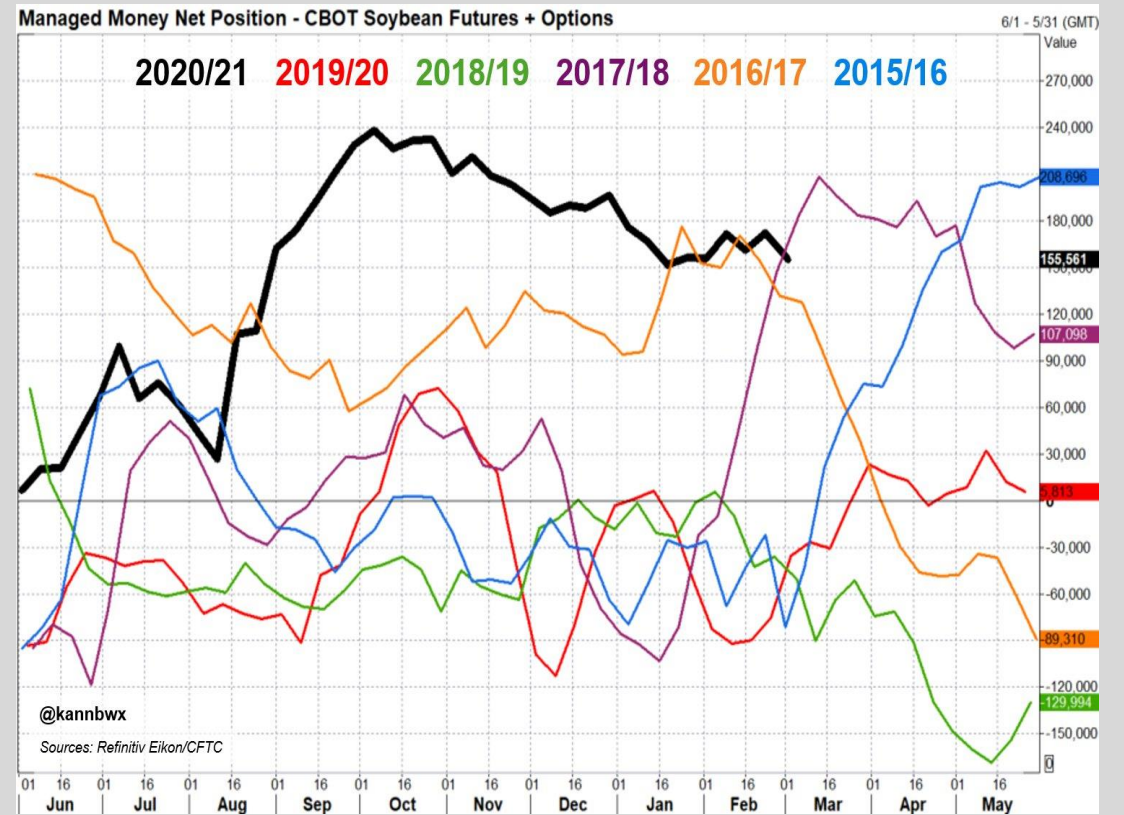
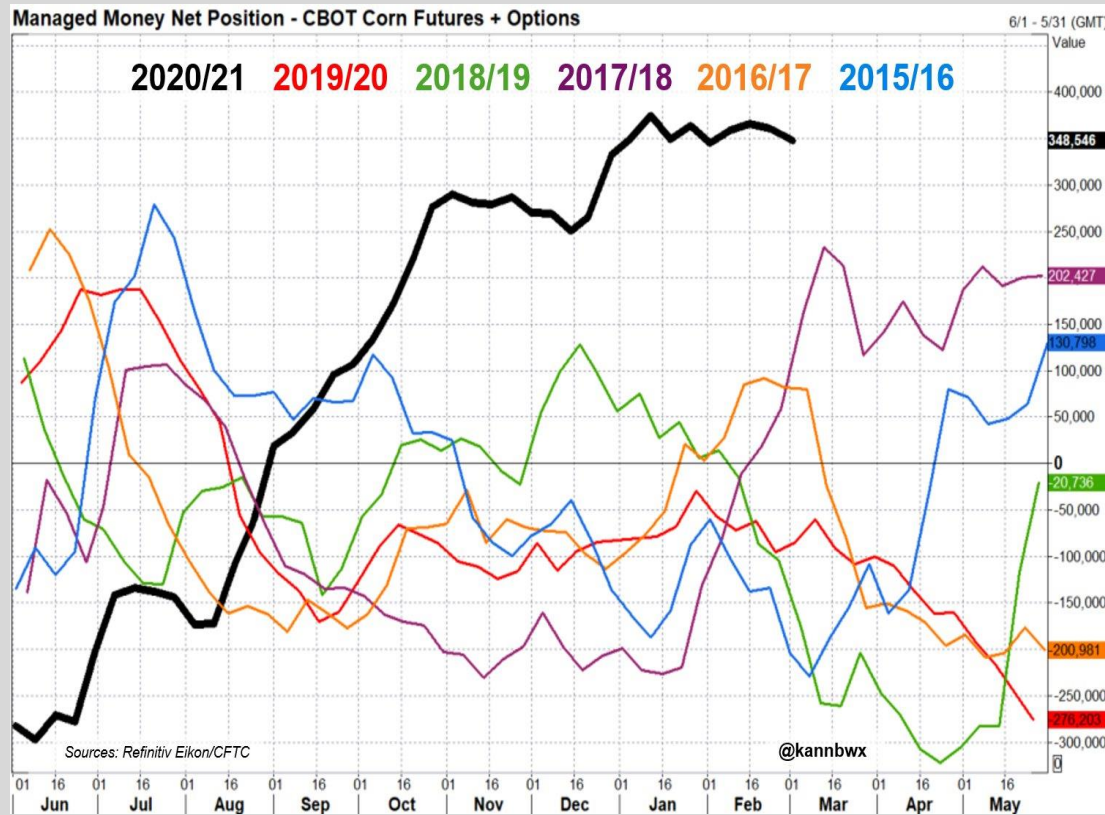
Bean Oil pulled by Palm & Crude



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Managed Money position



The End