



 McDonald Pelz

Soybean Meal
Global Supply demand situation and Role of India

A PRESENTATION BY
McDonald Pelz Global Commodities

 McDonald Pelz


2018-19 Soymeal Snd in 2 words- Trade war



Donald J. Trump @realDonaldTrump · 9h
We have large trade deficits with Mexico and Canada. NAFTA, which is under renegotiation right now, has been a bad deal for U.S.A. Massive relocation of companies & jobs. Tariffs on Steel and Aluminum will only come off if new & fair NAFTA agreement is signed. Also, Canada must.

Donald J. Trump @realDonaldTrump · 9h
...treat our farmers much better. Highly restrictive. Mexico must do much more on stopping drugs from pouring into the U.S. They have not done what needs to be done. Millions of people addicted and dying.

The cartoon depicts two figures, one holding the American flag and the other the Chinese flag, standing at a table with signs for 'EU', 'IMF', 'UN', and 'WTO'. The artist's signature 'Angren Finn' is visible at the bottom right.



Clash of civilizations- Change of Poles

Deng Xiaoping


- [Keep a cool head and maintain a low profile. Never take the lead - but aim to do something big.](#)
- [Poverty is not socialism. To be rich is glorious.](#)
- [Let some people get rich first.](#)
- [Reform is Chinas second revolution.](#)

1980....2010xxx China

WAR IS HERE TO STAY.....(TRADE)

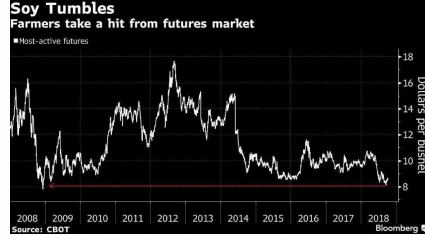
Xi Jinping- China Now.....

- China will always remain the builder of world peace, a contributor to global development, and upholder of international order.
- The Chinese nation is a great nation; it has been through hardships and adversity but remains indomitable.
- China will continue to play its part as a major and responsible country.
- China will never allow anyone, any organization, or any political party, at any time or in any form, to separate any part of Chinese territory from China.
- A military is built to fight. Our military must regard combat capability as the criterion to meet in all its work and focus on how to win when it is called on.



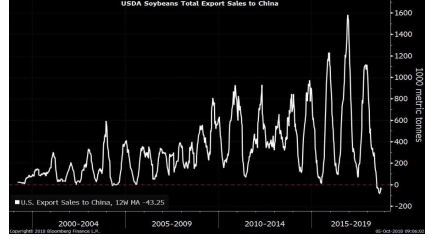
Global Headlines

Soy Tumbles
Farmers take a hit from futures market



Source: CBOT Bloomberg

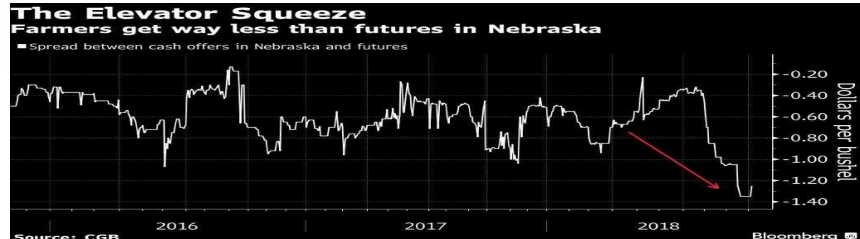
USDA Soybeans Total Export Sales to China



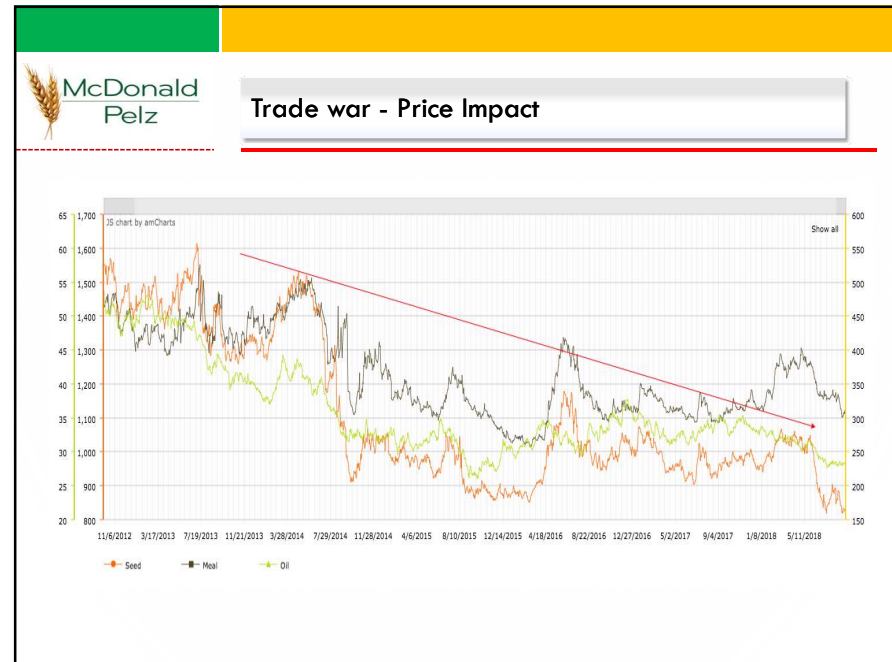
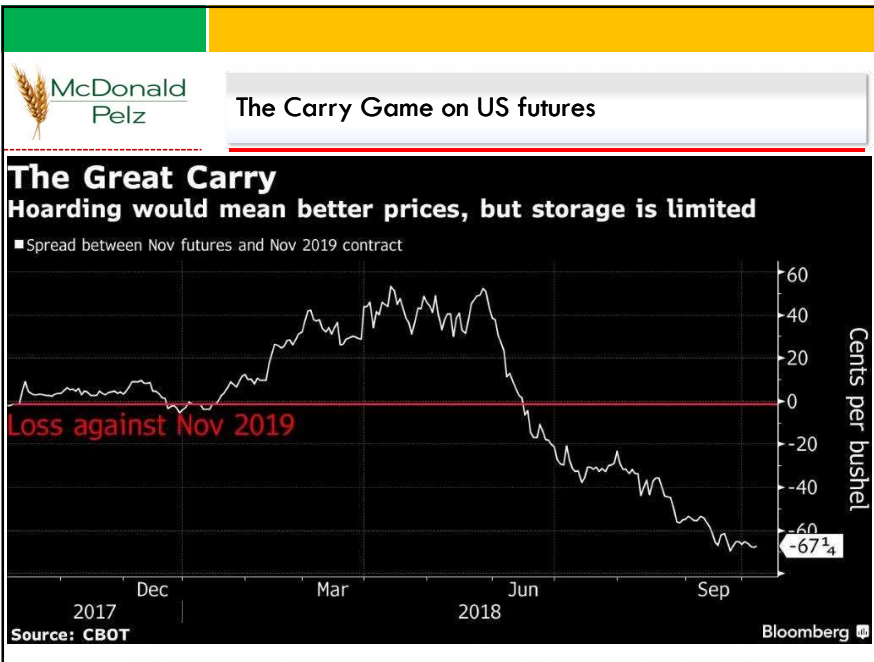
U.S. Export Sales to China, 12M MA -43.25

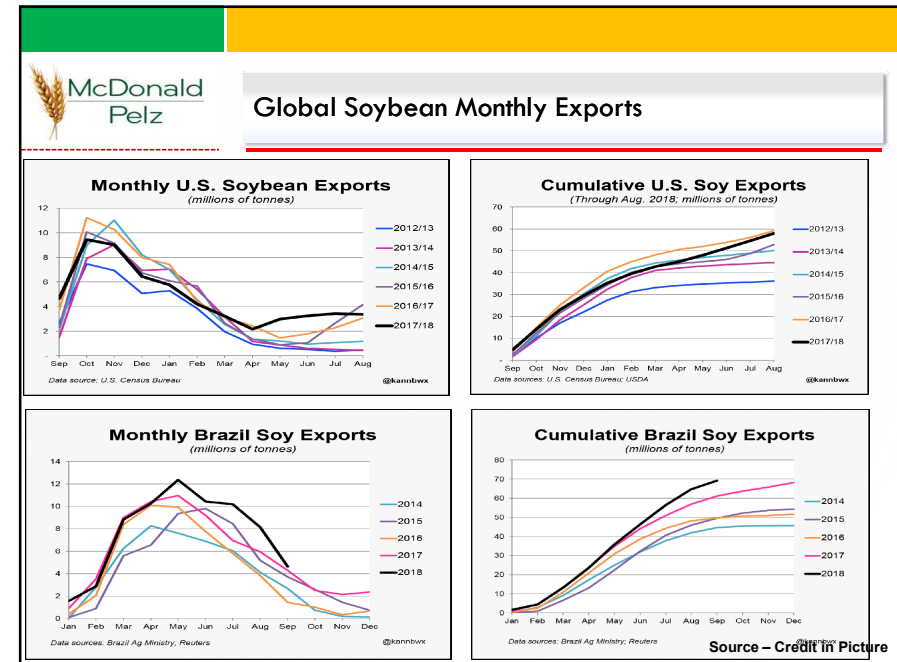
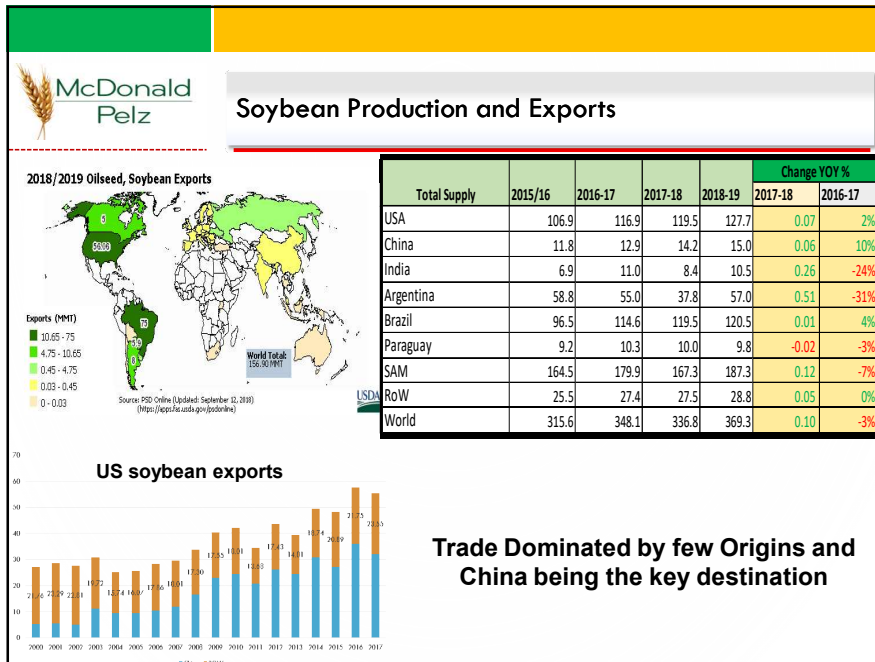
Source: USDA

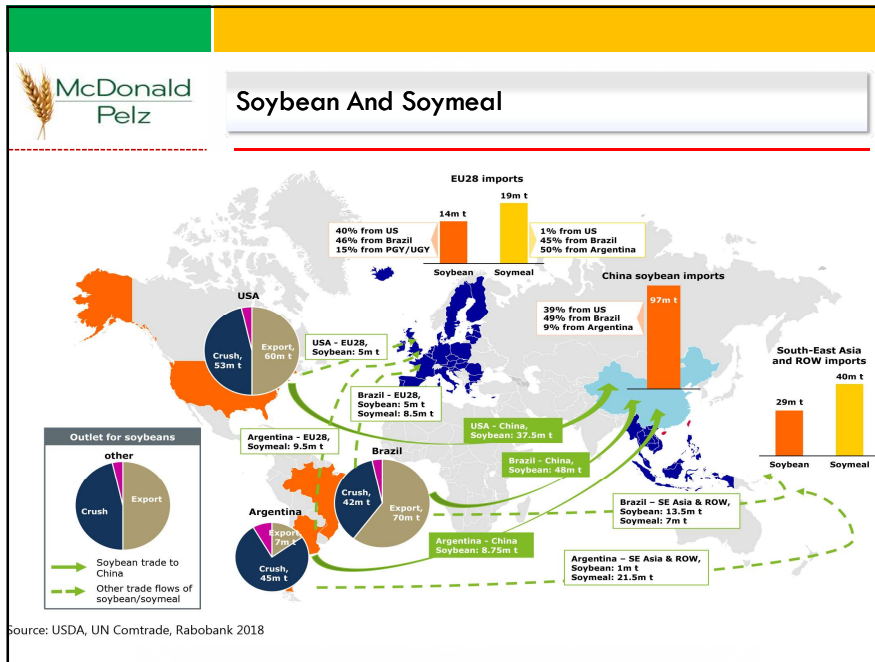
The Elevator Squeeze
Farmers get way less than futures in Nebraska



Source: CGB Bloomberg








Soybean Crush	2014/15	2015/16	2016/17	2017/18	Growth
China	74,500	81,500	88,000	90,000	21%
US	50,975	51,335	51,742	55,928	10%
Argentina	40,235	43,267	43,303	37,700	-6%
Brazil	40,435	39,747	40,411	43,000	6%
EU	14,450	14,950	14,400	14,900	3%
India	7,700	5,500	9,000	7,600	-1%
Mexico	4,175	4,400	4,600	5,000	20%
Russia	3,600	4,000	4,400	4,650	29%
Paraguay	3,700	3,800	3,750	3,700	0%
Egypt	1,950	1,150	2,200	3,200	64%
Iran	1,450	1,950	2,050	2,650	83%
Pakistan	500	1,250	1,680	2,300	360%
Bolivia	2,450	2,550	2,050	2,550	4%
Japan	2,150	2,283	2,392	2,350	9%
Taiwan	1,980	1,980	2,045	2,080	5%
Other	14,476	15,326	15,181	16,083	11%
Total	2,64,726	2,74,988	2,87,204	2,93,691	11%

Continuation of Trade war can lead to expansion of Crush in Asian Sub continent

Pakistan, Iran and Bangladesh are rapidly increasing Crush capacities

Crush capacity in US may go up...



Global Snd Variable

Production	2014/15	2015/16	2016/17	2017/18	2018/19	% of Total
China	59,004	64,548	69,696	71,280	74,052	31%
US	40,880	40,525	40,630	44,361	44,407	18%
Brazil	31,300	30,750	31,280	33,300	33,100	14%
Argentina	30,928	33,211	33,280	28,630	33,050	14%
EU	11,416	11,811	11,376	11,771	13,114	5%
India	6,160	4,400	7,200	6,080	7,200	3%
Mexico	3,300	3,480	3,635	3,950	4,108	2%
Other	25,468	27,090	28,286	31,538	33,348	14%
Total	2,08,456	2,15,815	2,25,383	2,30,910	2,42,379	100%

IMPORTS	2014/15	2015/16	2016/17	2017/18	2018/19	% of Total
EU	19,623	19,207	18,924	18,500	18,500	30%
Vietnam	4,311	5,094	4,945	4,800	5,000	8%
Indonesia	3,902	4,203	4,255	4,400	4,600	7%
Philippines	2,204	2,618	2,662	2,750	2,850	5%
Thailand	3,068	2,433	2,782	3,150	2,850	5%
Mexico	1,795	2,367	1,991	2,000	2,070	3%
Korea South	1,751	2,118	1,764	1,850	1,870	3%
Japan	1,699	1,721	1,621	1,650	1,650	3%
Colombia	1,148	1,206	1,284	1,425	1,500	2%
Malaysia	1,465	1,291	1,427	1,525	1,500	2%
Other	19,719	19,601	18,887	18,290	19,761	32%
Total	60,685	61,859	60,542	60,340	62,151	100%

Exports	2014/15	2015/16	2016/17	2017/18	2018/19	% of Total
Argentina	28,575	30,333	31,323	26,200	29,800	45%
Brazil	14,290	15,407	13,762	16,350	15,000	23%
US	11,891	10,844	10,505	13,063	12,247	18%
Paraguay	2,569	2,552	2,407	2,430	2,580	4%
Bolivia	1,674	1,726	1,264	1,690	1,550	2%
India	1,521	409	2,008	1,500	1,400	2%
China	1,595	1,909	1,111	1,000	900	1%
Other	2,289	3,087	2,286	2,905	3,105	5%
Total	64,404	66,267	64,666	65,138	66,582	100%


ProD/Export:	2014/15	2015/16	2016/17	2017/18	2018/19
Argentina	92%	91%	94%	92%	90%
Brazil	46%	50%	44%	49%	45%
US	29%	27%	26%	29%	28%
India	25%	9%	28%	25%	19%
China	3%	3%	2%	1%	1%

Argentina Produces Soymeal to Export (90%)

US share of total export is only 30%

So Am May export more oilseeds –

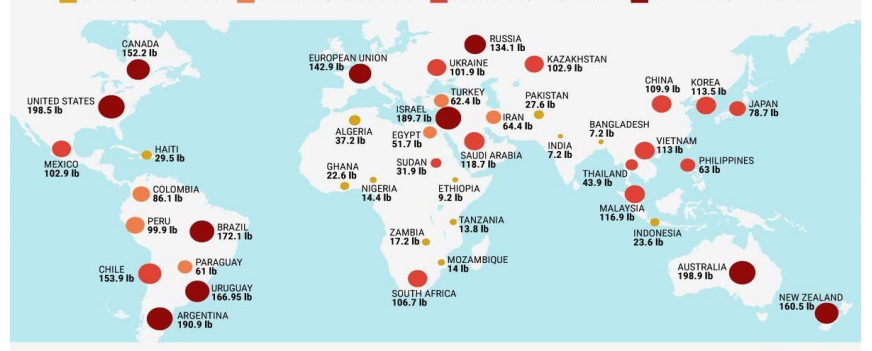
India production is stagnant thus, limiting opportunities



India Animal protein and Soymeal Industry

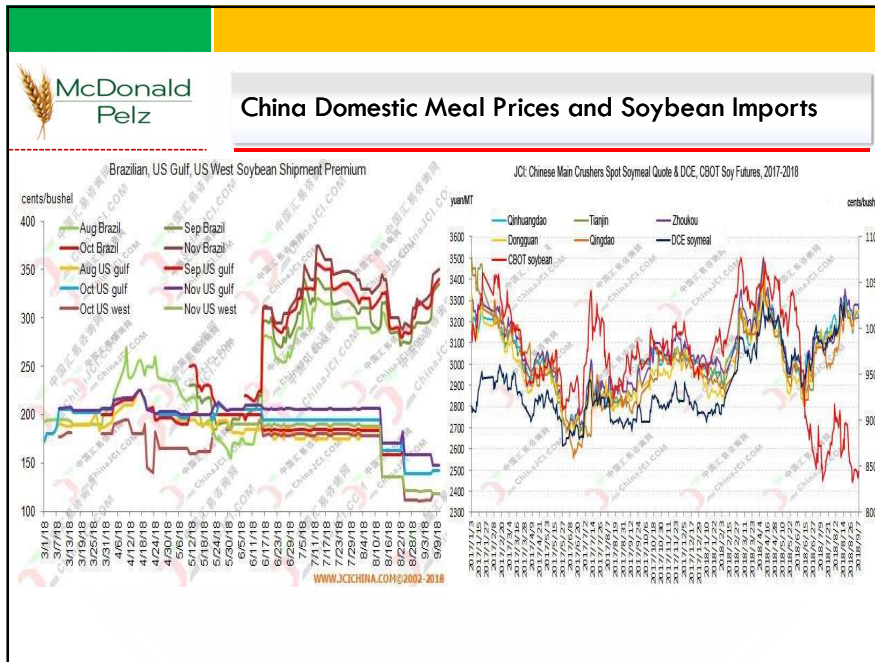
How much meat people eat around the world, per capita

■ 0–50 LB/PER CAPITA
 ■ 51–100 LB/PER CAPITA
 ■ 101–150 LB/PER CAPITA
 ■ 151–200 LB/PER CAPITA



SOURCE: OECD (2015), Meat consumption (indicator). doi: 10.1787/fa290f00-en (Accessed on 24 September 2015) TECH INSIDER

Indian market is based on strong fundamentals.



China Meal Prices Import Cost Estimate

China Soymeal Import Cost Estimate (2018-9-12)

Country	shipment	CBOT closing price (\$/MT)		premium (\$/MT)		freight (\$/MT)	CNF price (\$/MT)	import cost (yuan/MT)	
		futures	rise/fall	premium	rise/fall			cost	rise/fall
Argentina	September	314.20	-2.60	5.00	1.00	42.00	393.92	3225.88	-6.70
Argentina	September-October	316.00	-2.90	9.00	-1.00	42.00	400.31	3276.58	-26.70
Argentina	November	316.00	-2.90	10.00	0.00	42.00	401.42	3285.39	-17.89
Brazil	September	314.20	-2.60	10.00	-4.00	44.00	401.43	3285.47	-50.27
Brazil	October	316.00	-2.60	13.00	-4.00	44.00	406.72	3327.45	-52.78
Brazil	November	316.00	-2.90	13.00	-4.00	44.00	406.72	3327.45	-52.78
Brazil	December	312.40	-3.80	1.00	0.00	44.00	389.52	3190.96	-26.02
Brazil	March	310.50	-3.90	1.00	0.00	44.00	387.43	3174.38	-26.93

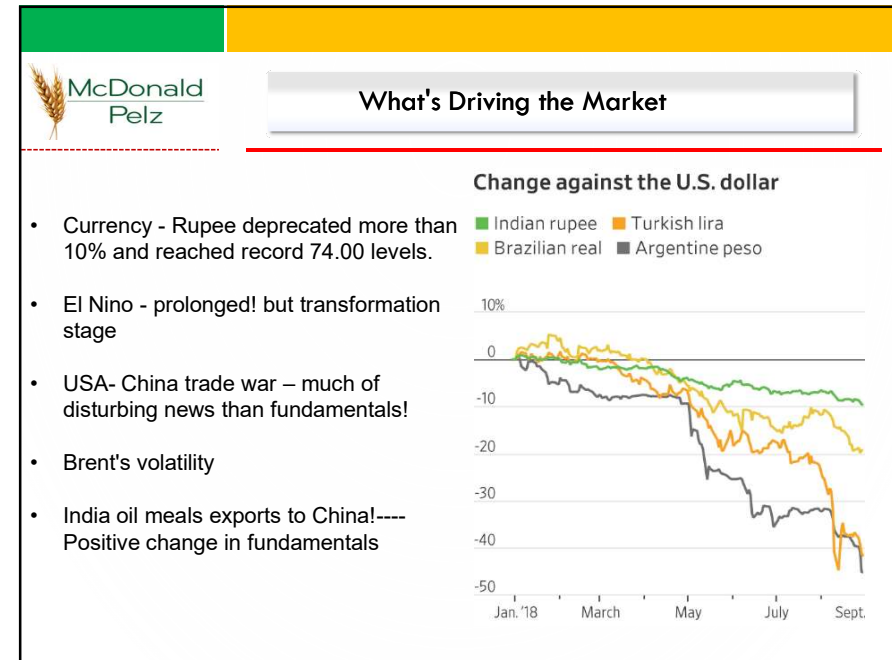
Soymeal– Import Prices of other origins


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Key Considerations 2018-19

2018/19 OUTLOOK CHANGES

Country	Commodity	Attribute	Previous	Current	Change	Reason
United States	Meal, Soybean	Export	12,111	12,247	136	Higher crop projection and crush forecast.
Canada	Oilseed, Soybean	Export	5500	5000	-500	Lower crop projection
China	Oilseed, Soybean	Import	95,000	94,000	-1,000	Shrinking soybean exportable supplies in Canada and Uruguay following
	Oilseed, Rapeseed	Import	5300	5600	300	Increased substitute protein demand with reduced soybean imports and crush
	Oil, Sunflowerseed	Import	800	900	100	increased oil demand with reduced soybean crush
Egypt	Oil, Palm	Import	5250	5400	150	
	Meal, Soybean	Import	950	825	-125	Larger soybean crush reduces need for meal imports
India	Oilseed, Soybean	Import	3,150	3,300	150	Stronger pace of trade at the end of the marketing year
	Oil, Palm	Import	11600	10600	-1000	A response to import tariffs and in line with lower 2017/18 imports

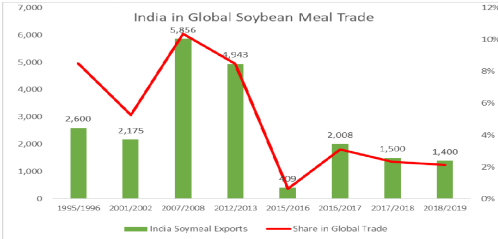




India Soybean/Meal Industry in Context

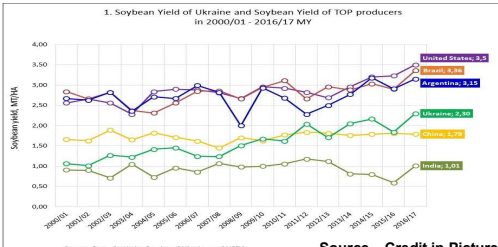
Key Factors:

- Consistency
- Reliability
- Window of Exports
- Quantity of Exports
- Political Economics
- Non GMO



India in Global Soybean Meal Trade


Year	India Soymeal Exports (Million MT)	Share in Global Trade (%)
1995/1996	2,600	~8%
2001/2002	2,175	~6%
2007/2008	5,356	~10%
2012/2013	4,943	~9%
2015/2016	~1,000	~3%
2016/2017	2,008	~6%
2017/2018	1,500	~5%
2018/2019	1,400	~5%



1. Soybean Yield of Ukraine and Soybean Yield of TOP producers in 2000/01 - 2016/17 MY

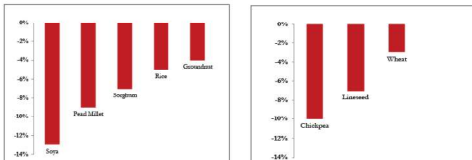
Country	Yield (MT/HA)
United States	3.0
Brazil	2.36
Argentina	3.15
Ukraine	2.58
China	1.78
India	1.01

Source - Credit in Picture



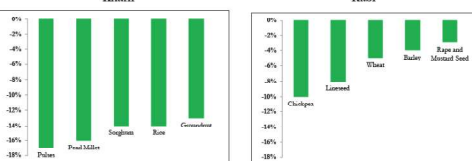
Understanding India Weather Pattern

Effects of Extreme Temperature Increase on Crop Yields (percentage decline)



Source: Survey calculations from IMD and ICRISAT data.

Effects of Extreme Rainfall Decrease on Crop Yields (percentage decline)



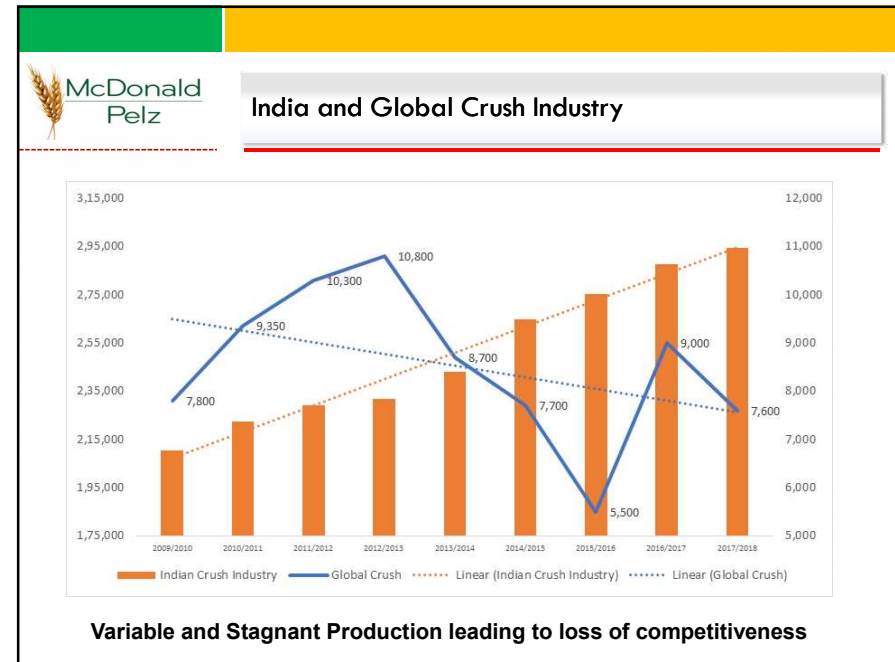
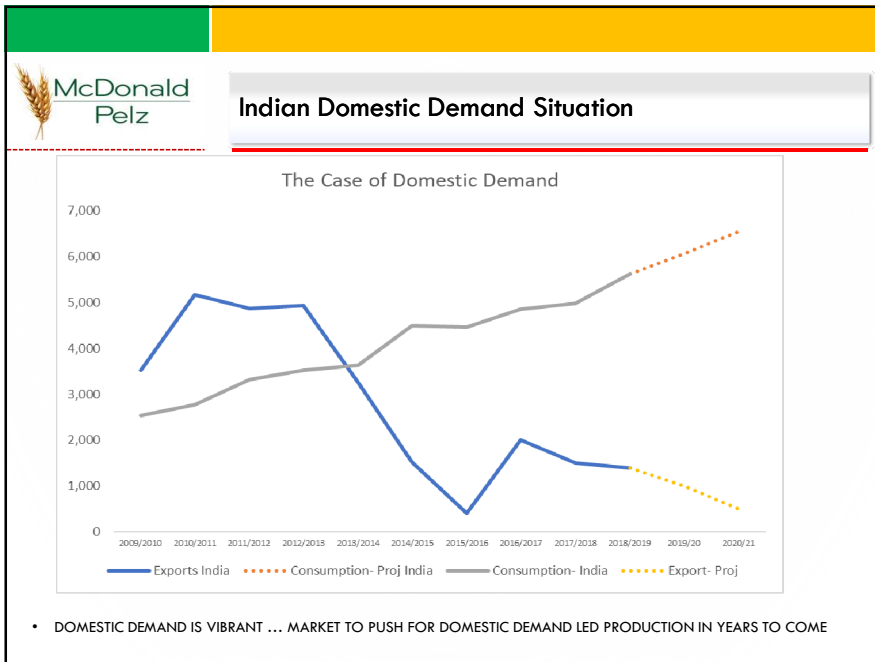
Source: Survey calculations from IMD and ICRISAT data.

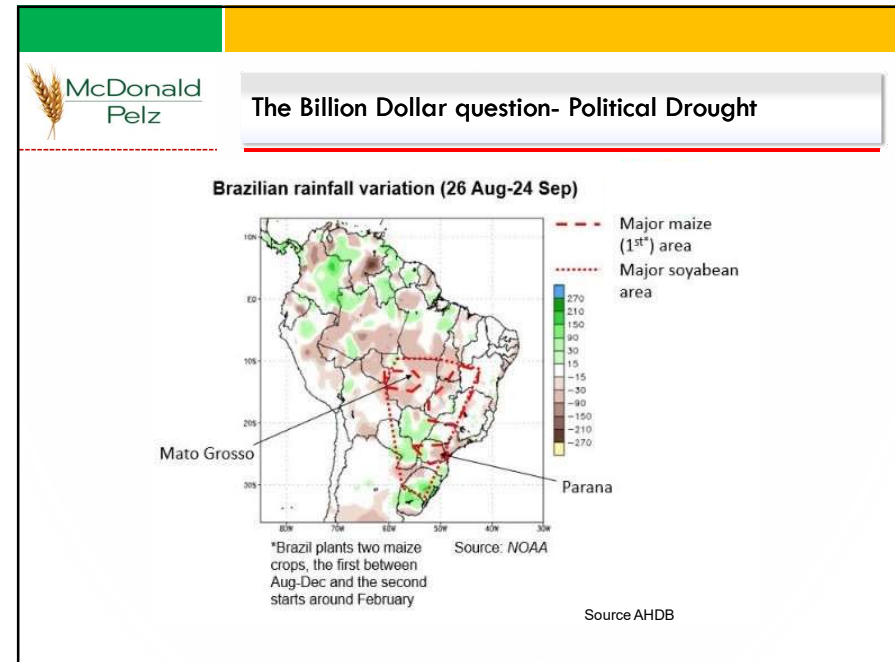
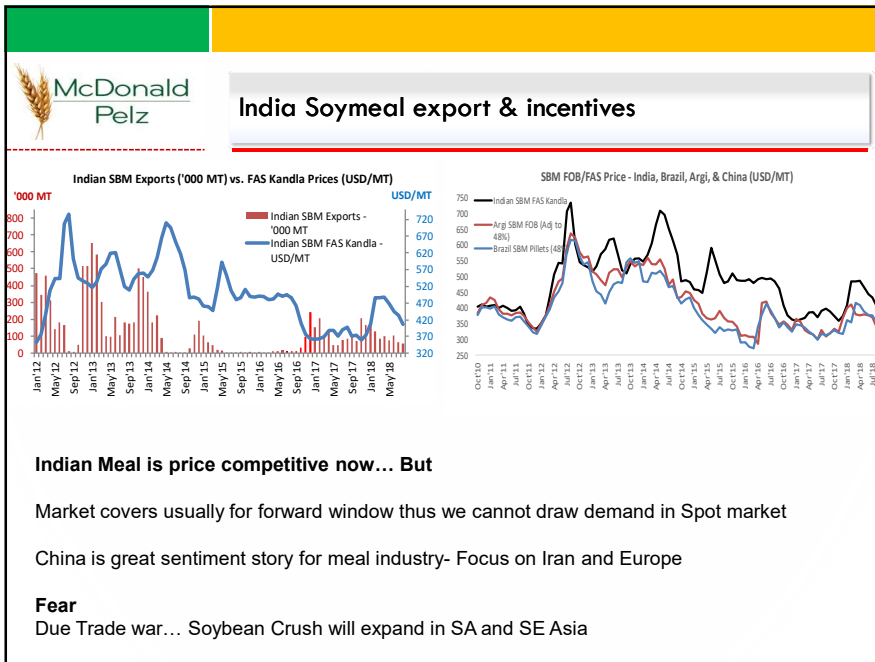
Soybeans is most volatile crop to respond to temperature and rainfall activity

2014-16 saw extreme temperature and low rainfall situation in India thus leading to sharp volatility in soybean production and prices

Soybeans yield and acreage is consistent around 1mt/hectare

Source: Economic Survey of India 2018





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US **Black Sea** **China Demand**

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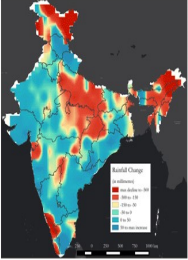


Understanding India Weather Pattern

The footprint of climate change is evident and extreme weather adversely impacts agricultural yields

The impact of weather is felt only with extreme temperature increases and rainfall deficiencies

This impact is twice as large in unirrigated areas as in irrigated ones

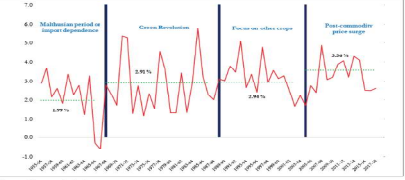


Field Change

- Red: +100%
- Orange: +50%
- Yellow: 0%
- Green: -50%
- Blue: -100%

Real Agricultural GVA Growth in India, 1960-2016

(in percent, 5 year moving average)

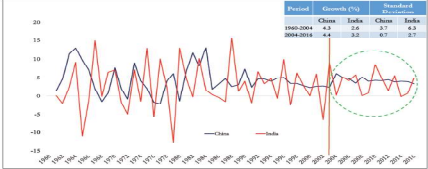


Source: Survey calculations.
Note: Numbers represent average agricultural growth rates for each period in percent.

Real Agricultural GDP Growth, China and India, 1960-2016


(in percent)

Period	China	India	China	India
1960-2004	4.3	2.0	2.7	4.3
2004-2016	4.4	3.2	6.7	3.7



Source: Survey calculations. Source: Economic Survey of India 2018

Change in Weather Pattern and Indian crop production

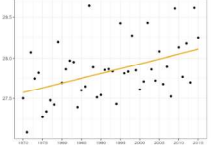


Understanding India Weather Pattern

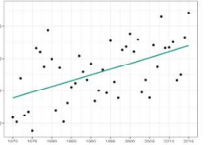
Average Temperature by Cropping Season: Kharif and Rabi

(degrees Celsius)

Kharif



Rabi



Source: Survey calculations from IMD data. Source: Economic Survey of India 2018

Impact of Weather Shocks on Farm Revenue

	Extreme Temperature Shocks	Extreme Rainfall Shocks
Average Kharif	4.3%	13.7%
Kharif, Irrigated	7.0%	7.0%
Kharif, Unirrigated	5.1%	14.3%
Average Rabi	4.1%	5.5%
Rabi, Irrigated	3.2%	4.0%
Rabi, Unirrigated	5.9%	6.6%

Source: Survey calculations from IMD & ICRISAT data.

Increasing average Temp

Decreasing average precipitation

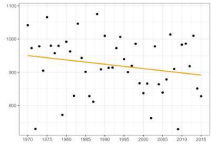
Indian production is witnessing higher volatility on production

Cropping system is wheat/rice dependent

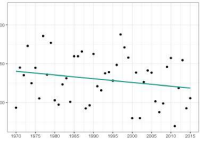
Average Precipitation by Cropping Season: Kharif and Rabi

(Millimetres)

Kharif



Rabi



Source: Survey calculations from IMD data.

Changing weather patterns is making local production erratic