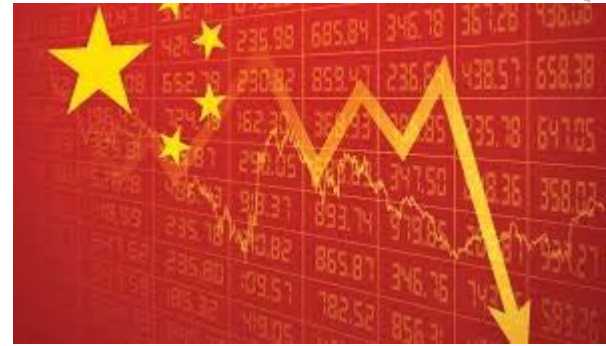
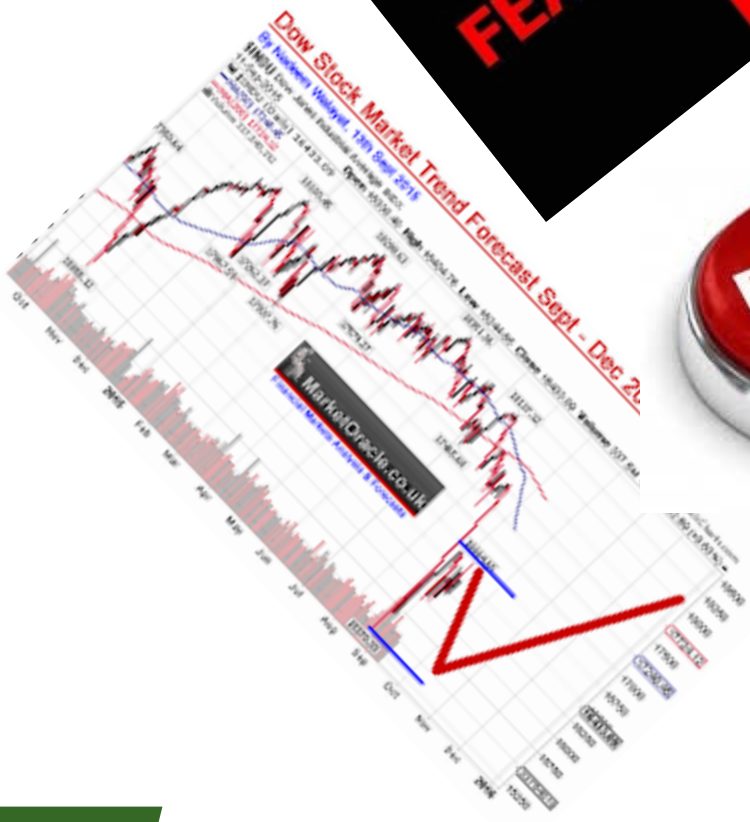


# Wheat Market Outlook 2016



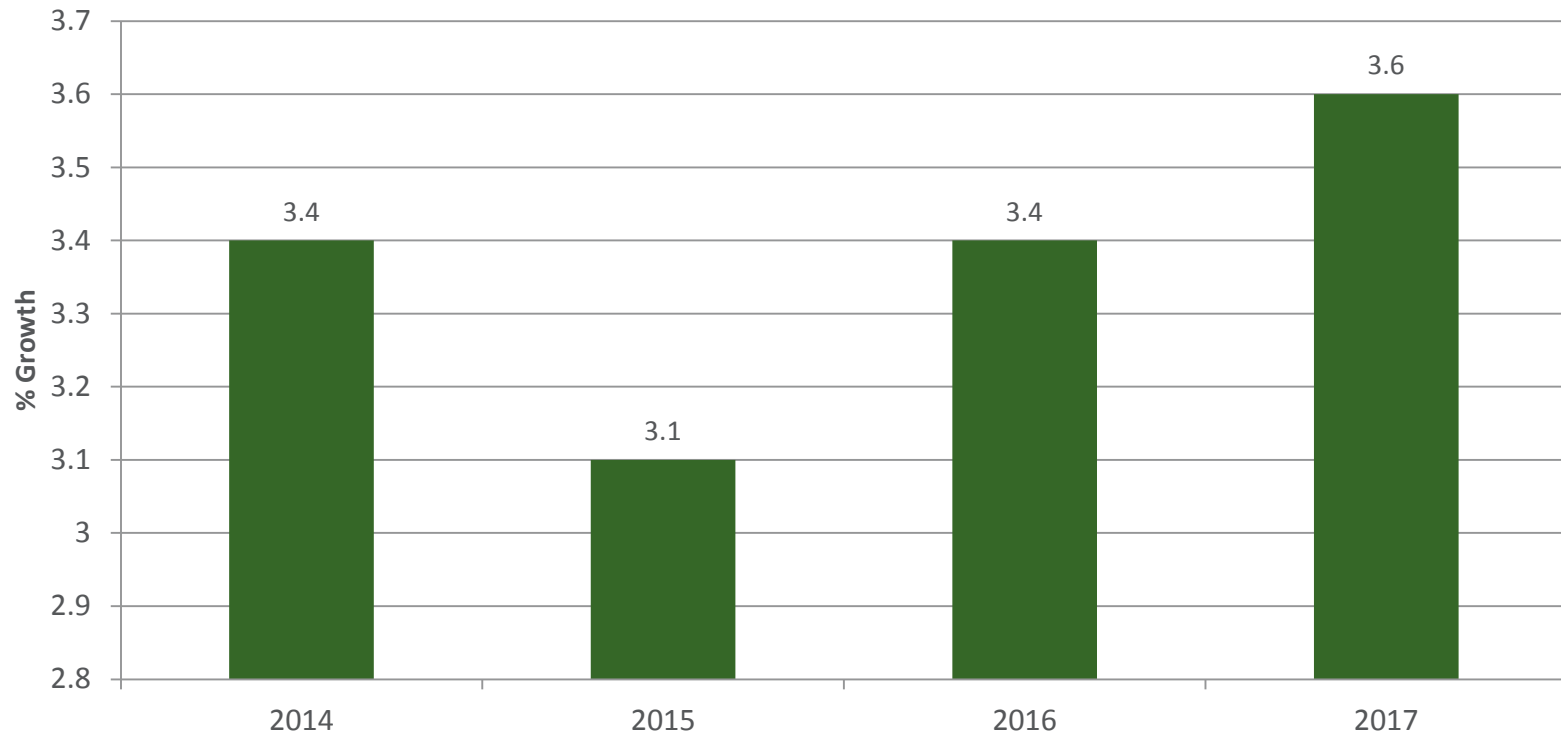
*FORWARD, WE GROW*

# Global Uncertainty

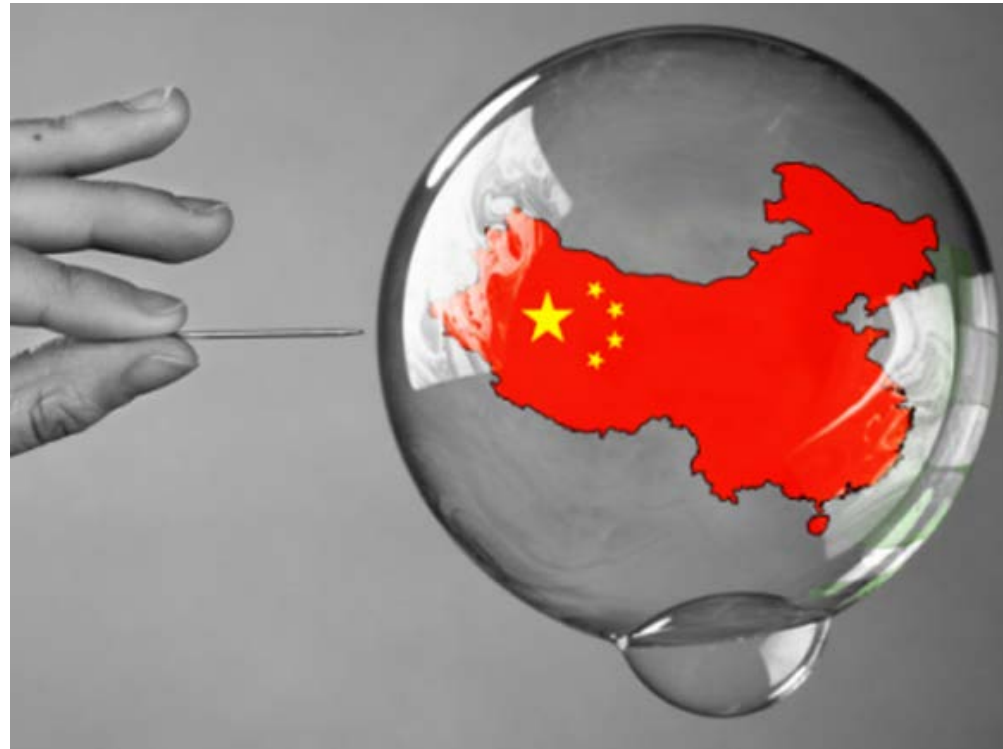
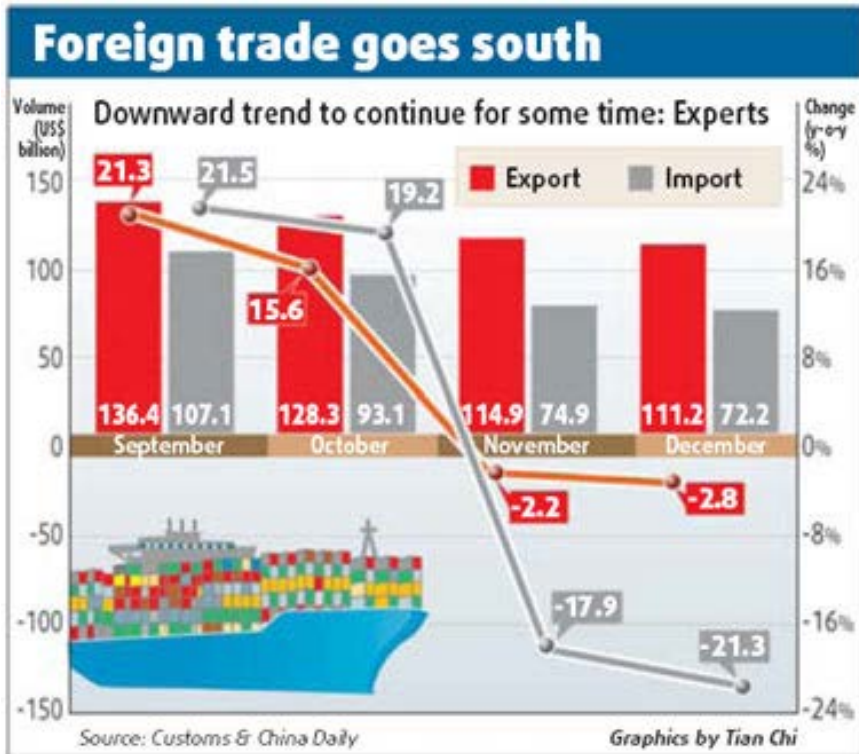


# Global Economic Conditions

## World Economic Output IMF



# China – Has the import/export boom stopped?

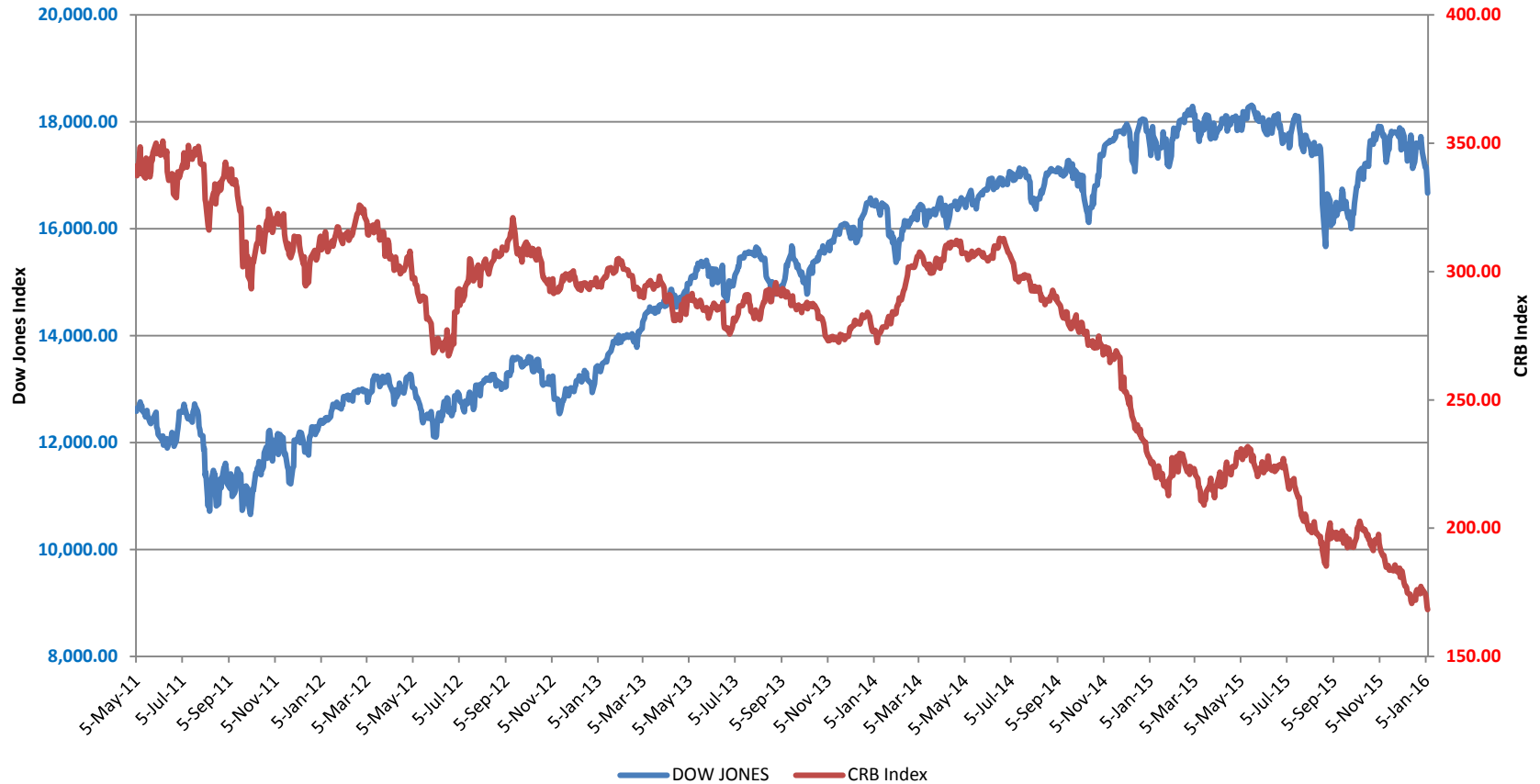


# Paying the Piper?



# Commodities and Equities Investment Allocation

Comparison of Equities and Commodities



# Saudi Arabia and Iran: tensions escalating



# Where are the markets going?

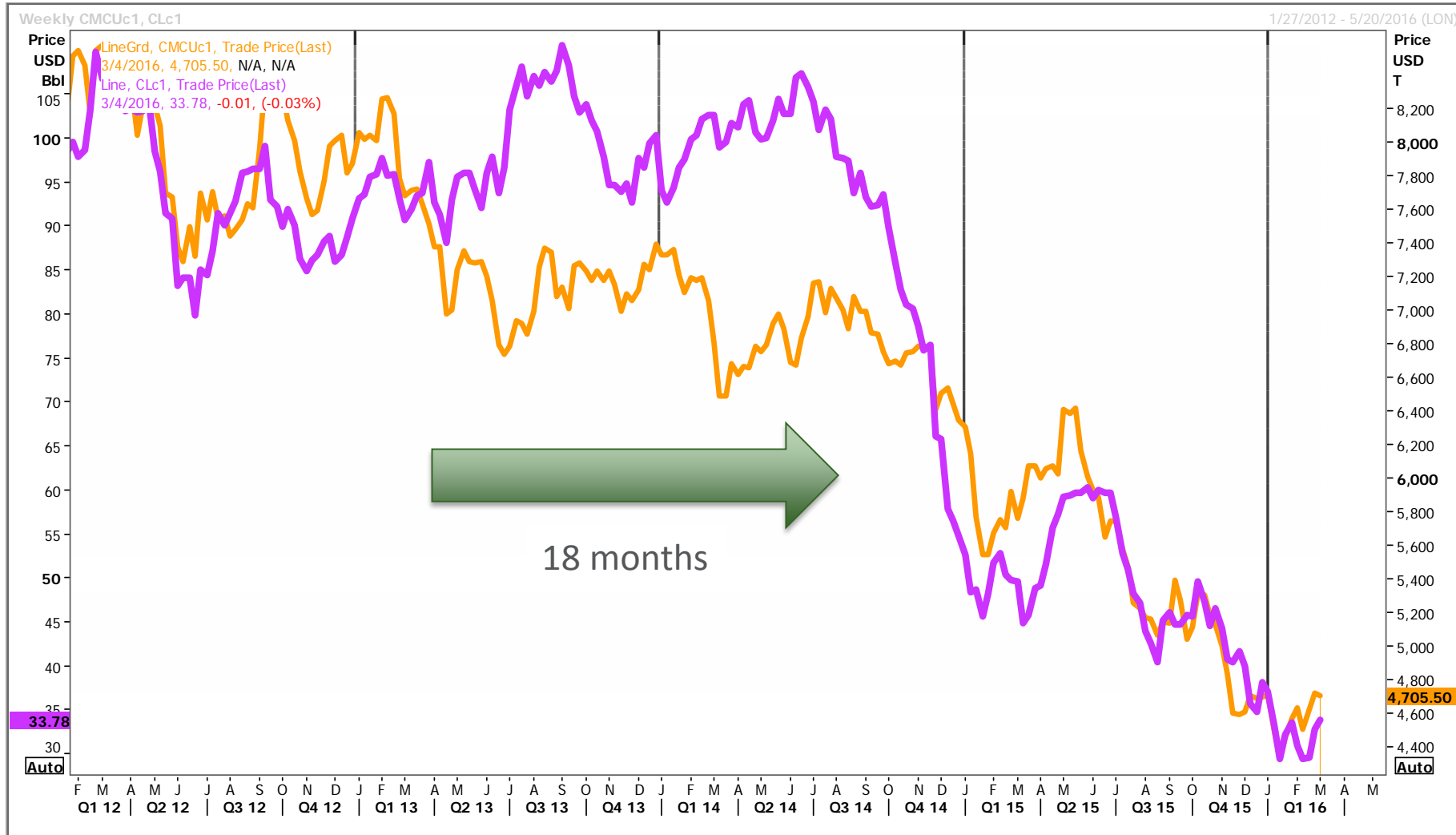




# General Economic Trends

- Most significant event in 2015 was the drop in oil prices. Oil was one of the last commodity sectors to respond to the change in global demand situation.
- Global economy continues to be uncertain and volatile which contributes to the market swings.
- Currency swings have had a large impact on the international agricultural markets.
- Ocean freight at multi-year lows which means that grain and oilseed trade is ultra-competitive.

# Nearby Copper and Crude Oil Futures



# Oil – How the dynamics have changed!



“Our wish and hope is we can stabilise this oil price and keep it at a level around \$100 [a barrel],” Mr Naimi told CNN. “If we were able as producers and consumers to average \$100, I think the world economy would be in better shape.” January 2012

# Oil – How the dynamics have changed!



'Inefficient, uneconomic producers will have to get out, that is tough to say, but that's a fact.'  
- Ali Al-Naimi, Saudi oil minister. February 2016

# Currency: Canadian Dollar

^CADUSD - Canadian Dollar/U.S. Dollar - Daily Area Chart



# Currency: Euro

^EURUSD - Euro Fx/U.S. Dollar - Daily Area Chart



# Currency: Russian Rouble

^RUBUSD - Russian Rouble/U.S. Dollar - Daily Area Chart



# Currency Argentina Peso

^ARSUSD - Argentine Peso/U.S. Dollar - Daily Area Chart









# Currency Impact: Argentina

## Returns on crops before and after policy changes by the Macri government

Peso per bushel

		Before (based on 9.8 pesos per dollar)	After (based on 14 pesos per dollar)	Difference
	<b>Wheat</b> (\$4.60/bushel)	<b>34.71</b>	<b>64.4</b>	<b>▲ 85.5%</b>
	<b>Corn</b> (\$3.54/bushel)	<b>27.75</b>	<b>49.56</b>	<b>▲ 78.6%</b>
	<b>Soyabeans</b> (\$8.70/bushel)	<b>55.42</b>	<b>85.26</b>	<b>▲ 53.8%</b>
	<b>Soyameal</b> (\$266.30/tonne)	<b>1,774.62*</b>	<b>2,721.59</b>	<b>▲ 53.4%</b>

\* Peso per tonne

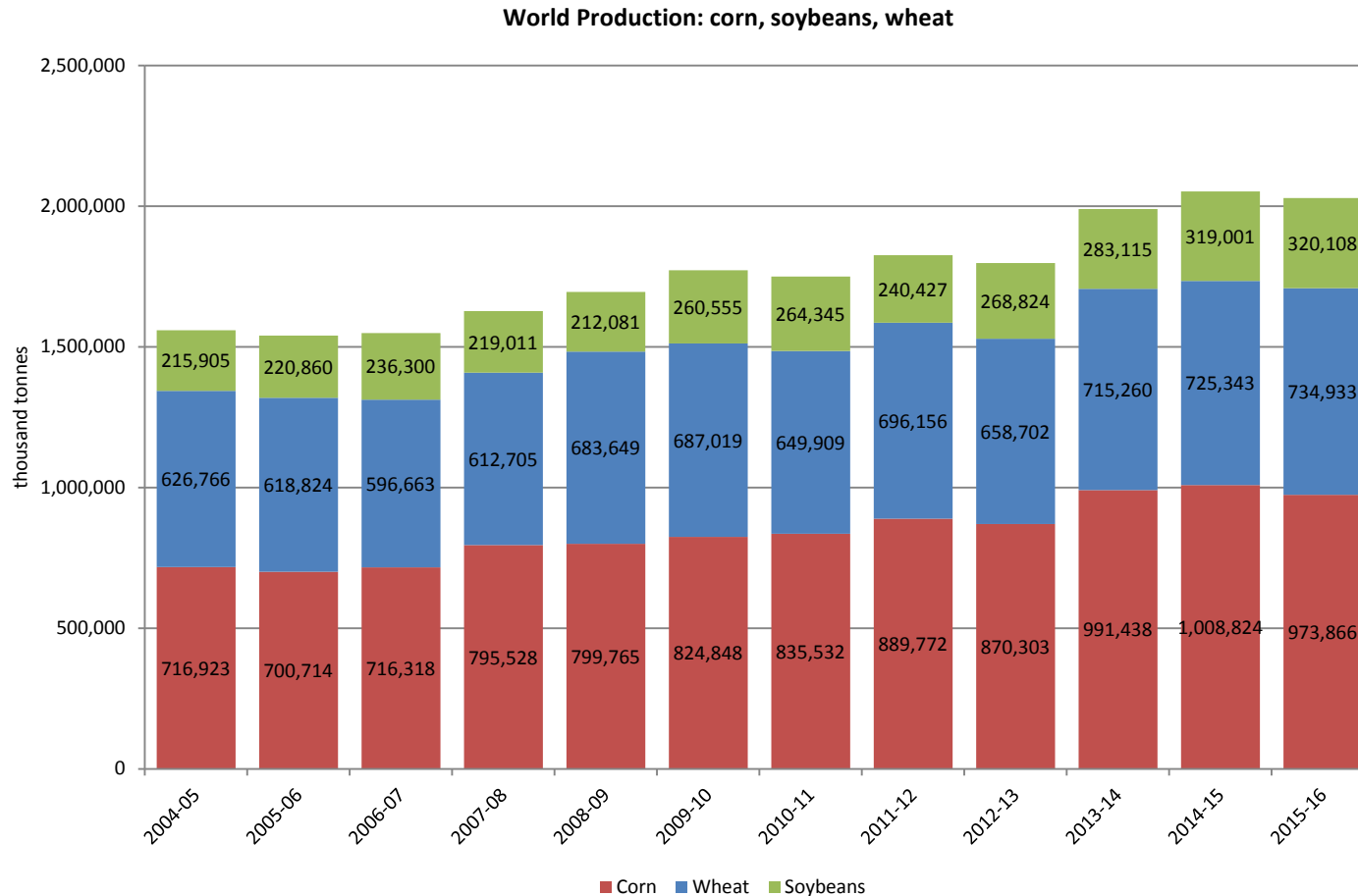
FT graphic Source: FT research

# US Dollar Index – Is this what stability looks like?

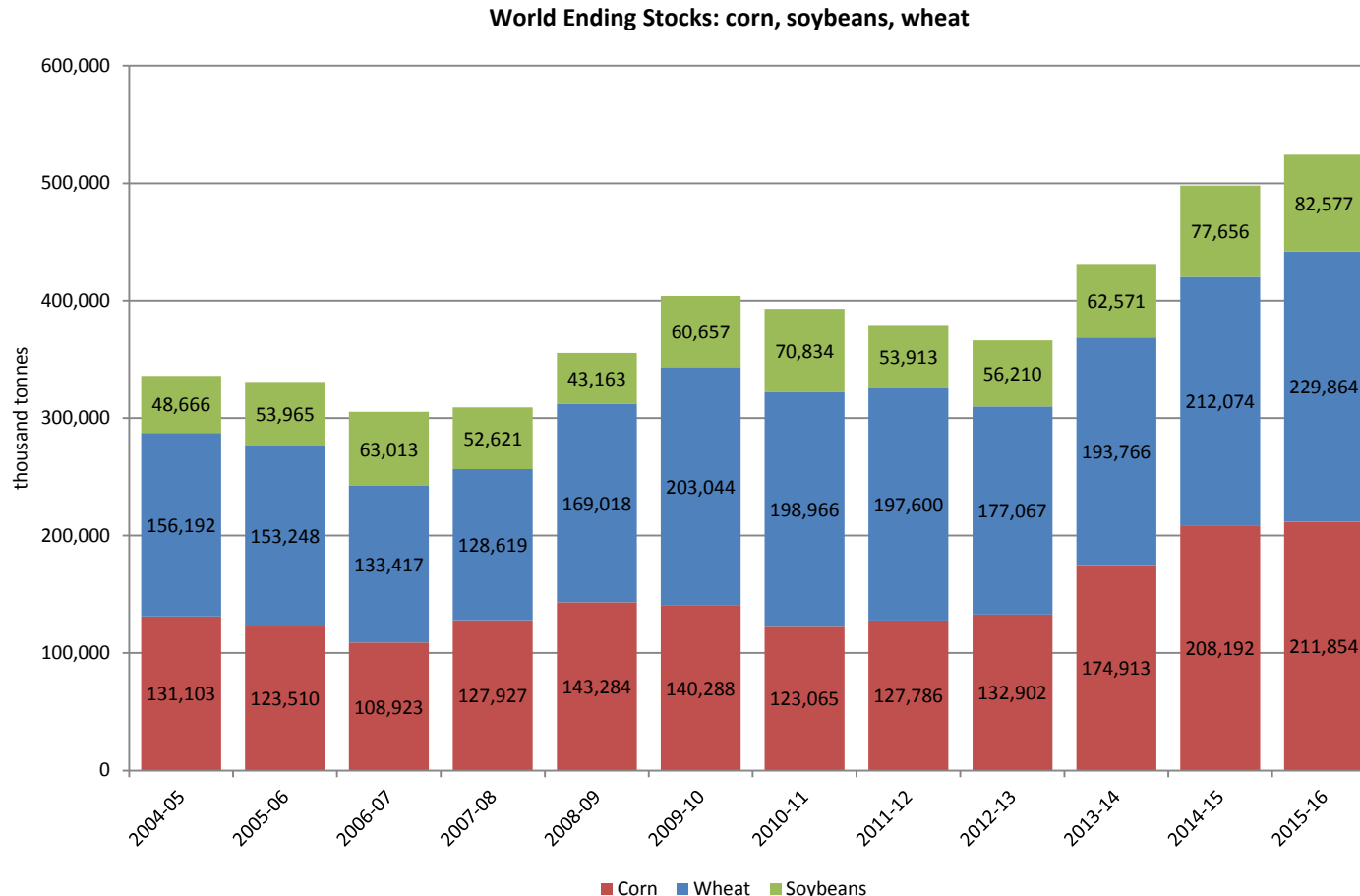
\$DXY - U.S. Dollar Index - Daily Area Chart



# Production levels are large

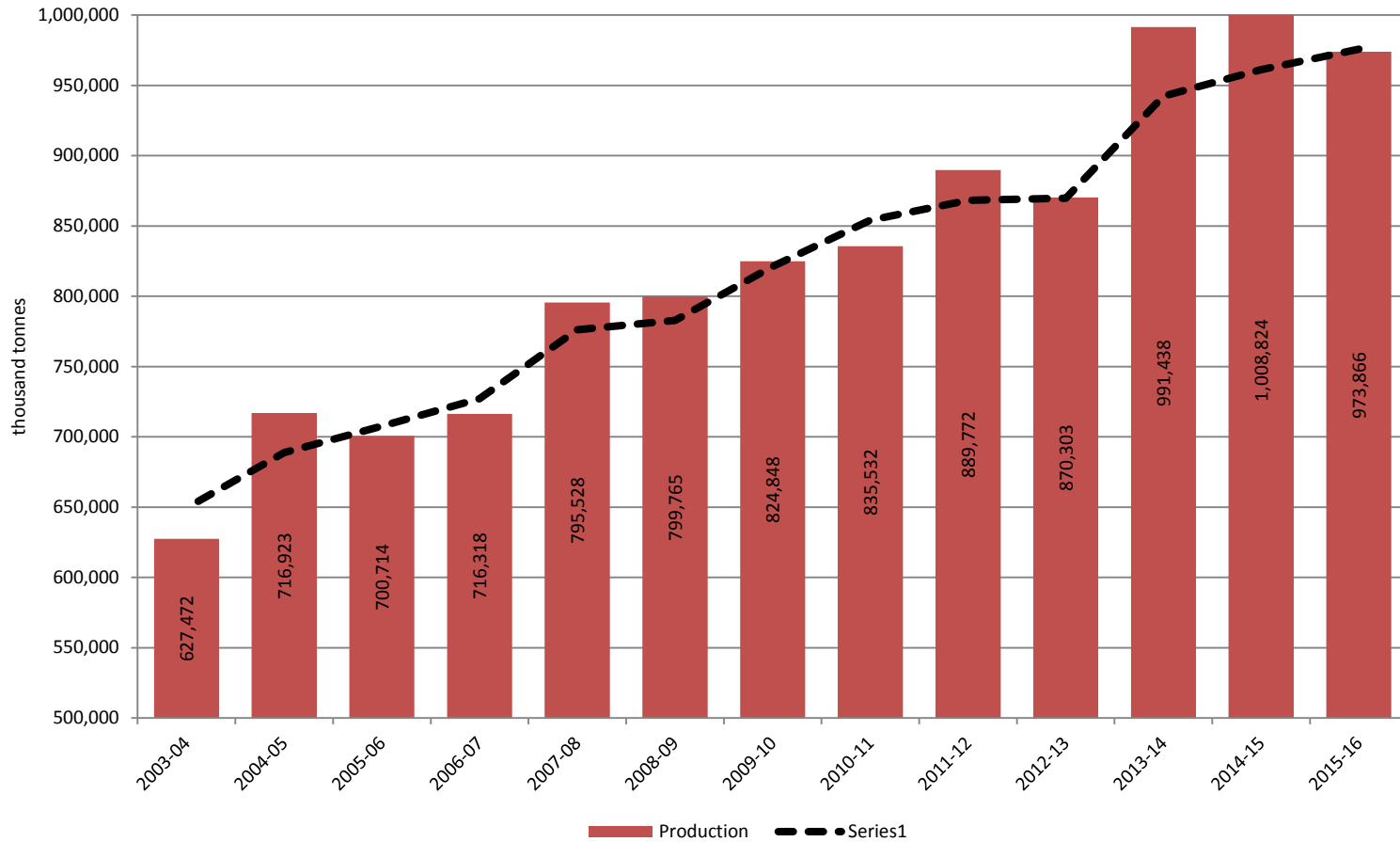


# Which has led to increased ending stocks!



# Corn sets the tone for the global grain marketplace

World corn: production and consumption



# Corn Supply and Demand

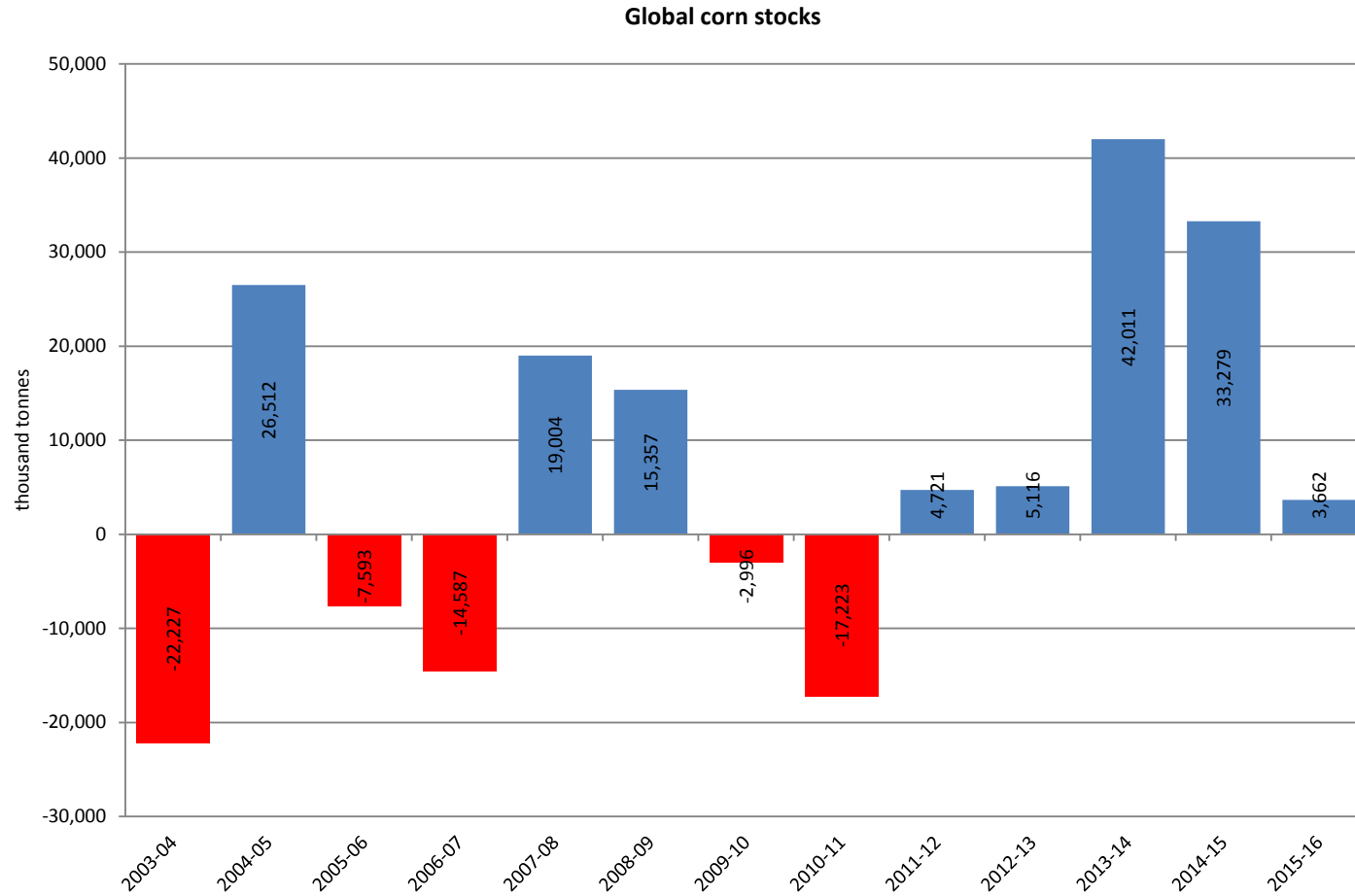
World Corn Supply and Demand (million tonnes)					
	2013-14	2014-15	% $\delta$	2015-16	% $\delta$
Area (mil. ha)	181.2	178.7	-1.4%	<b>177.3</b>	<b>-0.8%</b>
Yield (MT/ha)	5.47	5.65	3.2%	<b>5.49</b>	<b>-2.7%</b>
Carry-in	132.9	174.9	31.6%	<b>208.2</b>	<b>19.0%</b>
Production	991.4	1,008.8	1.8%	<b>973.9</b>	<b>-3.5%</b>
Total Supply	1,124.3	1,183.7	5.3%	<b>1,182.1</b>	<b>-0.1%</b>
Domestic Use	942.3	961.3	2.0%	<b>975.9</b>	<b>1.5%</b>
(FSI)	371.9	378.9	1.9%	<b>379.7</b>	<b>0.2%</b>
(Feed/Residual)	570.3	582.4	2.1%	<b>596.1</b>	<b>2.3%</b>
Exports	131.1	136.8	4.4%	<b>117.7</b>	<b>-14.0%</b>
Carry-Out	174.9	208.2	19.0%	<b>211.9</b>	<b>1.8%</b>

$\delta$  - denote year over year change

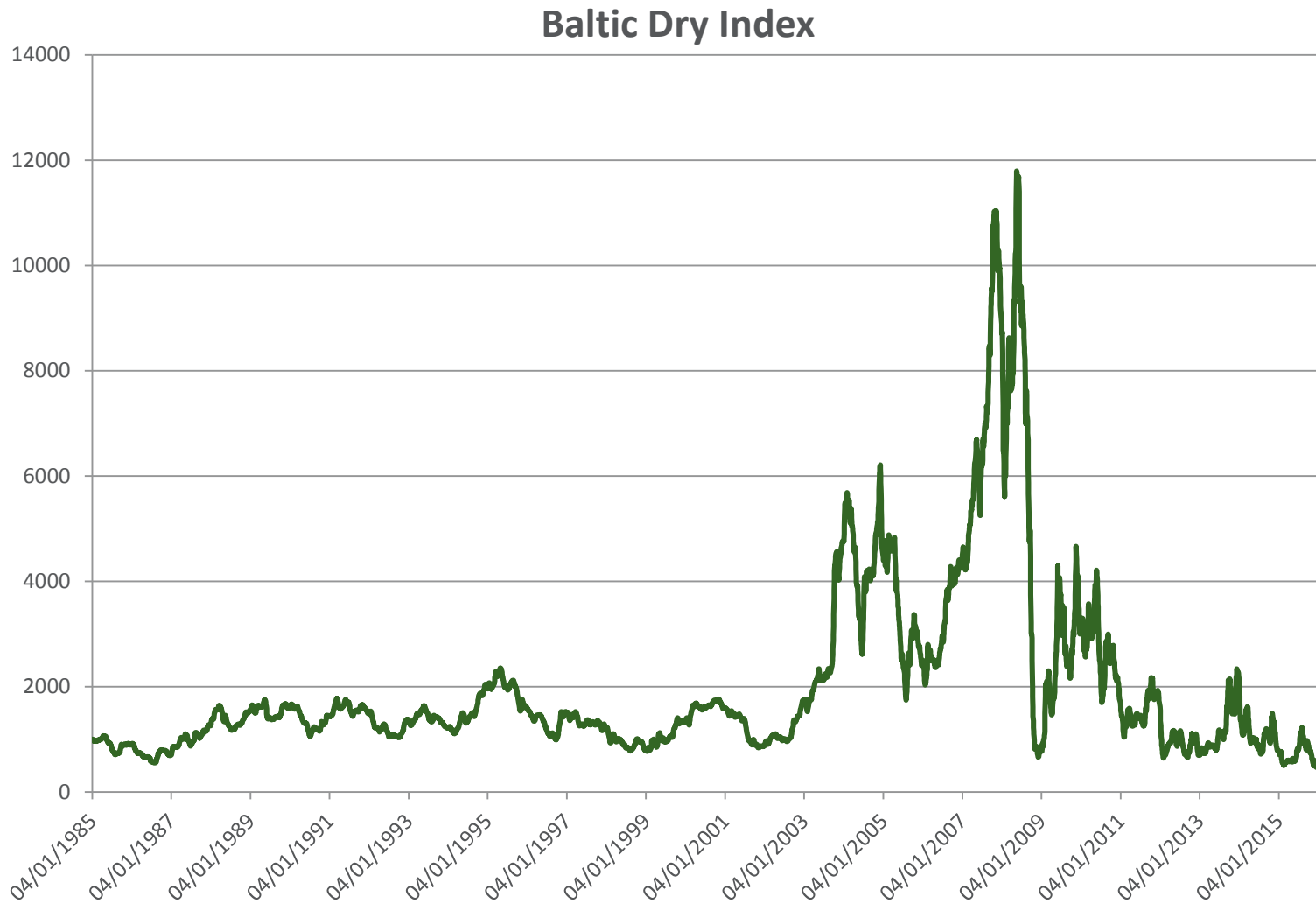
USDA



# Corn stocks are on the rise



# Ocean Freight is cheap

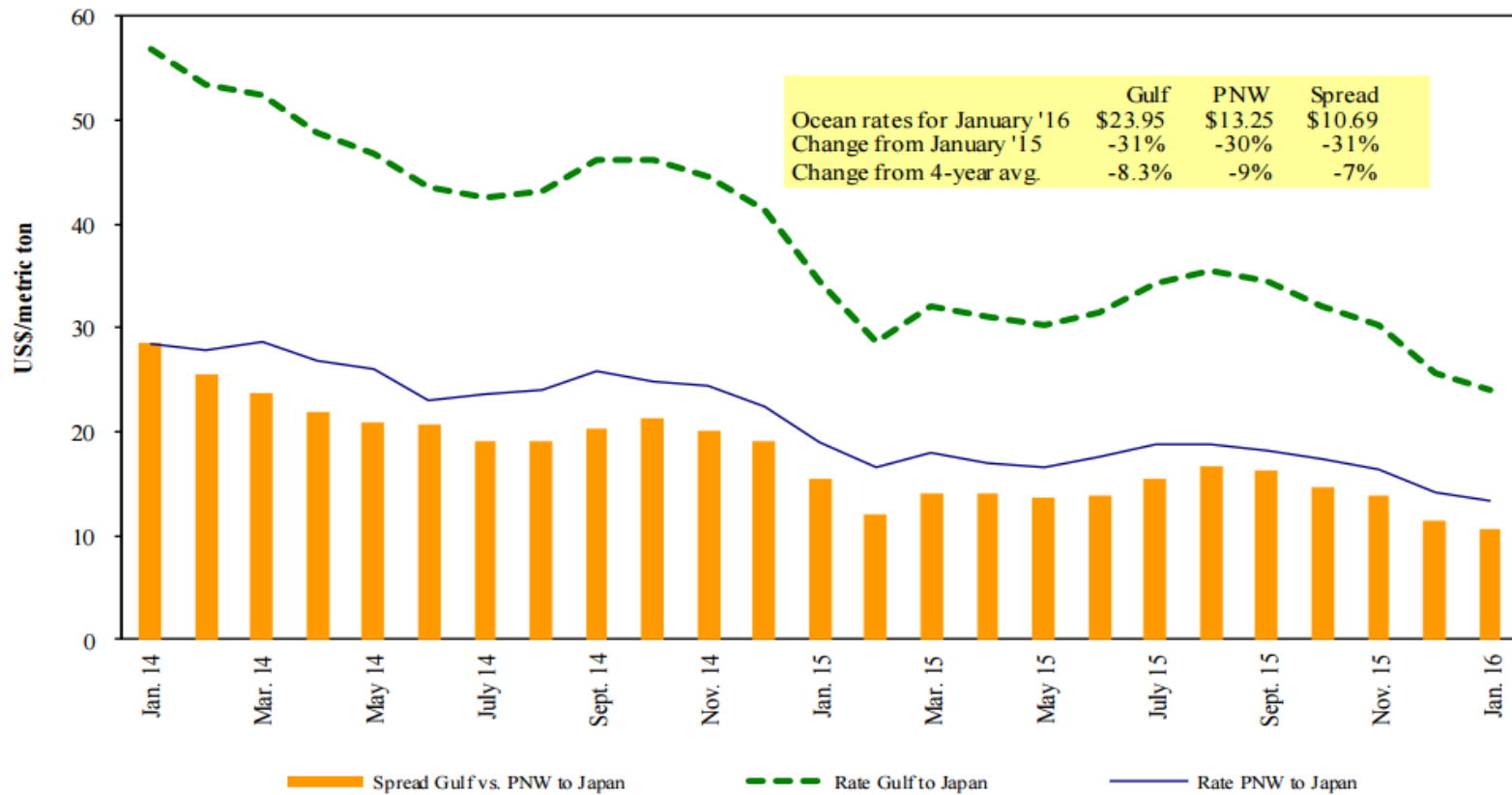




# US Ocean Rates to Japan

Figure 17

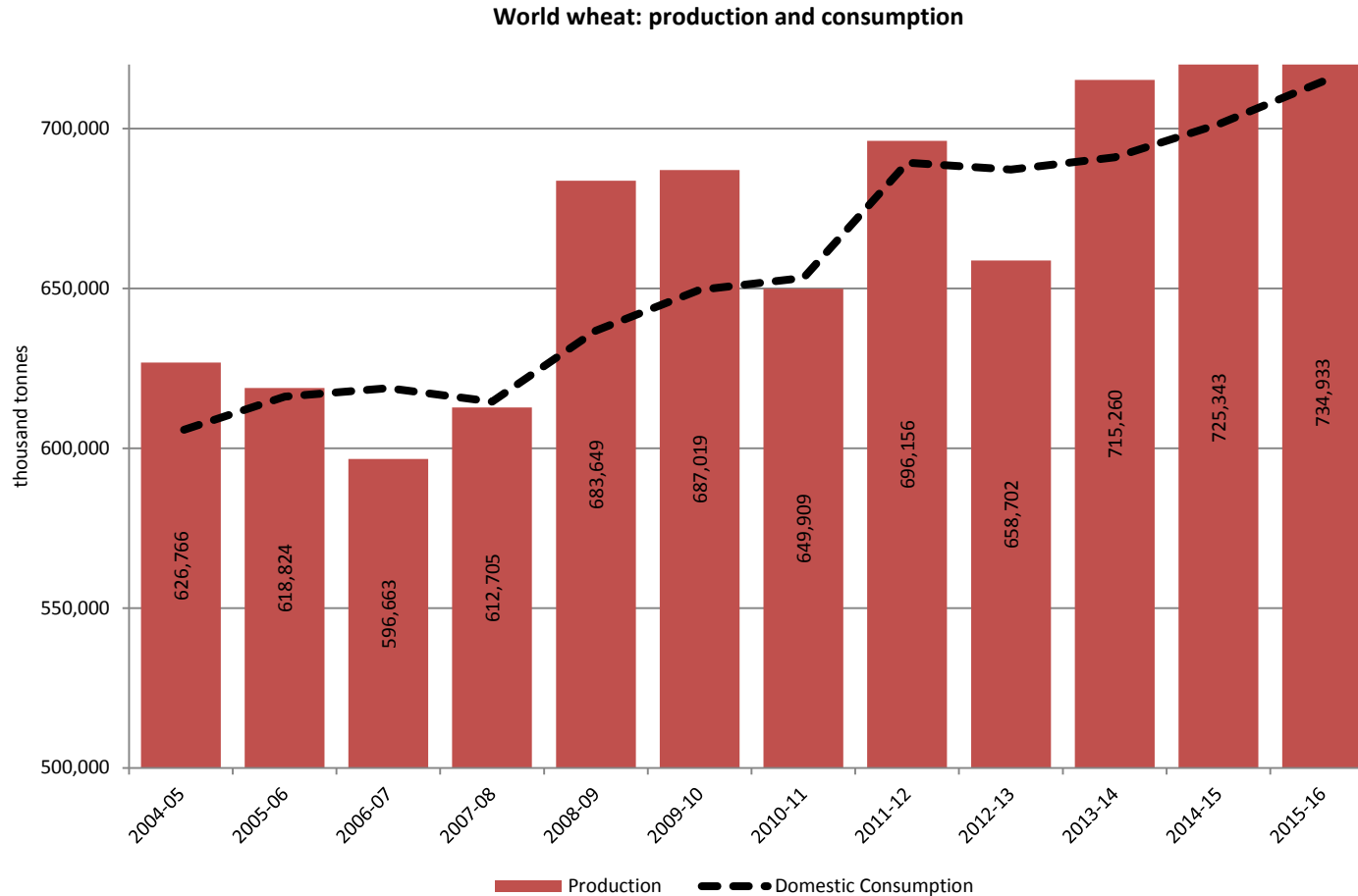
## Grain Vessel Rates, U.S. to Japan



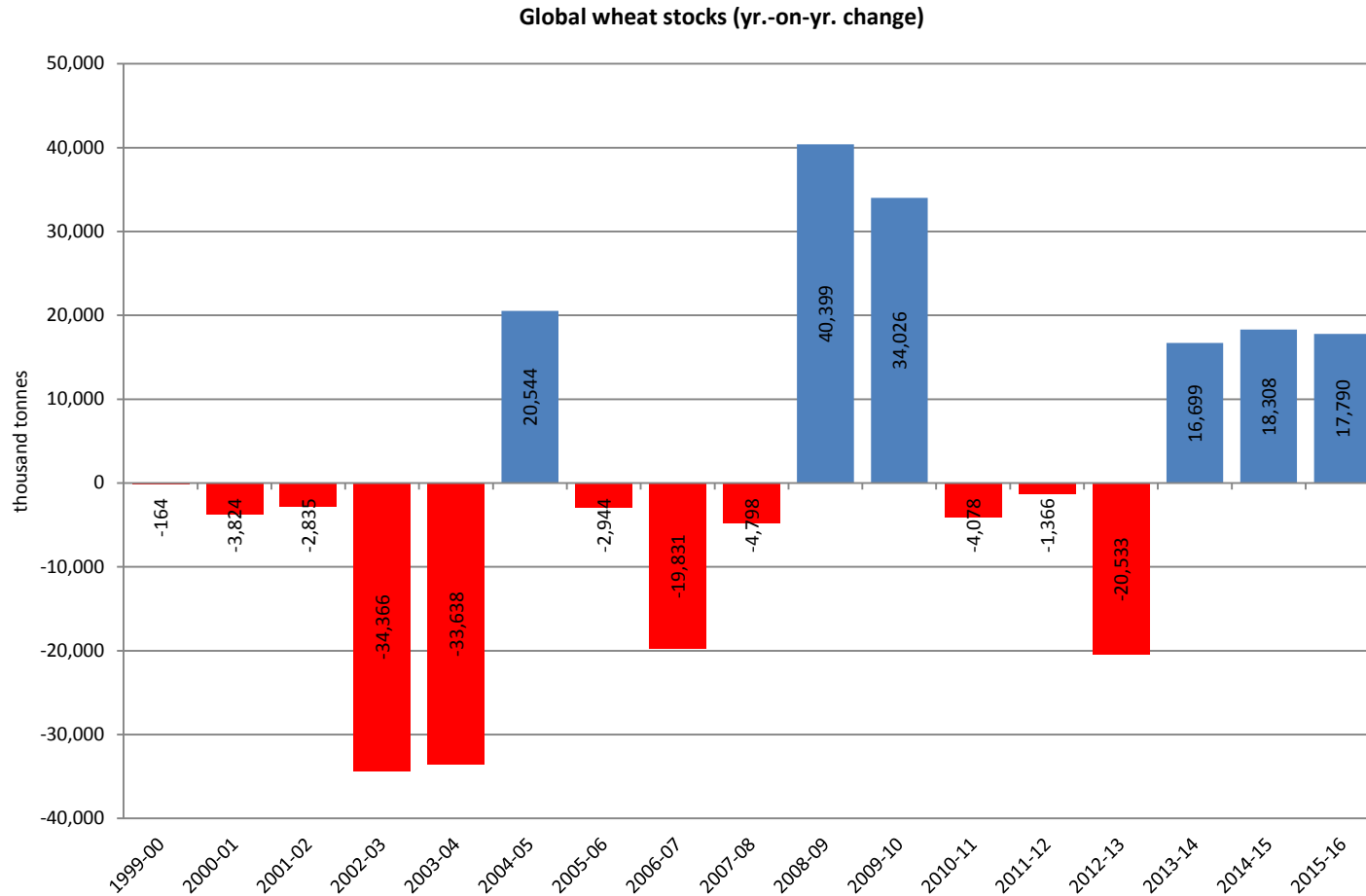
Data Source: O'Neil Commodity Consulting



# Wheat production has been increasing



# Global wheat stocks have been increasing



# World Wheat

World Wheat Supply and Demand (million tonnes)					
	2013-14	2014-15	% $\delta$	2015-16	% $\delta$
Area (mil. ha)	219.9	222.4	1.16%	<b>224.8</b>	<b>1.07%</b>
Yield (MT/ha)	3.25	3.26	0.25%	<b>3.27</b>	<b>0.25%</b>
Carry-in	177.1	193.8	9.43%	<b>212.1</b>	<b>9.45%</b>
Production	715.3	725.3	1.41%	<b>734.9</b>	<b>1.32%</b>
Total Supply	892.3	919.1	3.00%	<b>947.0</b>	<b>3.04%</b>
Domestic Use	691.0	701.4	1.50%	<b>714.7</b>	<b>1.90%</b>
(Feed/Residual)	126.8	132.6	4.61%	<b>138.3</b>	<b>4.29%</b>
Exports	165.9	164.4	-0.93%	<b>161.7</b>	<b>-1.65%</b>
Carry-Out	193.8	212.1	9.45%	<b>229.9</b>	<b>8.39%</b>

$\delta$  - denote year over year change

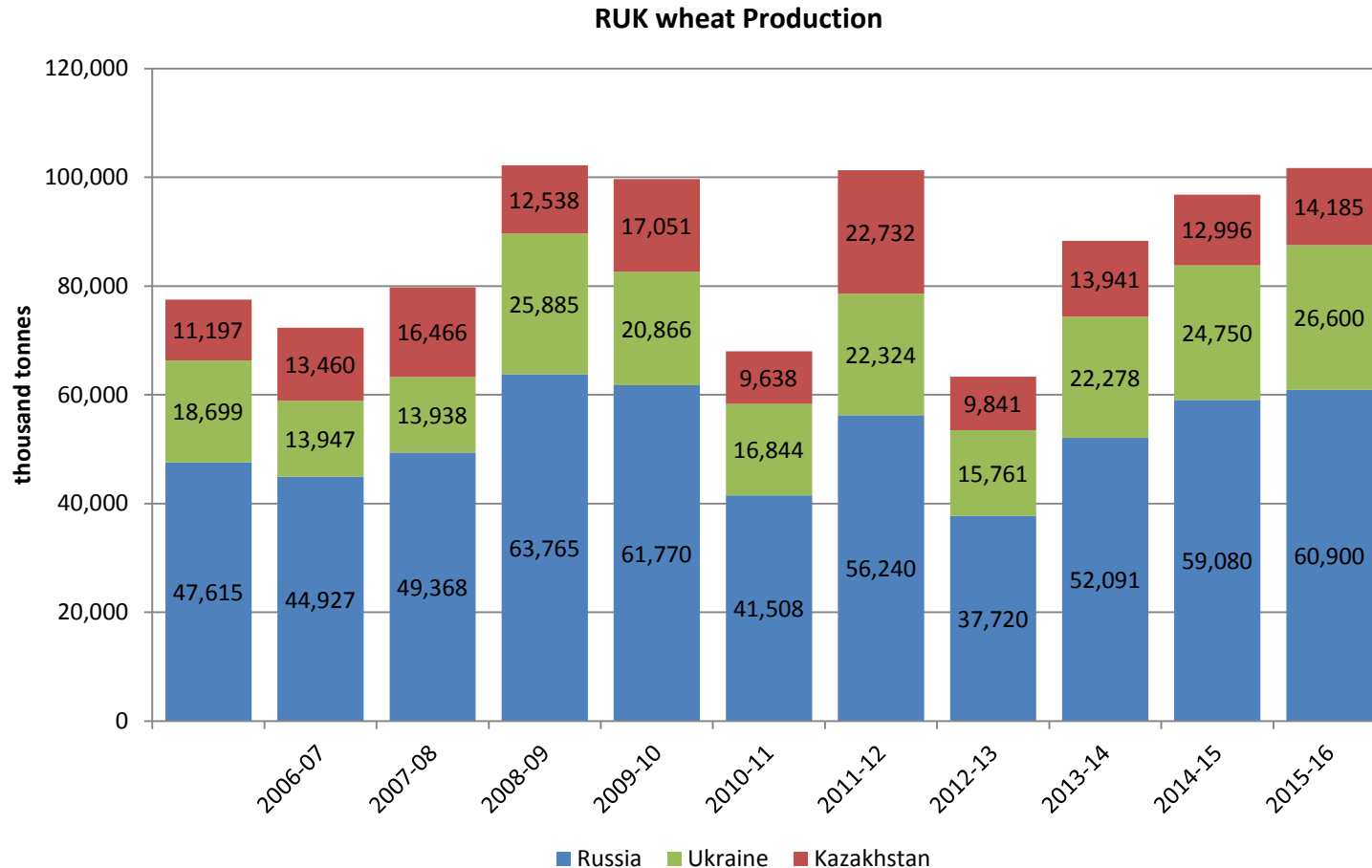
USDA



# Russia continues to impact the world market

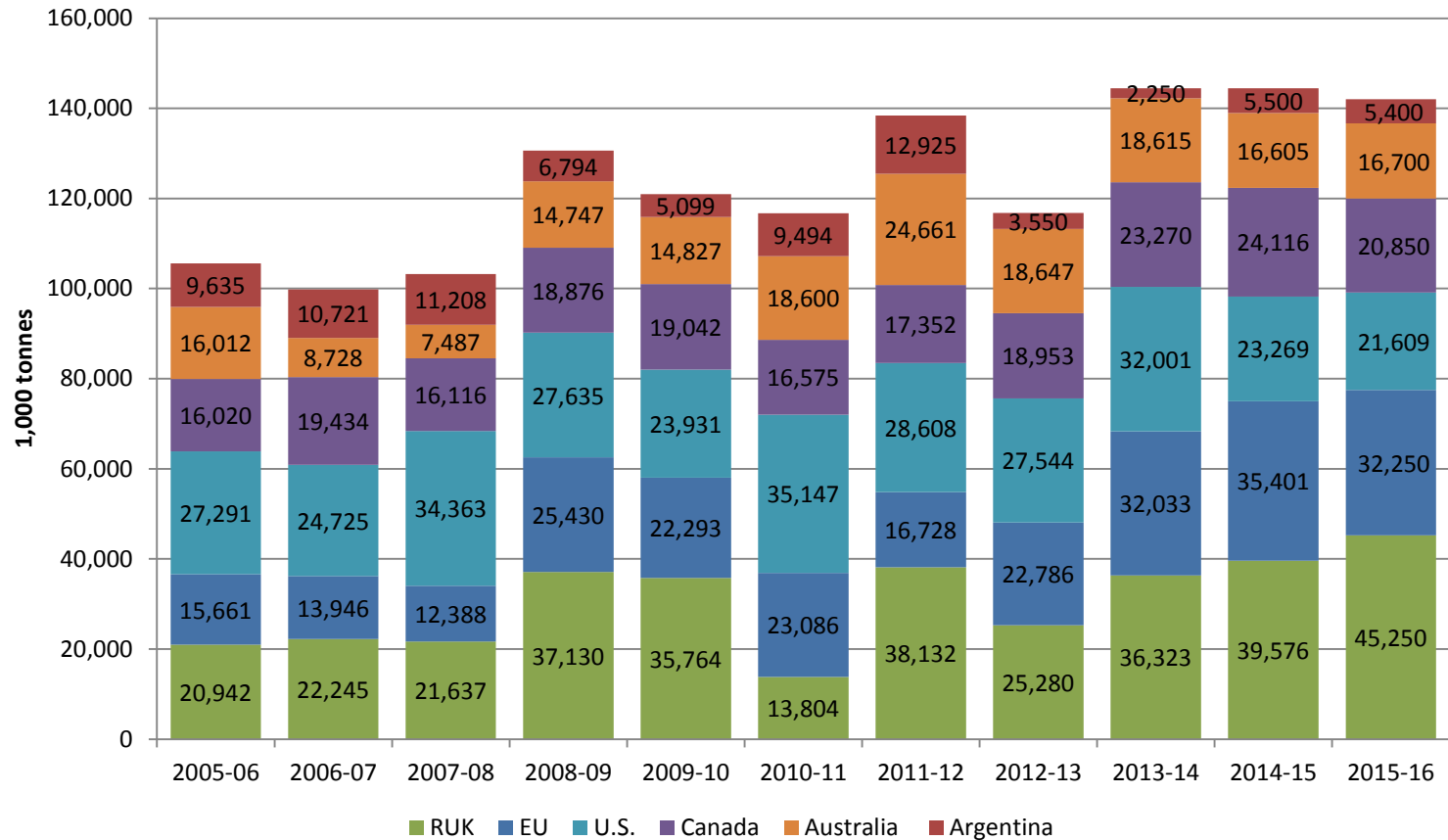


# Black Sea Wheat Production

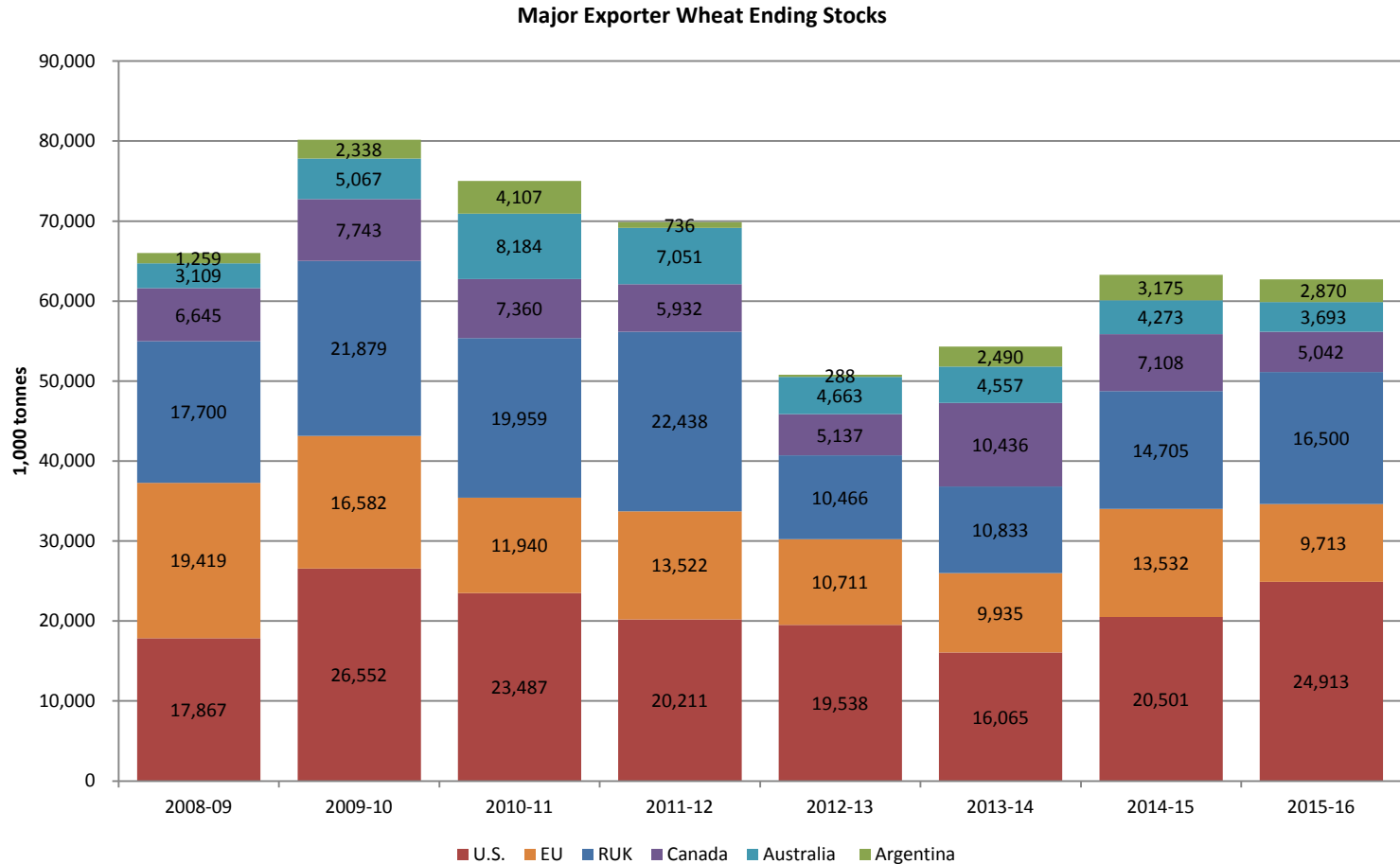


# Wheat Exports

Big "8" Exports

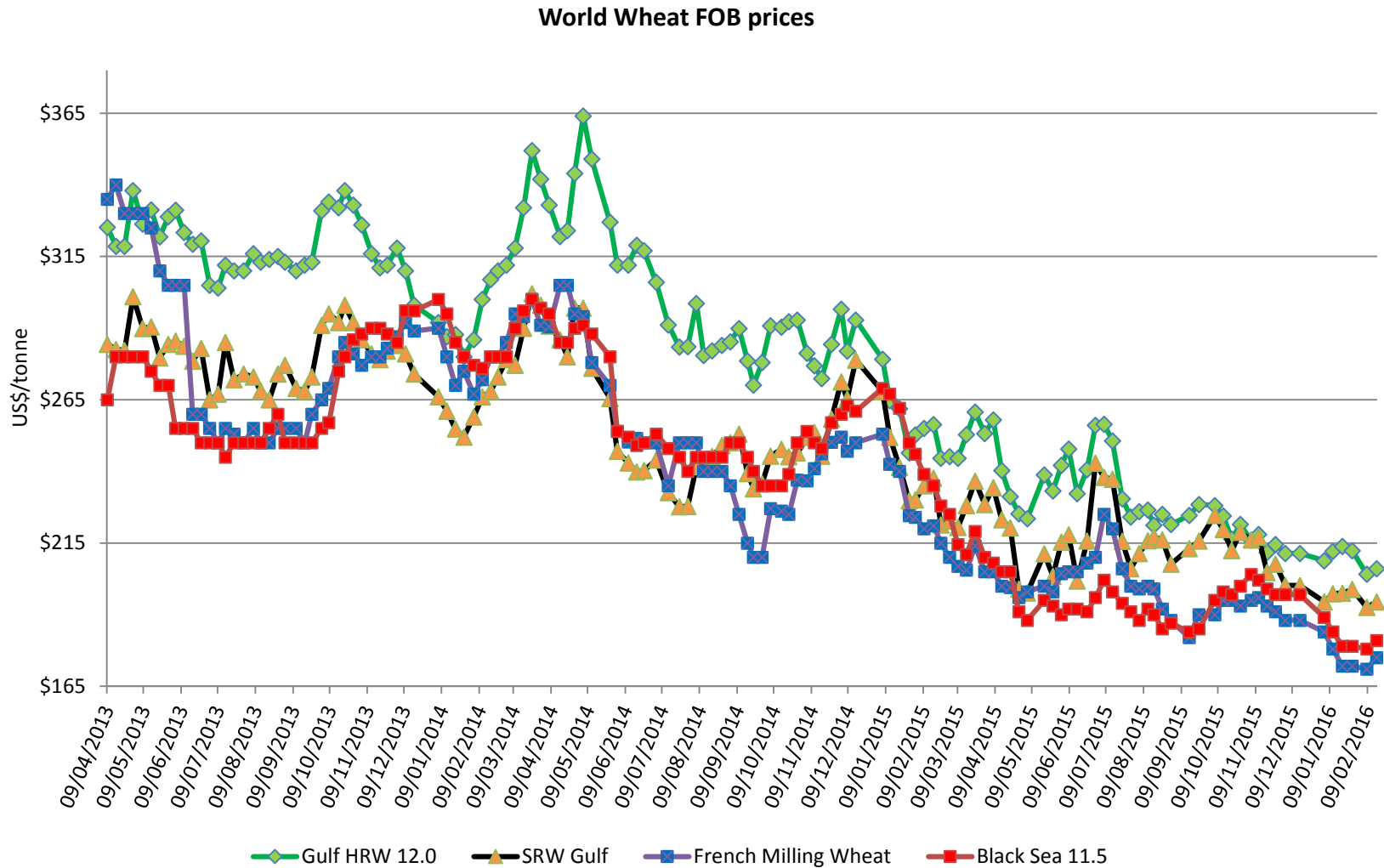


# Ending stocks larger but demand has been good



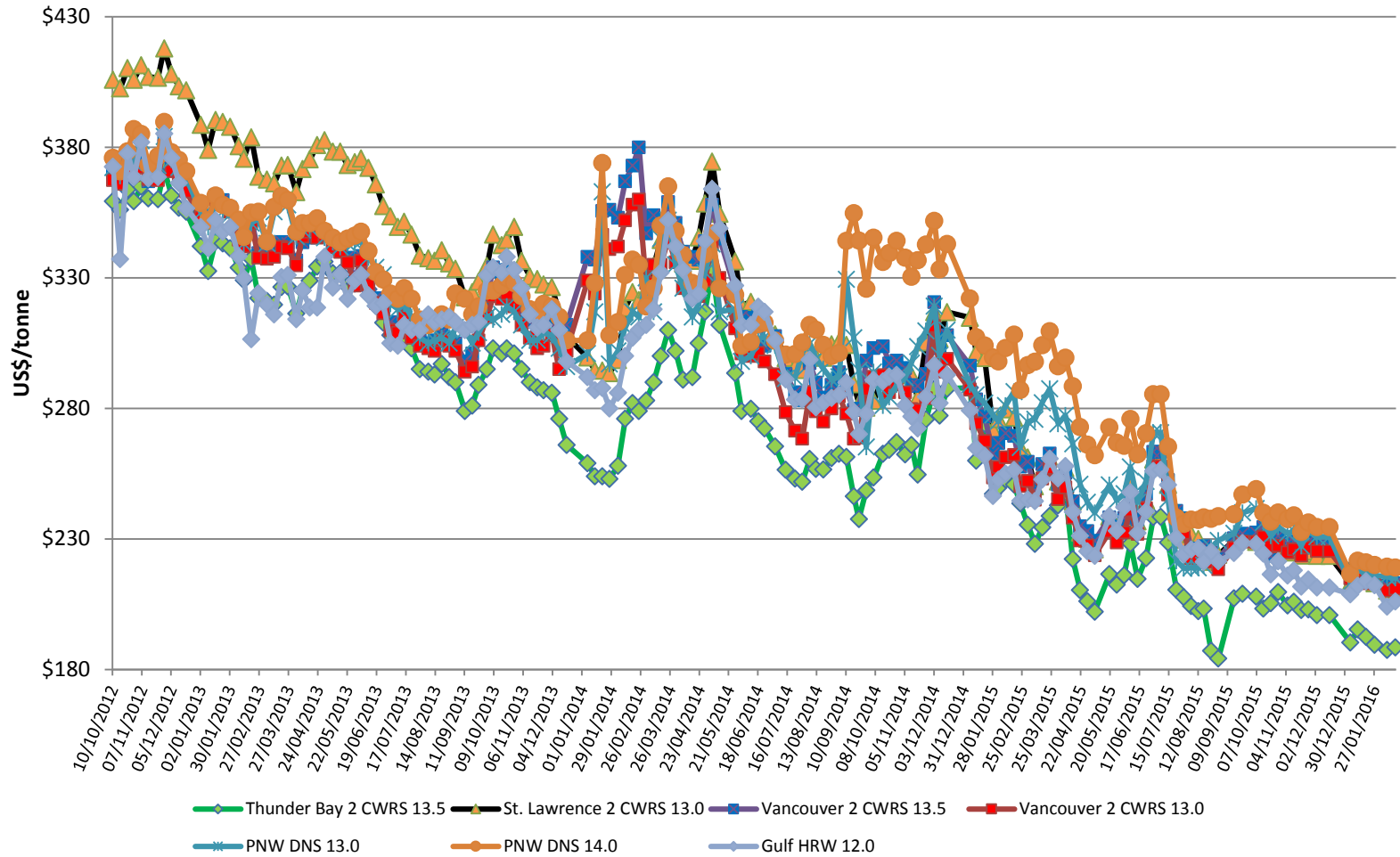


# Prices have responded to the supplies



# North America Prices

## North America wheat FOB prices



# Canada wheat ex durum supply and demand

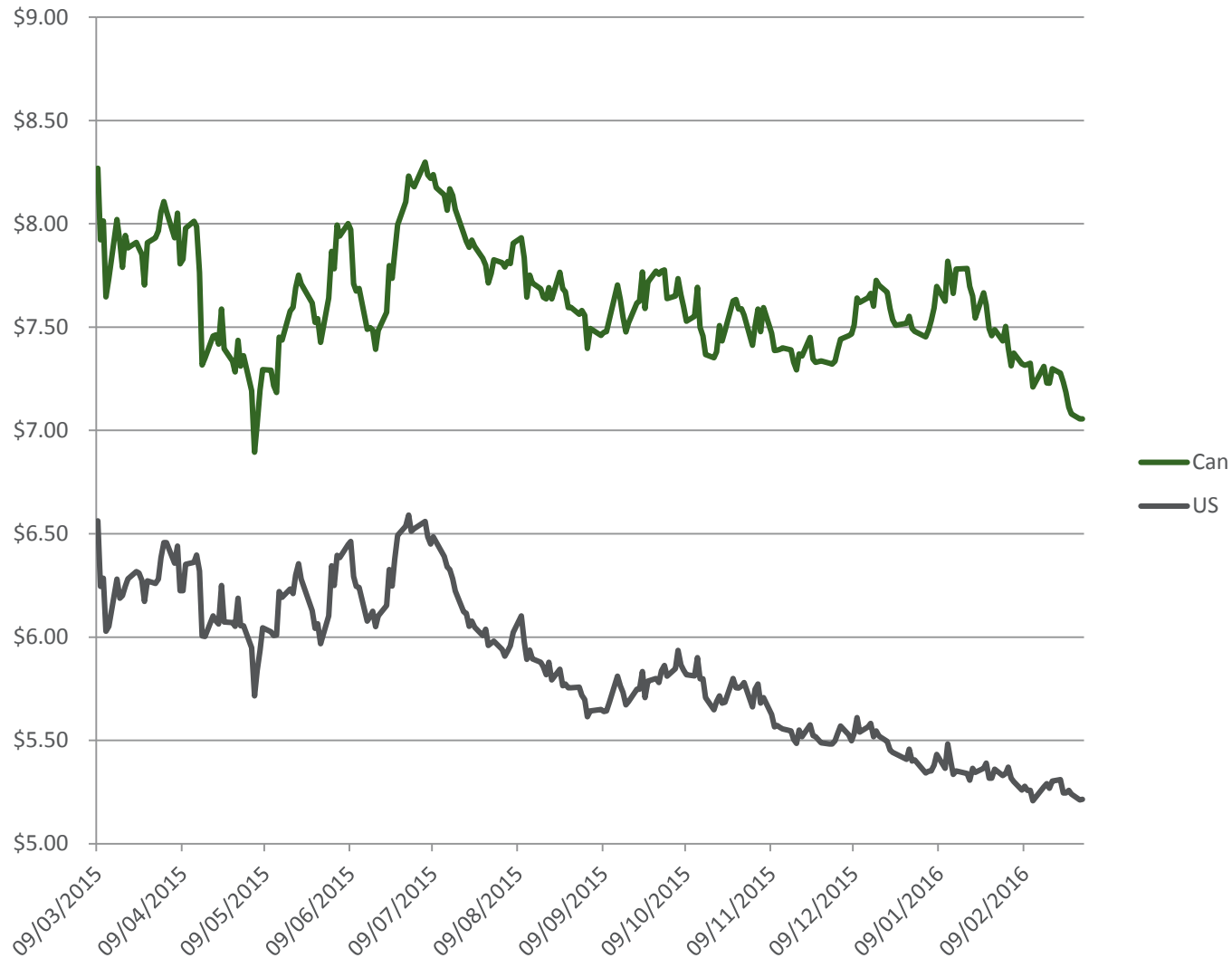
Canada Wheat ex Durum Supply and Demand (thousand tonnes)					
	2014-15	2015-16	$\delta$	2016-17	$\delta$
Area (ha)	7,590	7,250	-340	6,725	-525
Yield (MT/ha)	3.19	3.06	-0.13	3.33	0.26
Carry-in	8,667	6,119	-2,549	3,169	-2,950
Production	24,227	22,205	-2,022	22,379	174
Imports	79	70	-9	70	0
Total Supply	32,973	28,394	-4,580	25,618	-2,776
Domestic Use	8,087	7,375	-712	7,040	-335
(Feed/Residual)	4,059	3,272	-787	3,085	-187
Exports	18,768	17,850	-918	16,100	-1,750
Carry-Out	6,119	3,169	-2,950	2,478	-691
$\delta$ - denote year over year change					G3

# Canada durum supply and demand

Canada Durum Supply and Demand (thousand tonnes)					
	2014-15	2015-16	$\delta$	2016-17	$\delta$
Area (ha)	1,890	2,330	440	2,366	36
Yield (MT/ha)	2.75	2.31	-0.43	2.39	0.08
Carry-in	1,739	956	-783	955	-1
Production	5,193	5,389	196	5,650	261
Imports	7	10	3	10	0
Total Supply	6,939	6,355	-584	6,615	260
Domestic Use	810	850	40	860	10
(Feed/Residual)	386	210	-176	290	80
Exports	5,173	4,550	-623	4,700	150
Carry-Out	956	955	-1	1,055	100
$\delta$ - denote year over year change					G3

# Canadian dollar weakness helps wheat

## Minneapolis December 16 Futures



# Wheat exports have been strong

## Canada Grain Exports

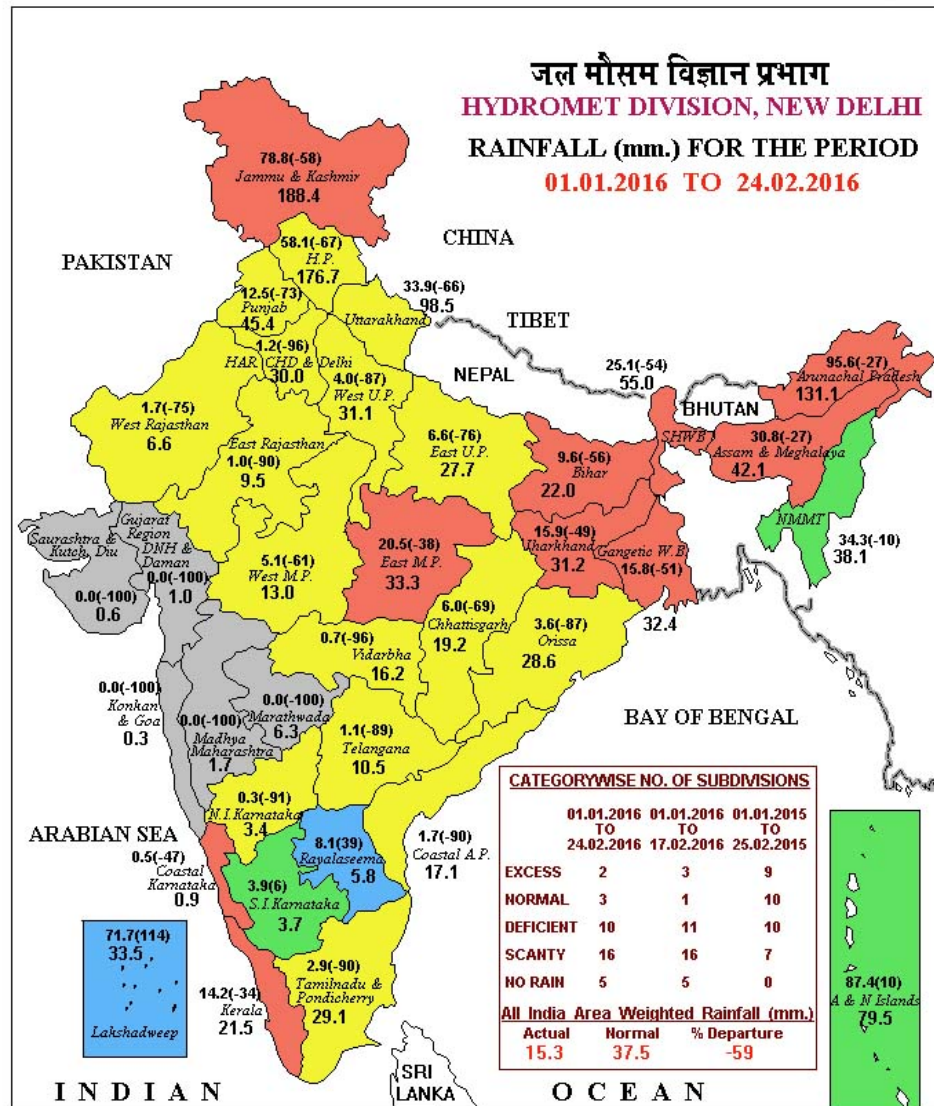
As of February 21, 2016

(1,000 tonnes)

	2013-14	2014-15	2015-16	Difference (Current - LY)
Wheat	8,629	9,011	9,103	93
Amber Durum	2,429	2,918	2,771	-147
Oat	548	629	569	-60
Barley	642	843	630	-213
Rye	43	23	25	2
Flax	188	231	190	-42
Canola	4,137	4,565	5,429	864
Soybeans	2,157	2,396	2,774	377
Peas	1,078	1,566	1,723	157
Corn	197	193	215	22
Canaryseed	19	39	23	-16
Mustard Seed	2	12	11	-1
Beans	5	7	10	3
Lentil	177	361	555	194
Chick Peas	3	3	3	1
<b>Total</b>	<b>20,256</b>	<b>22,796</b>	<b>24,030</b>	<b>1,234</b>



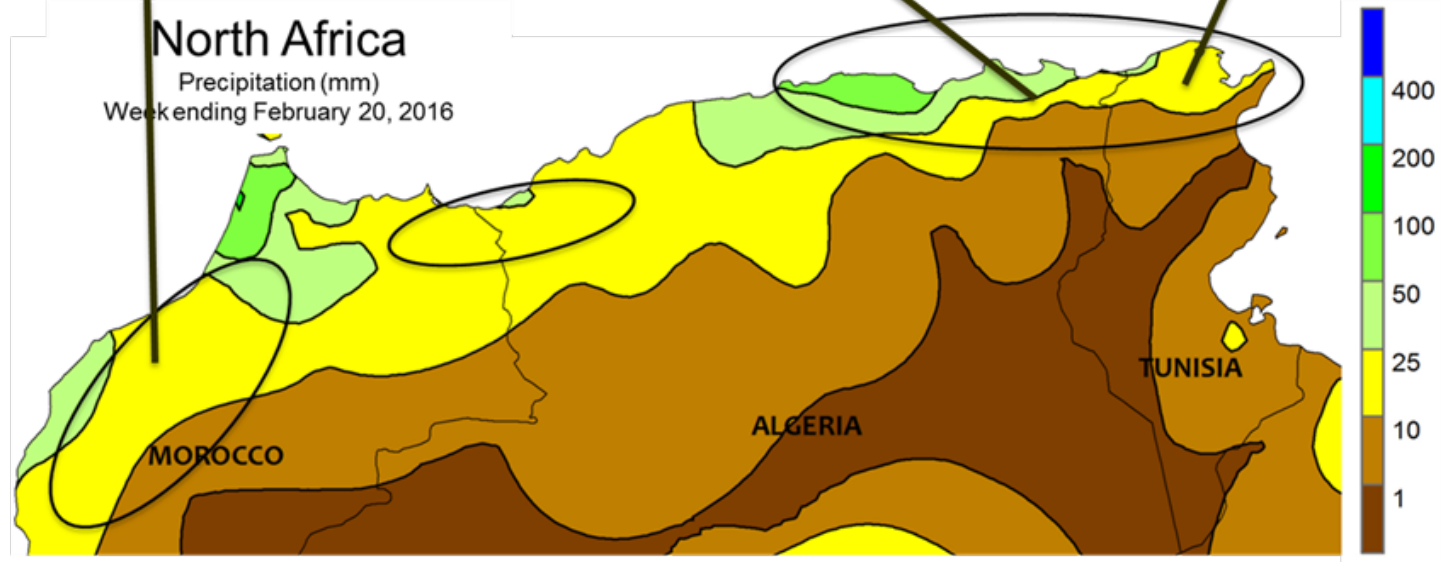
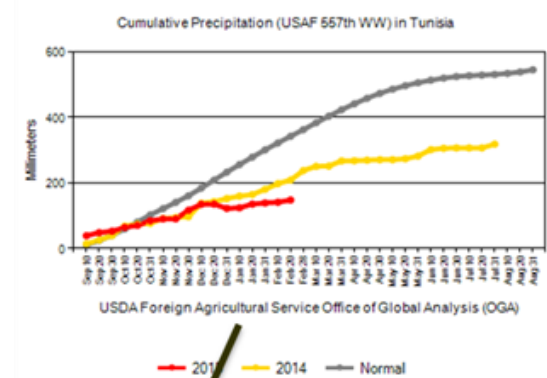
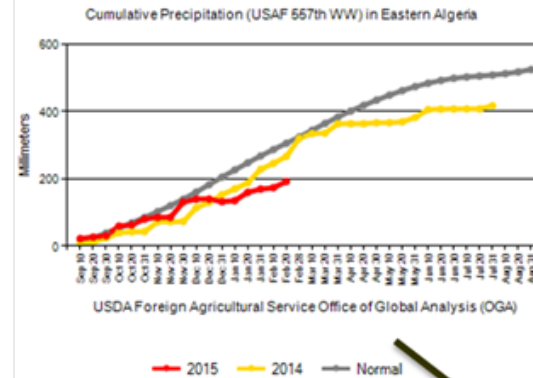
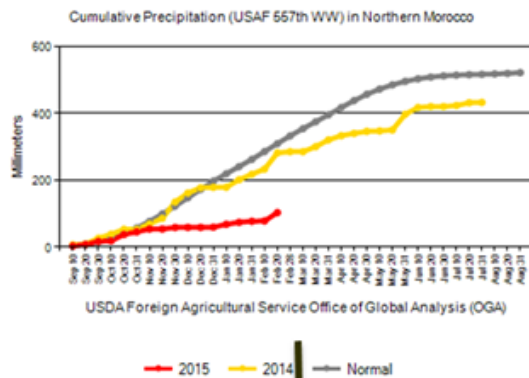
# Weather is key for 2016



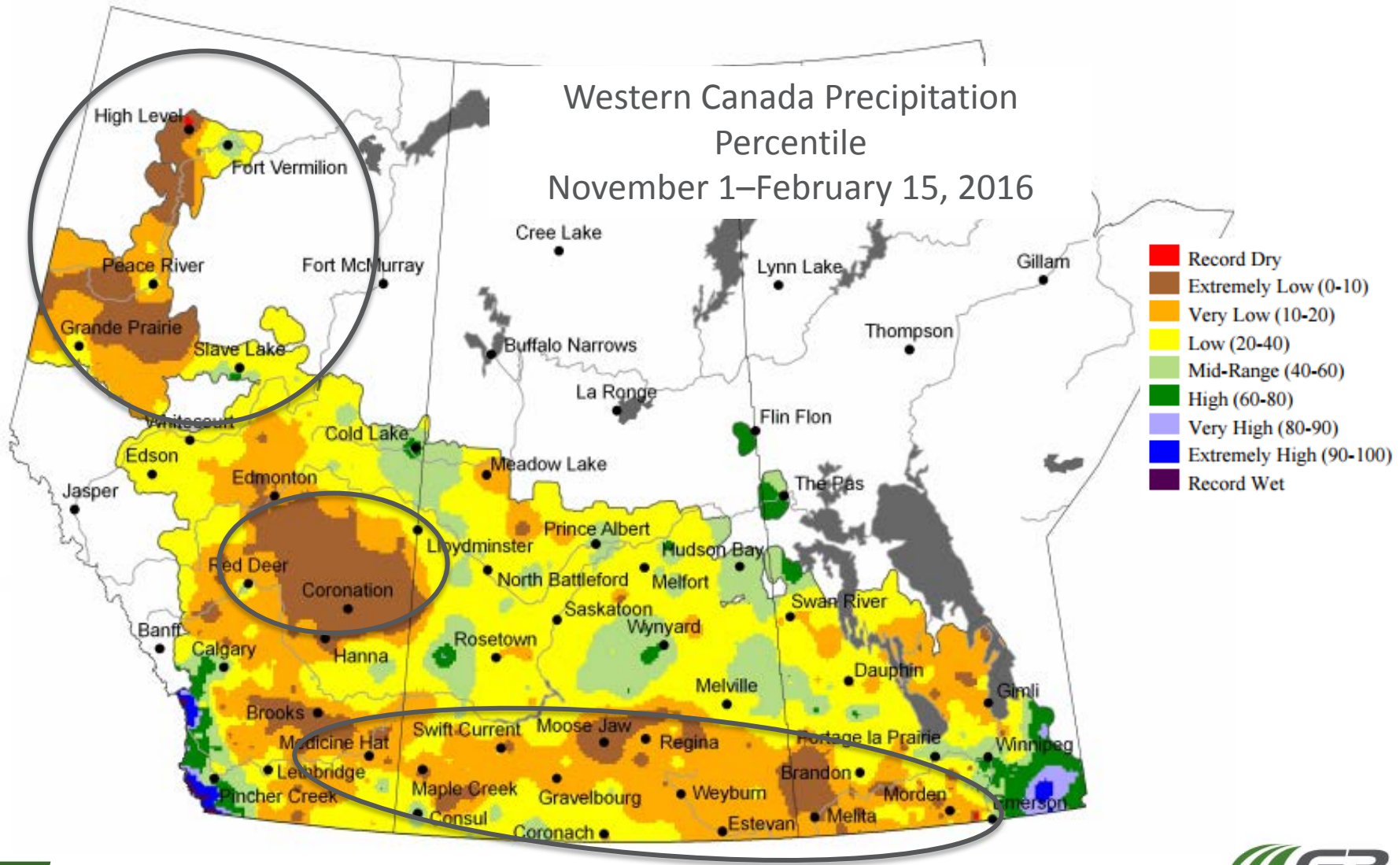
LEGEND: ■ EXCESS (+20% OR MORE) ■ NORMAL (+19% TO -19%) ■ DEFICIENT (-20% TO -59%)  
■ SCANTY (-60% TO -99%) ■ NO RAIN [-100%]  NO DATA



# North Africa



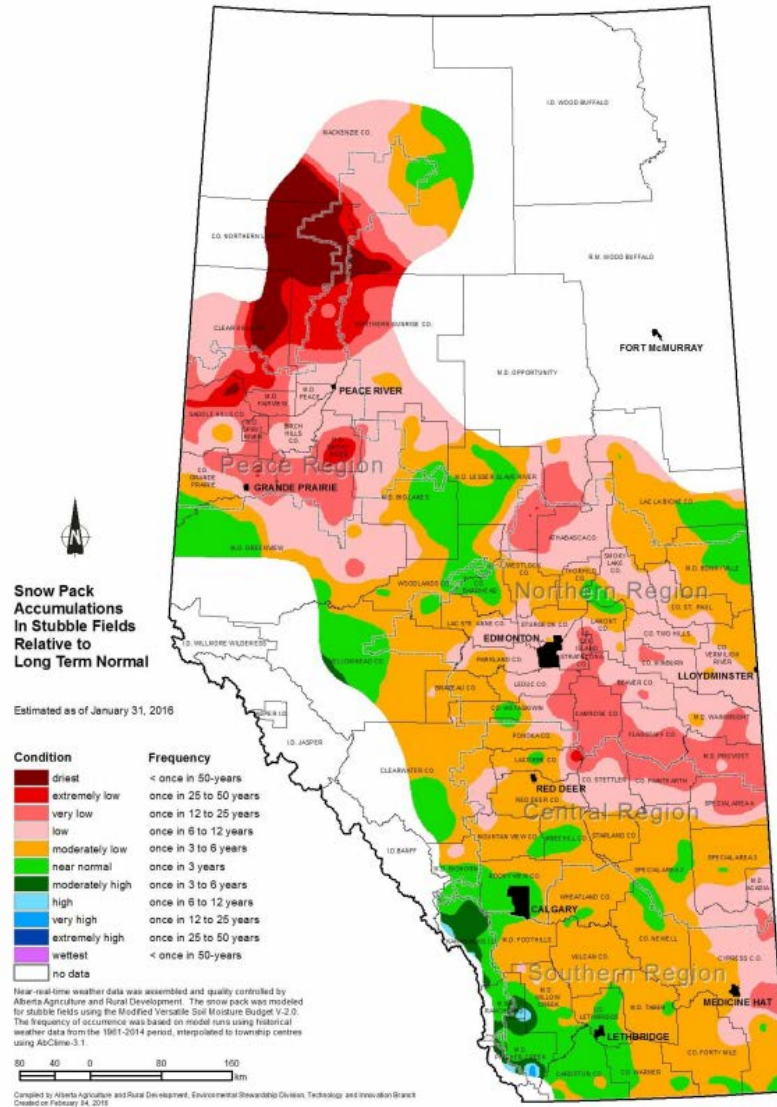




# There is no snow cover in the southern Prairies



# Alberta Subsoil

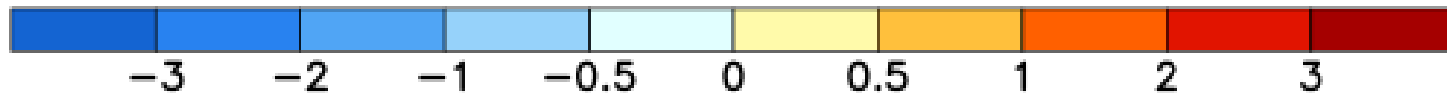
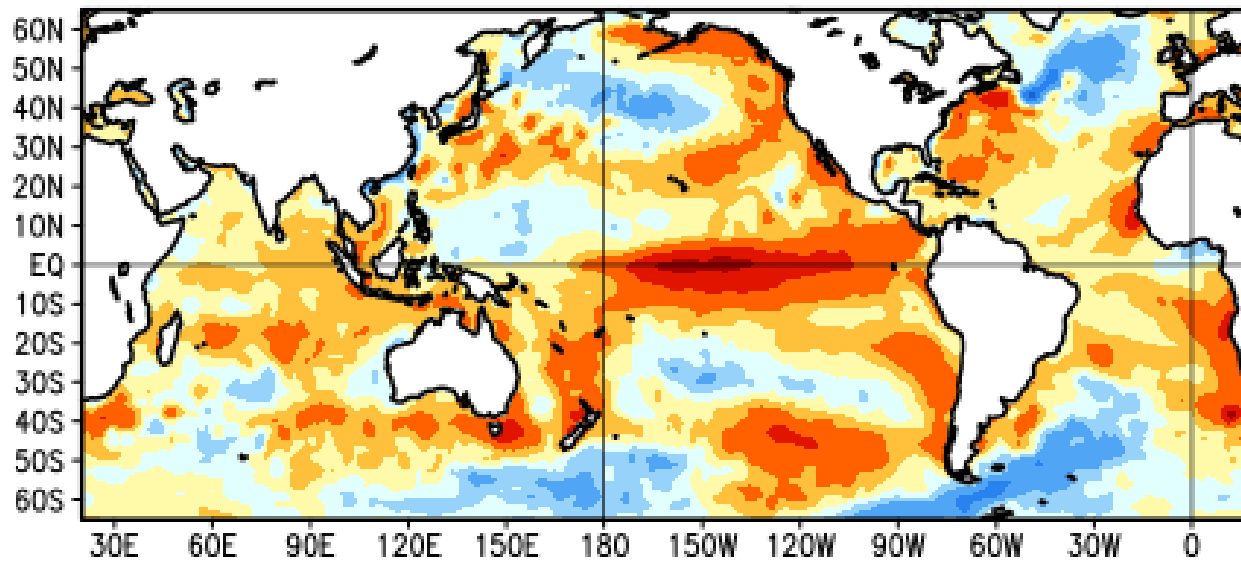


Visit [weatherdata.ca](http://weatherdata.ca) for additional maps and meteorological data



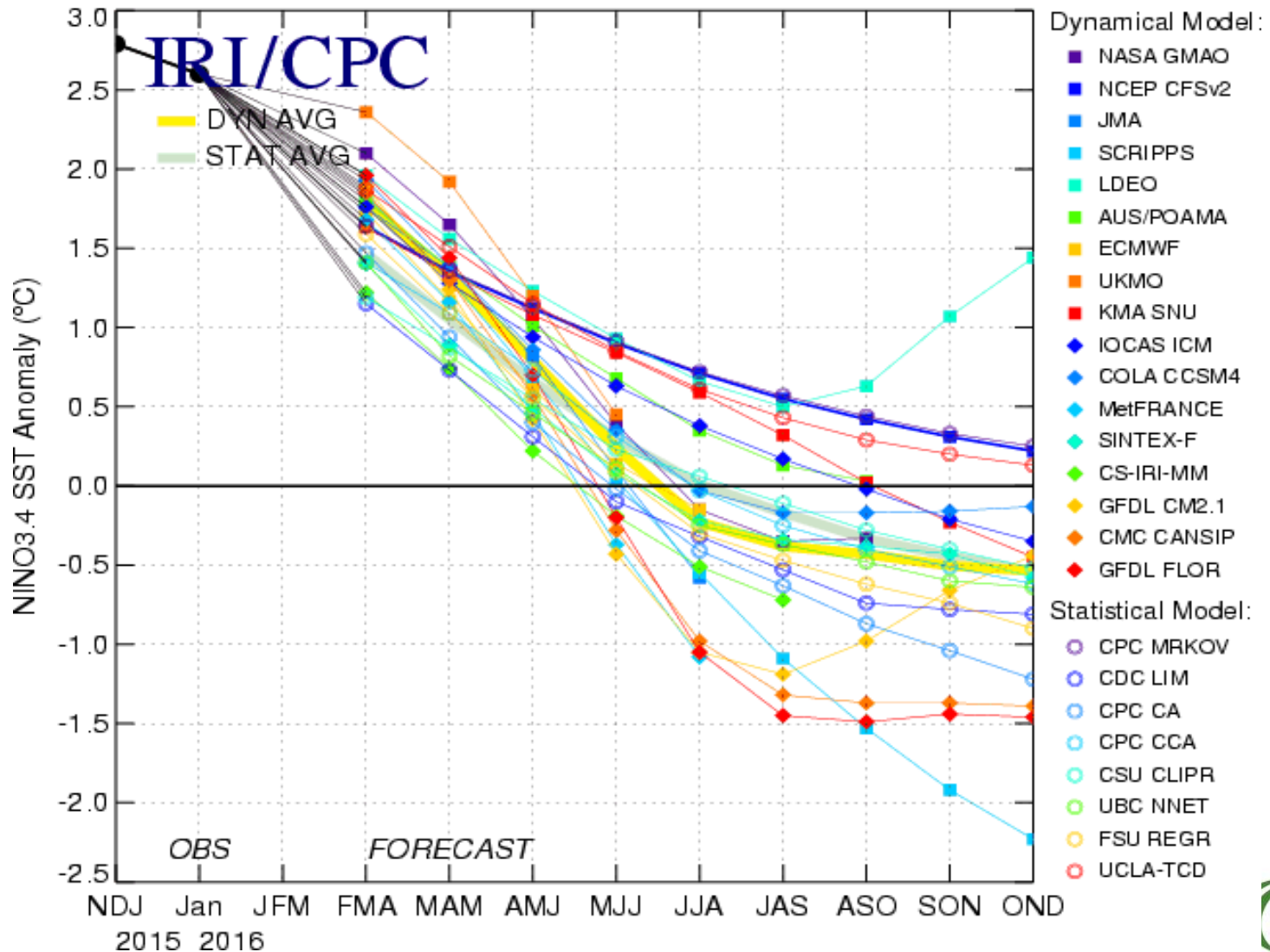
# El Nino is still here

Average SST Anomalies  
24 JAN 2016 – 20 FEB 2016



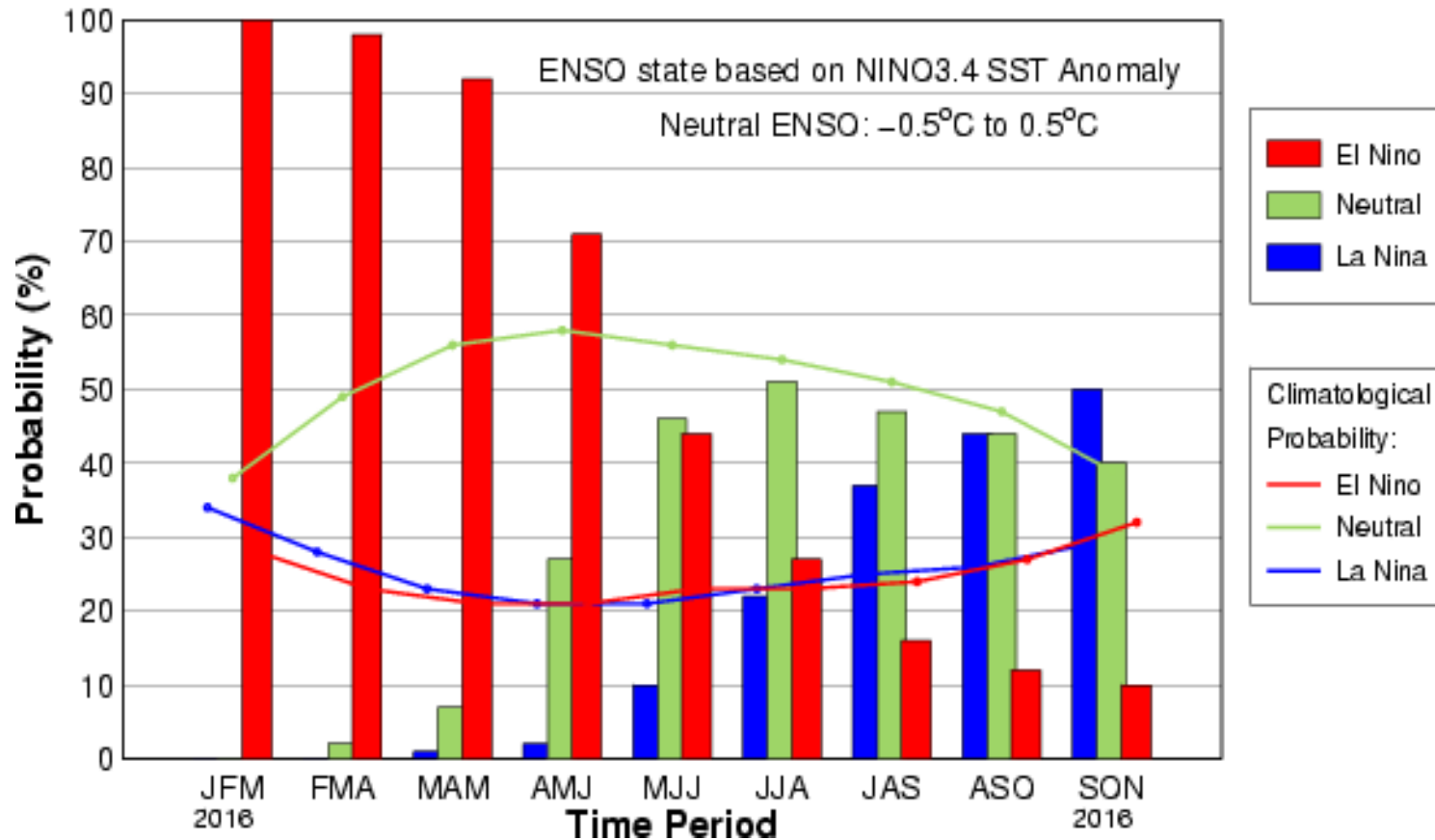
# El Nino is expected to diminish

## Mid-Feb 2016 Plume of Model ENSO Predictions



# Beware of the probabilities!

Early-Feb CPC/IRI Consensus Probabilistic ENSO Forecast



# Summary

- Corn prices are expected to be mostly flat as demand is matched with supply. US is losing market share to Ukraine, Argentina and Brazil.
- There is no shortage of wheat in the world and the market will need at least one to two more weather issues to rally in a significant manner.
- Weather problems are currently isolated to India and North Africa.
- Canadian dollar will have a very strong influence on Western Canadian returns.



# Questions