

FARMLEAD

2020 Grain Markets & Being a Better Seller Than Last Year

March 4, 2020 – North Battleford



@FarmLead

@CombyneAg



I'm Brennan!

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- Family farms ~70,000 acres between SK & ND
 - Notre Dame Hound (2005)
 - Yale University (2009 B.A.Econ)
 - Wall Street commodities analyst/trader
 - FarmLead named to Forbes Most Innovative Companies in Agriculture in 2017 & 2018
- Why FarmLead? Make grain trade easy



FarmLead Turns 5 Years Old!



- \$2 Billion USD of grain successfully negotiated
- 2+ million negotiation events
- Our Farmers = 13% of North America's production of grains, oilseeds, & pulses
 - Includes ~50% of Canadian spring wheat + canola production
- Our Buyers = ~10% of annual demand within North American
- 19 out of top 20 grain buying companies in North America are using FarmLead tools to help them find grain

Let's Walk and Talk



1. **Global Themes**
2. **Cereals (but mostly wheat)**
3. **Canola Markets**
4. **Pulses Markets**
5. **Combyne: Our Trust-Based Marketplace**
6. **Being a better grain marketer in 2020**

2020 Grain Markets' Themes



- **Geopolitical/trade risk continues to be the major fundamental**
 - Price equilibrium drifts lower b/c of trade policy
 - Populism remains though, creating roadblocks for solutions
- **Coronavirus and supply chain challenges (Geezus - another black swan?)**
- **(A lot of) Supply is there; now where's the demand?**
- **Will Canada be able to compete & meet global needs?**

Wheat

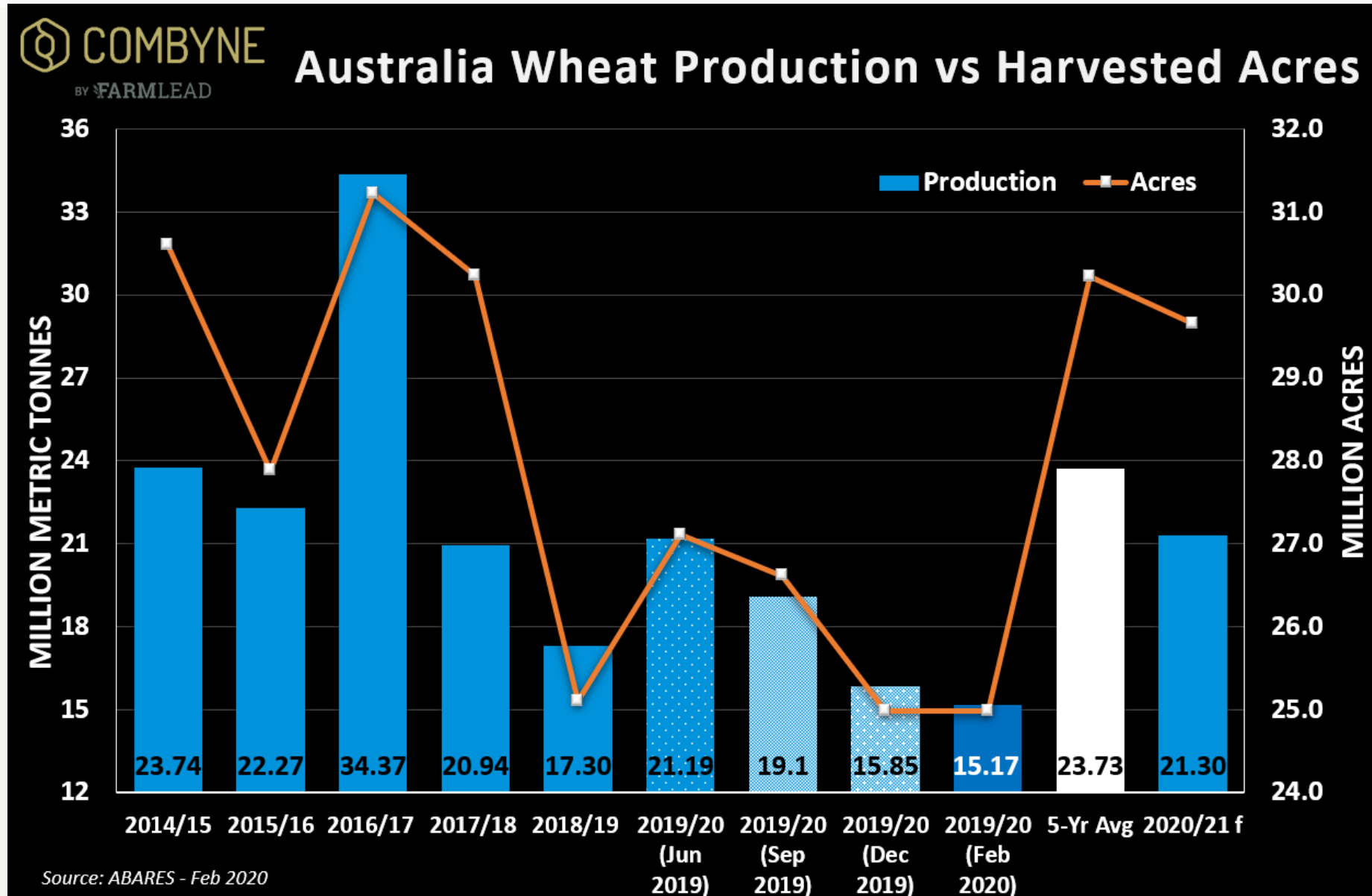
Aussie wheat harvest -12% YoY, -36% from 5-year average

HOT UPDATE:

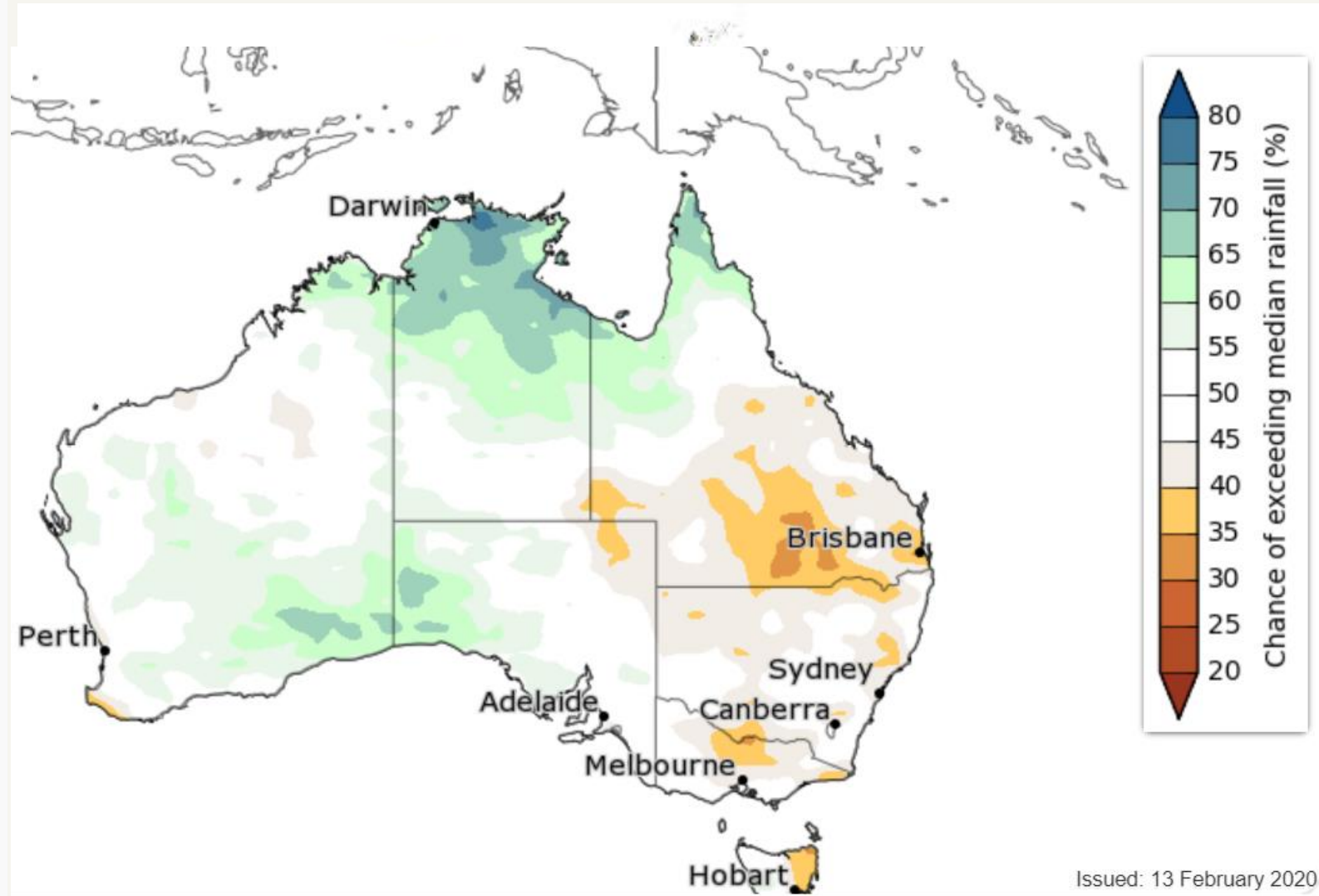
ABARES is forecasting the 2020/21 wheat harvest will jump 40% YoY on 20% increase in acres

AND

better soil moisture



Will the moisture be there?



Issued: 13 February 2020



Big 2019 Canadian Wheat Crop

Largest non-durum wheat crop since bumper harvest in 2013

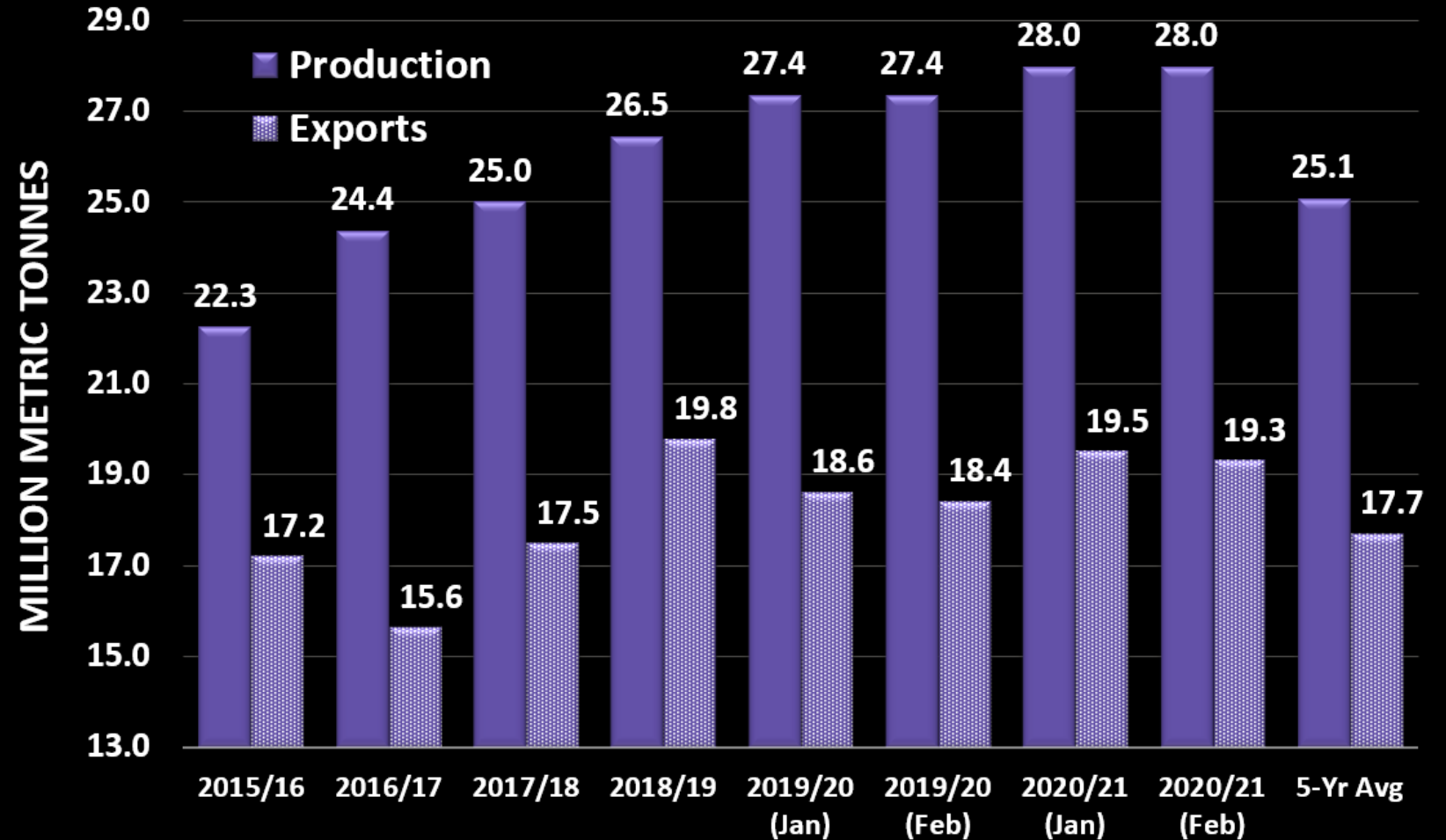
+2% from 2018, +13% from 5-year average

Exports outlook consistently lowered every month since Sept (AAFC was forecasting 19.2 MMT at the time)



Canadian Wheat Exports vs Production

(Not Including Durum)

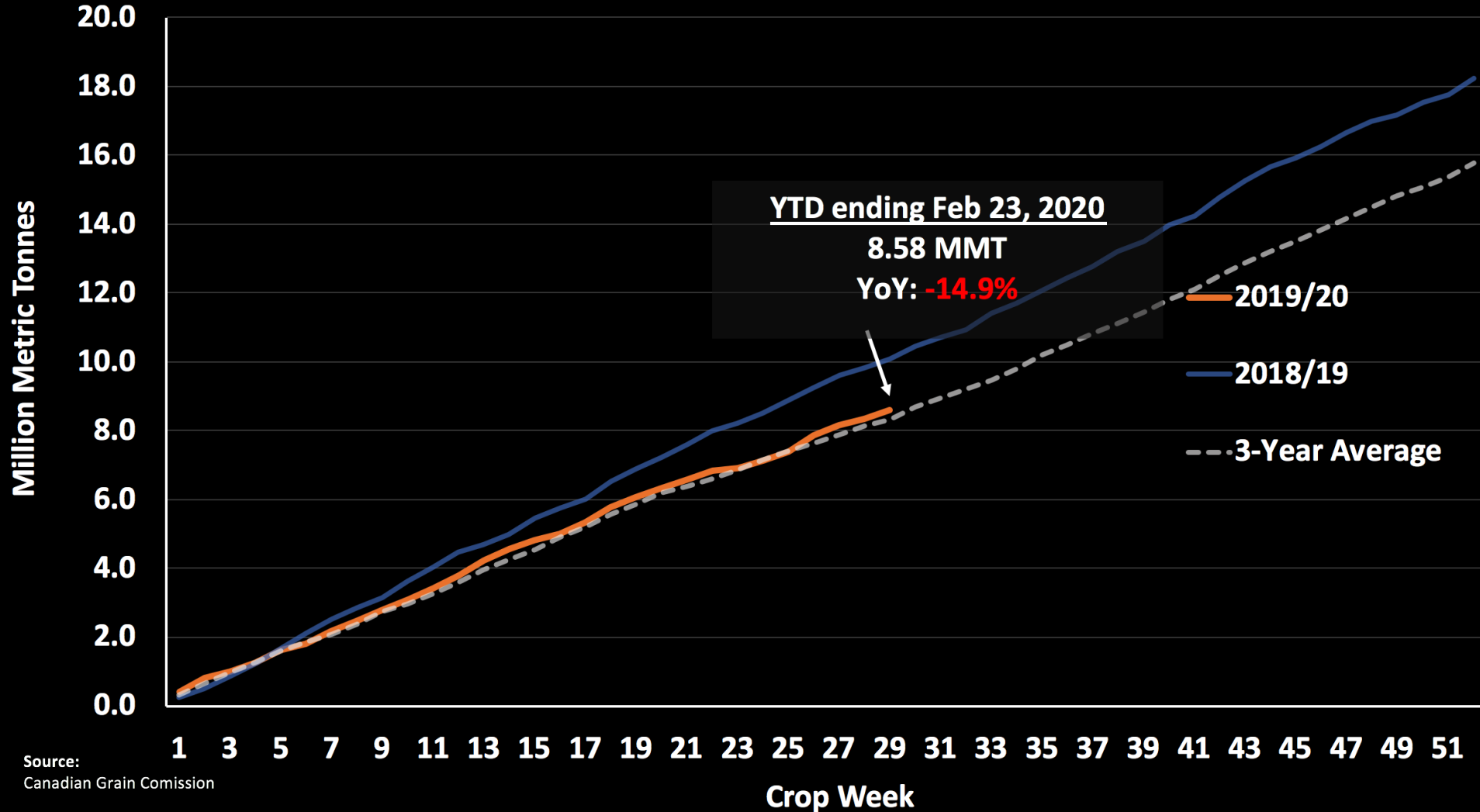


Source: AAFC - Feb 2019

What's up w/ our wheat exports?



Canadian Wheat (excl. Durum) - Cumulative Exports



Source:
Canadian Grain Commission

Tougher Export Competition



BY FARMLEAD

Feb 2020 WASDE - Wheat

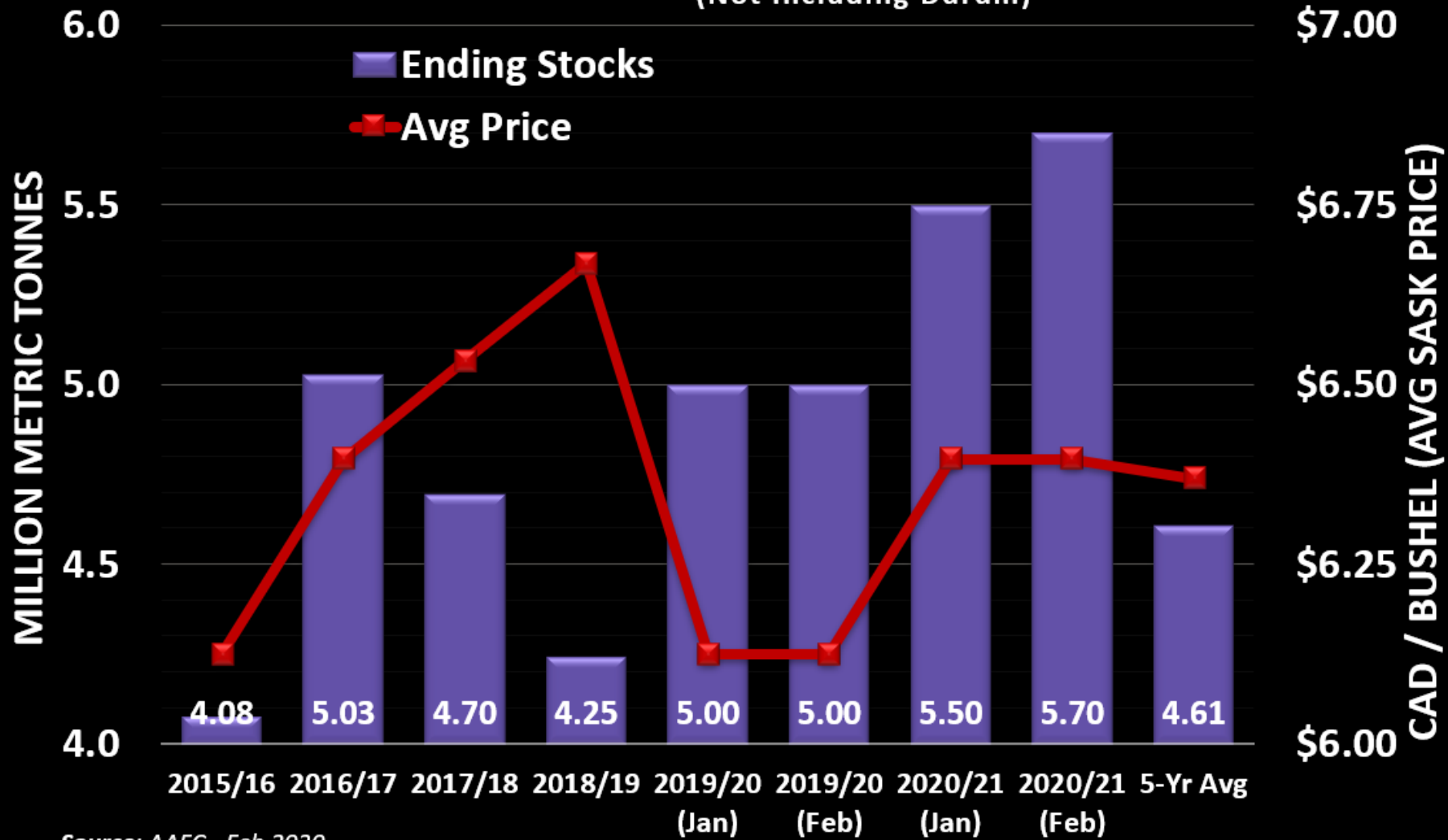
	Feb '20	Jan '20	Previous	Change
	WASDE	WASDE	Year	YoY
	<i>(million metric tonnes)</i>			
Global 19/20 Production	764.0	764.4	731.5	4.4%
Global 19/20 Carryout	288.0	288.1	278.3	3.5%
U.S. 19/20 Production	52.3	52.3	51.3	1.9%
U.S. 19/20 Exports	27.2	26.5	25.5	6.8%
Canada 19/20 Production	32.4	32.4	32.2	0.5%
Canada 19/20 Exports	23.5	24.0	24.4	-3.7%
Australia 19/20 Production	15.6	15.6	17.3	-9.8%
Australia 19/20 Exports	8.7	8.7	9.0	-3.4%
Argentina 19/20 Production	19.0	19.0	19.5	-2.6%
Argentina 19/20 Exports	13.0	13.0	12.2	6.6%
E.U. 19/20 Production	154.0	154.0	136.9	12.5%
E.U. 19/20 Exports	32.0	31.0	23.3	37.3%
Russia 19/20 Production	73.5	73.5	71.7	2.5%
Russia 19/20 Exports	34.0	34.0	35.8	-5.1%
Ukraine 19/20 Production	29.0	29.0	25.1	15.7%
Ukraine 19/20 Exports	20.5	20.5	16.0	28.0%
	20.5			

Source: USDA



Canadian Wheat Prices vs Ending Stocks

(Not Including Durum)

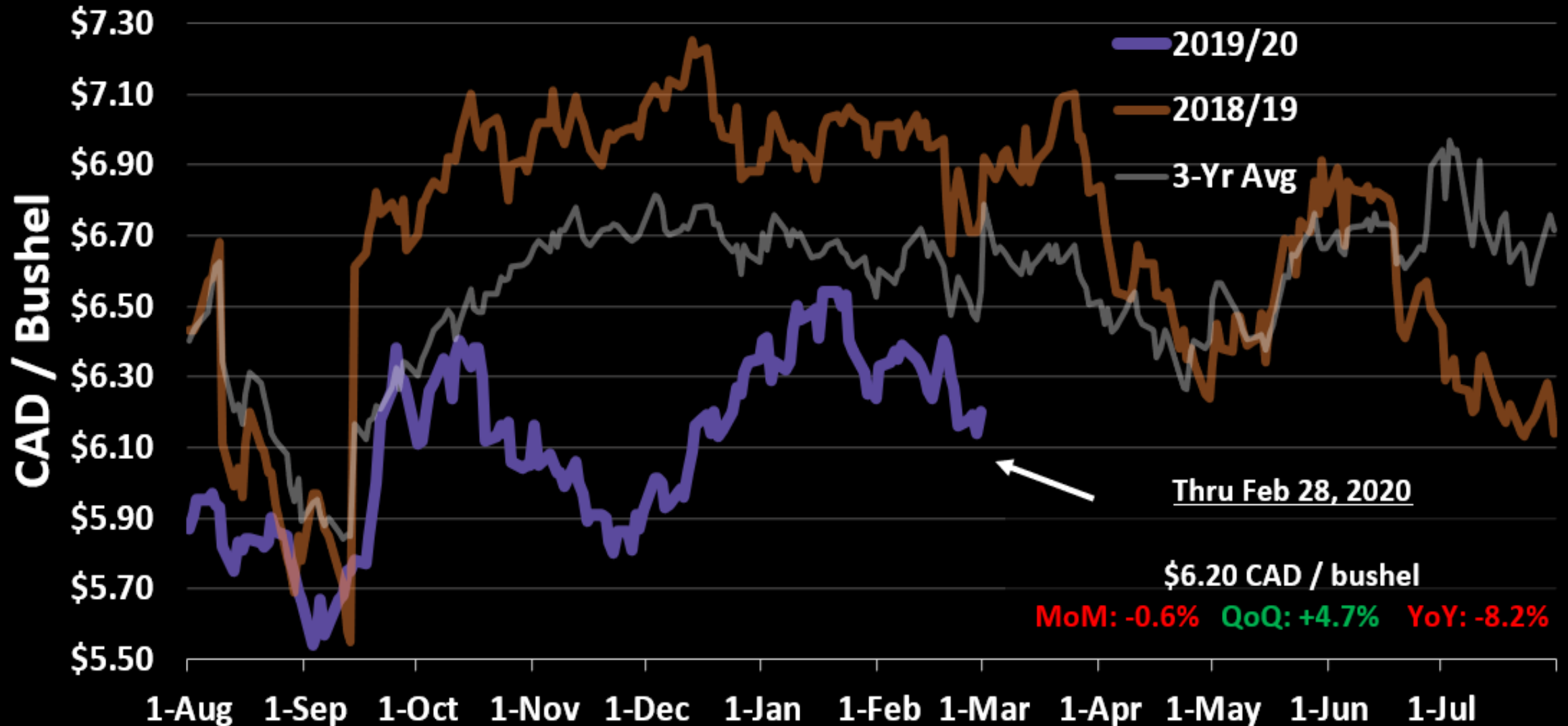


Source: AAFC - Feb 2020



BY FARMLEAD

#1 CWRS Wheat Prices - 13.5% Protein Average Spot in NW Saskatchewan



Good basis opportunities available in CWRS Wheat



New Crop CWRS Wheat Prices in NW Sask

As of Feb 28, 2020

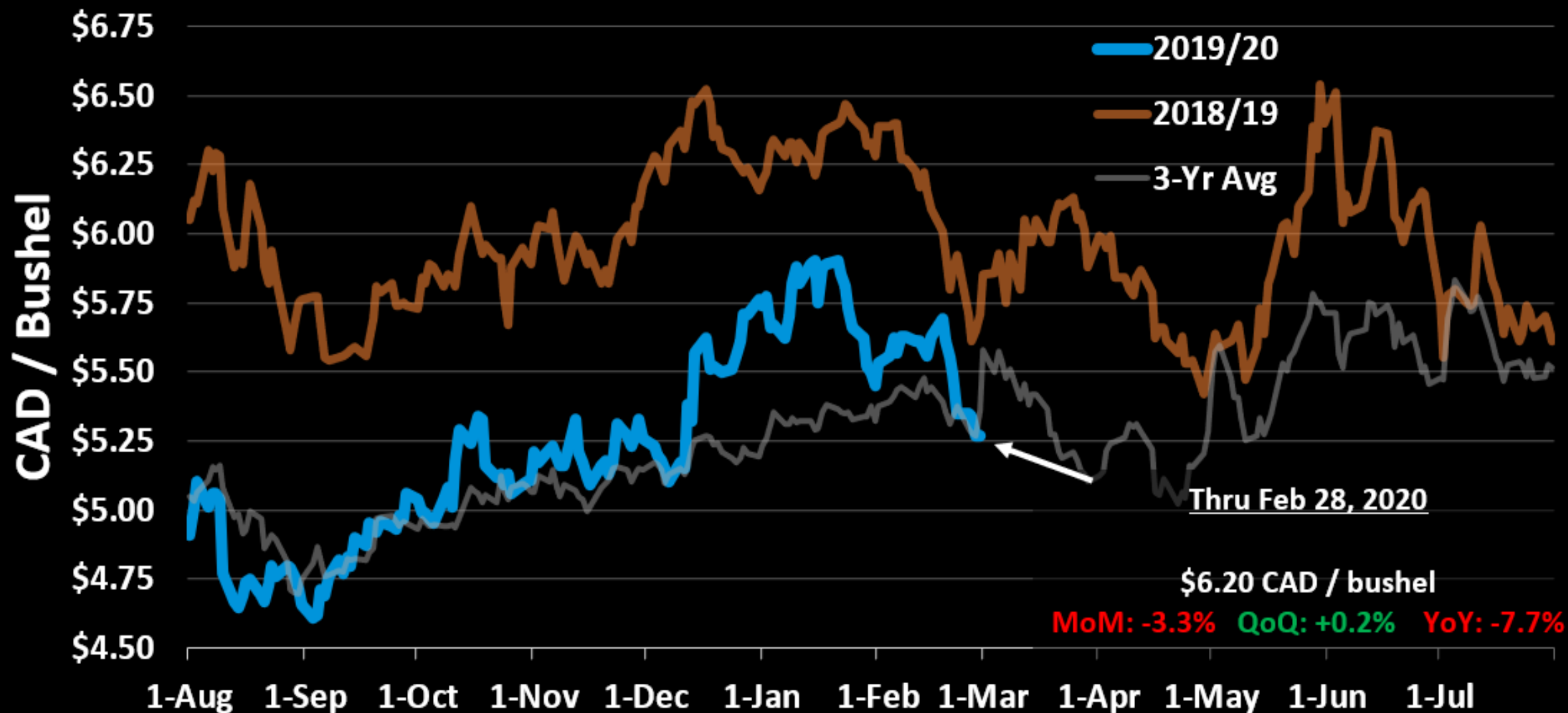
September
Movement

October
Movement

Cash Prices	Today	\$6.26	\$6.38
	1 Yr Ago	\$6.39	\$6.45
	Change Yo'	-2.0%	-1.1%
Futures	Today	\$5.46	\$5.61
	1 Yr Ago	\$5.82	\$5.82
	Change Yo'	-6.2%	-3.6%
Basis	Today	\$0.80	\$0.77
	1 Yr Ago	\$0.57	\$0.63
	Change Yo'	40.4%	22.2%
Best New Crop Pricing Date in 2019/20		June 3, 2019 \$6.73	Jan 21 & Jun 3, 2019 \$6.77
Best New Crop Pricing Date for 2020/21 (so far)		Jan 21, 2020 \$6.53	Jan 23, 2020 \$6.62

Source: PDQ Info

#1 CPS Wheat Prices - 11.5% Protein Average Spot in NW Saskatchewan



CPS Wheat: Also some solid new crop basis



New Crop CPS Wheat Prices in NW Sask

As of Feb 28, 2020

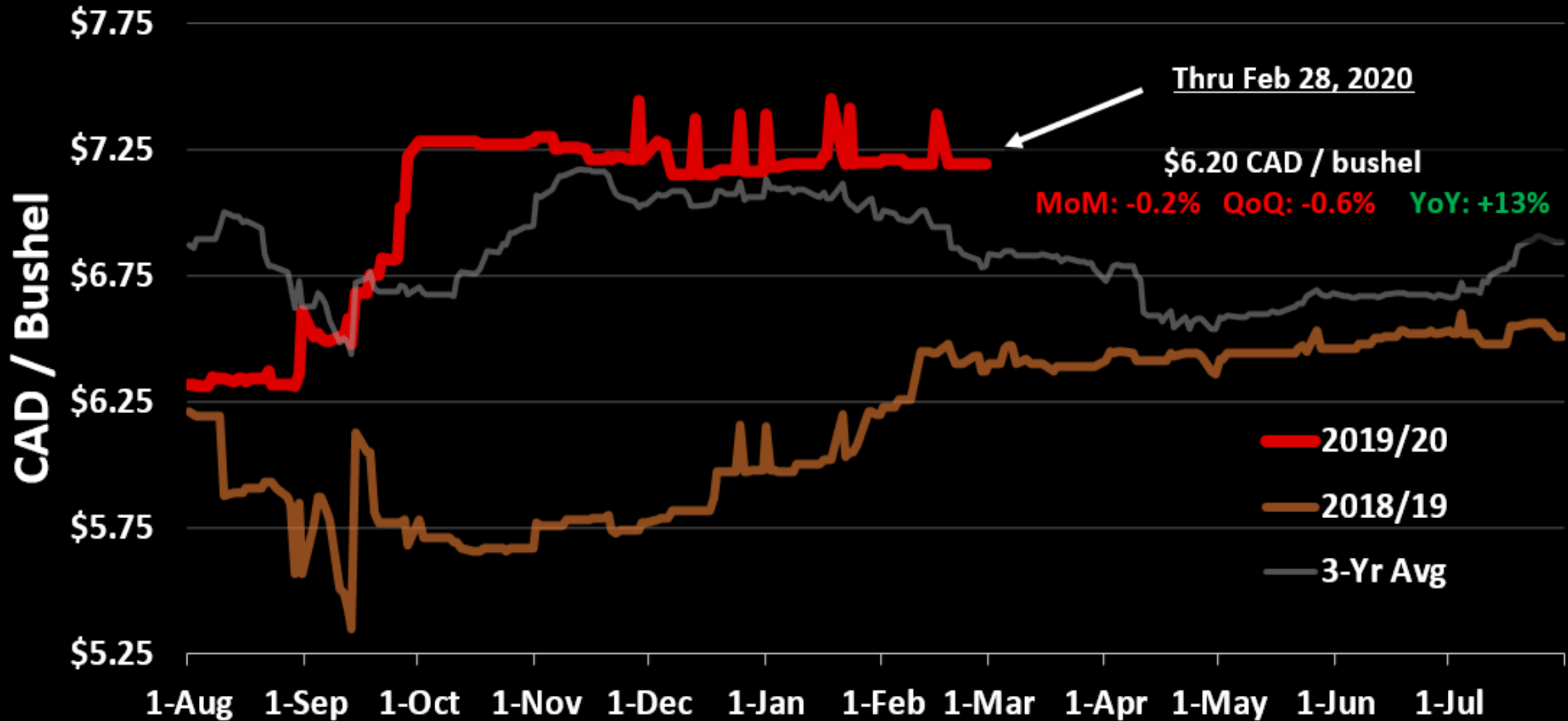
**September
Movement**

**October
Movement**

Cash Prices	Today	\$5.06	\$5.11
	1 Yr Ago	\$4.96	\$5.02
	Change Yo'	2.0%	1.8%
Futures	Today	\$4.69	\$4.83
	1 Yr Ago	\$4.83	\$4.83
	Change Yo'	-2.9%	0.0%
Basis	Today	\$0.37	\$0.28
	1 Yr Ago	\$0.14	\$0.19
	Change Yo'	164.3%	47.4%
Best New Crop Pricing Date in 2019/20		June 3, 2019 \$6.02	June 3, 2019 \$6.12
Best New Crop Pricing Date for 2020/21 (so far)		Jan 21, 2020 \$5.45	Jan 21, 2020 \$5.45

Source: PDQ Info

#1 Durum Prices - 13% Protein Average Spot in NW Saskatchewan

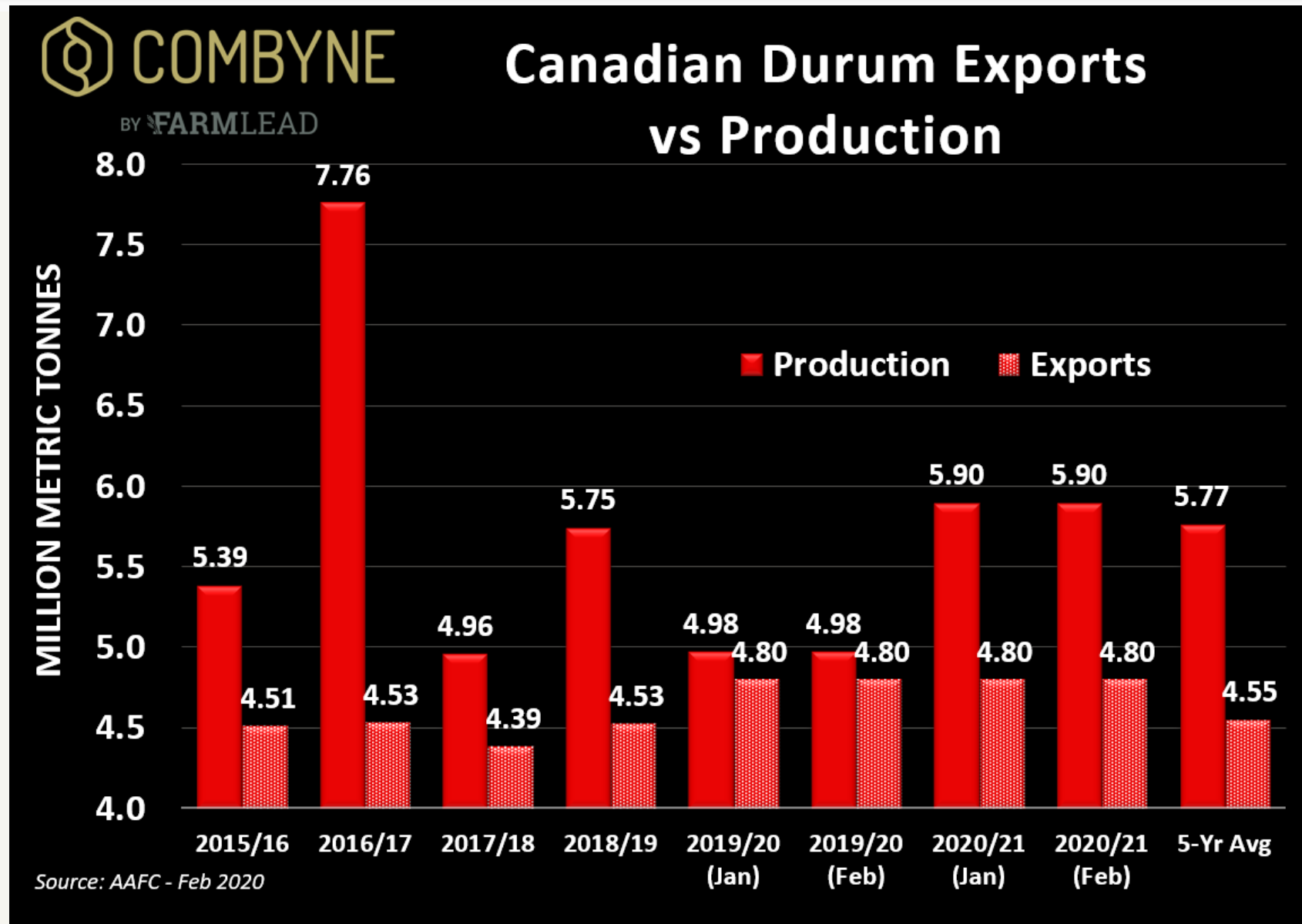


Durum Looking for More Demand (PLEASE!)

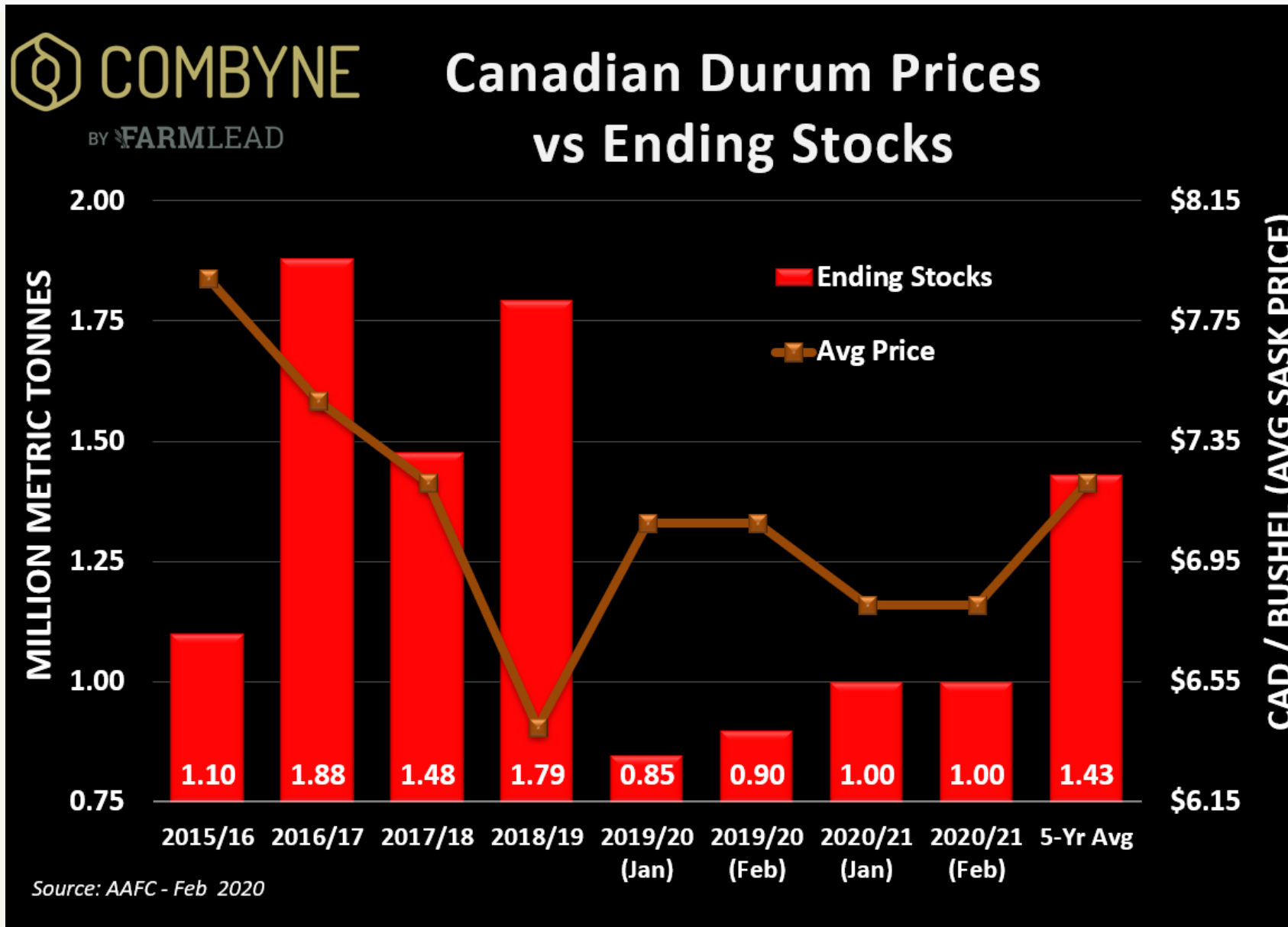
Italy buying a bit more (But not as much as they used to)

Turkey helping making up some additional international demand

More “self-sustainability” in North Africa = less imports



Rebound in Durum Acres for Plant 2020



More production coming from Canada in 2020/21.

Less durum coming from Europe and the U.S. though.

Likely more hand-to-mouth buying

Main Wheat Factors



Bullish

- Ongoing dryness in Australia (means more exports to there...going on 9 straight months of Canadian wheat to the Land Down Undaa)
- More wheat exports to China (It's ironic)
- Wet fall in Europe means less acres harvested

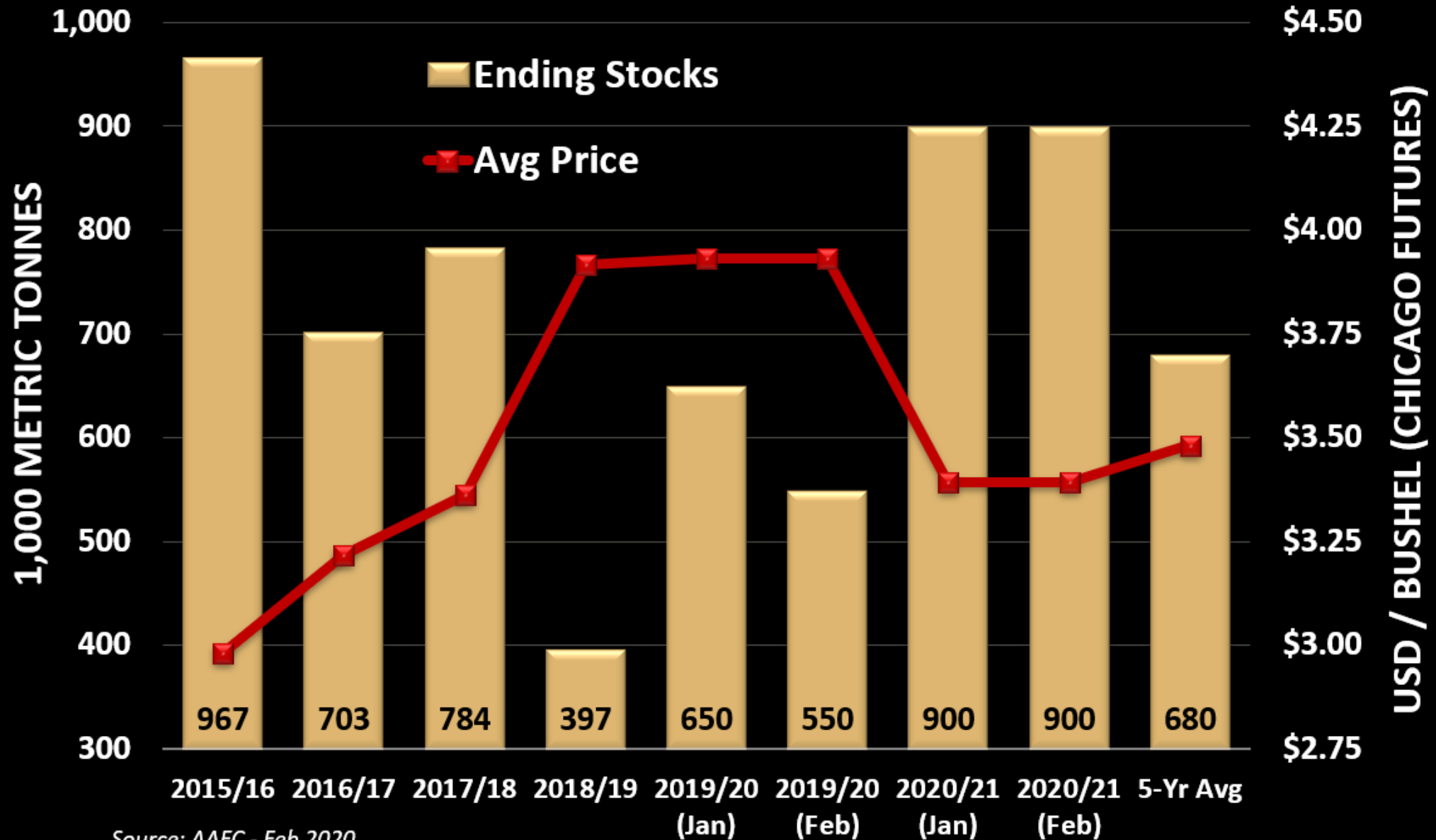
Bearish

- China's 2019/20 imports down to just 2.9 MMT
- EU exports competition
- Record global wheat crop in 2020/21 (Ukraine and Russian crops both look solid)

Oats

A close-up photograph of green oat grains on a stalk. The grains are elongated and have a distinct ribbed texture. They are attached to a central stem by thin, fibrous structures. The background is a soft-focus field of similar oat plants, creating a sense of a healthy crop. The word "Oats" is overlaid in the center in a bold, dark, sans-serif font.

Oats Prices vs Ending Stocks



Source: AAFC - Feb 2020

Main Oats Factors



Bullish

- Oat Milk! (500 MT = 5M litres though)
- Strong exports (largest since 2007/08)

Bearish

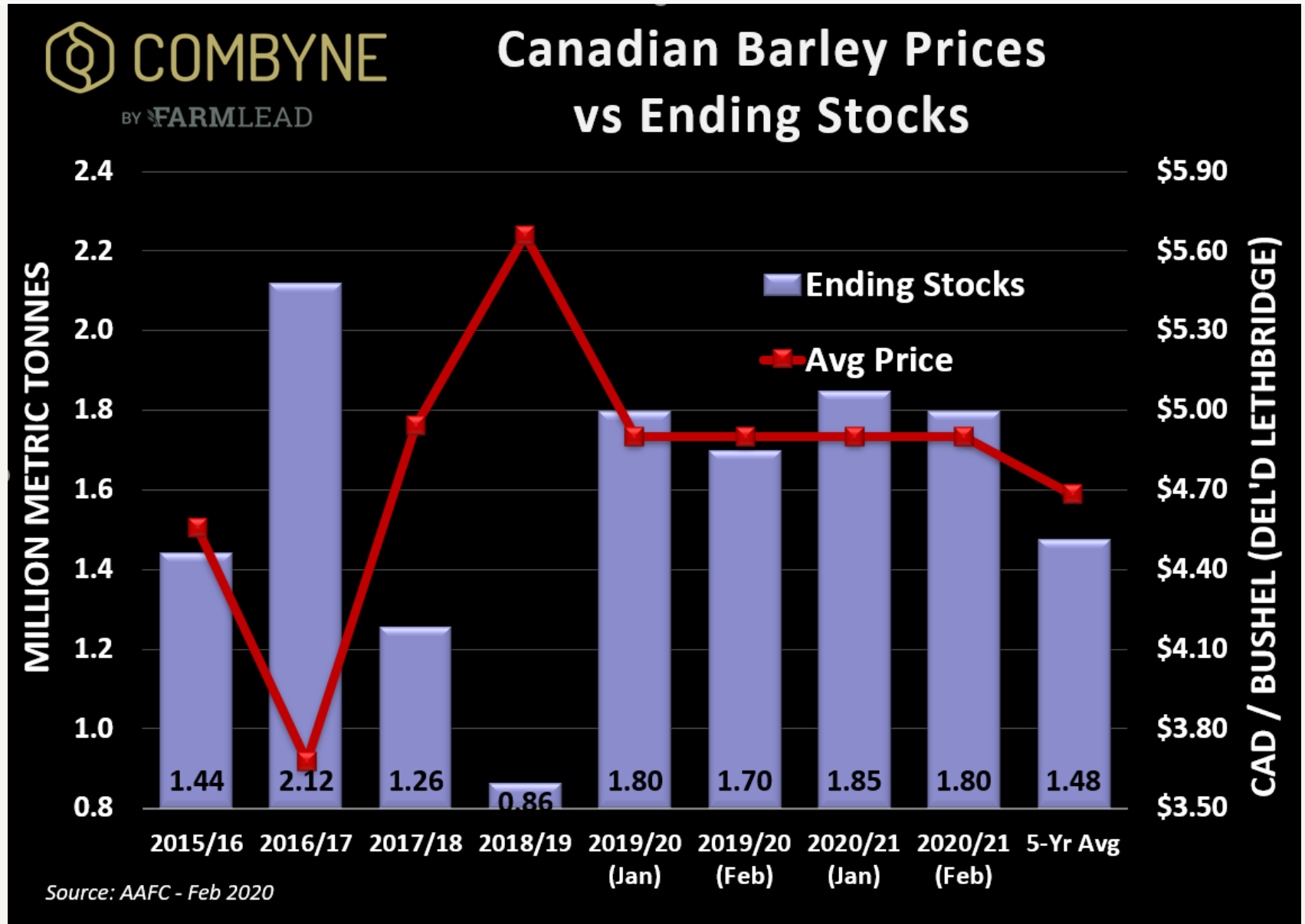
- Acres increasing in 2020 in Canada, U.S., Australia, and the EU
- Usually boom/bust cycle being seen

Barley



Heavier Barley Carryout Expected (Thanks 2019!)

Despite reduction in acres in 2020, slower domestic and international demand will push ending stocks higher these next 2 years



Feed Barley Prices (Del'd SK Elevator)



Main Barley Factors



Bullish

- Australian production -11% from 5-Yr avg (exports continue to be limited)
- Strong exports (largest since 2007/08)

Bearish

- Weaker Canadian cattle numbers (-3% YoY)
- Stronger/bigger 2019/20 EU malt barley crop
- China potentially buying more U.S. sorghum with new trade deal
- More substitution effects in feed markets

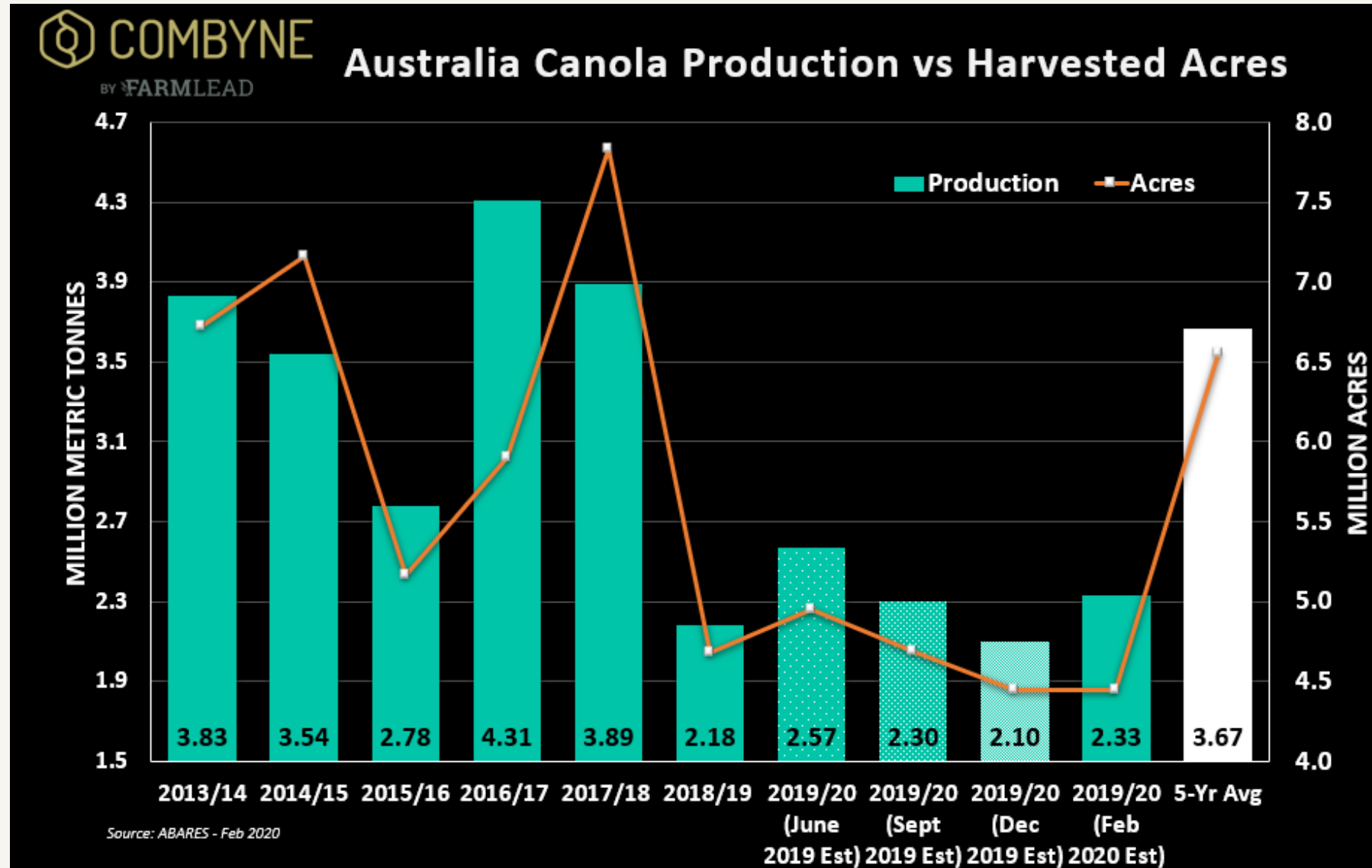


Canola

More canola from Australia than once thought

Might create some competition in Europe.

However, European 2019/20 rapeseed ending stocks will be close to zero



Another big canola harvest

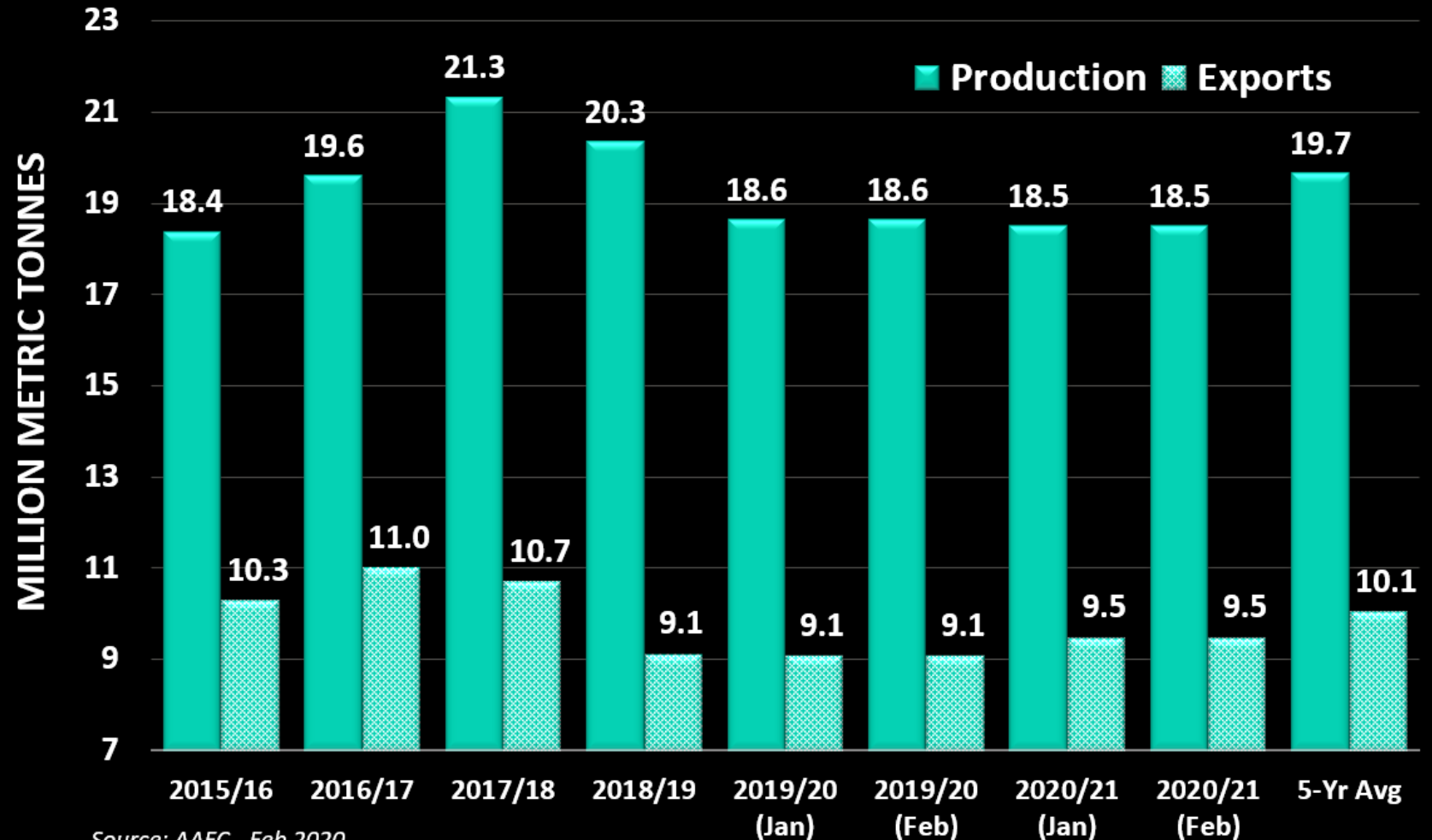
Does the 1 – 2 MMT still in the field matter at the markets?

Obviously, China not buying as much as they used to some seed getting routed through the Middle East



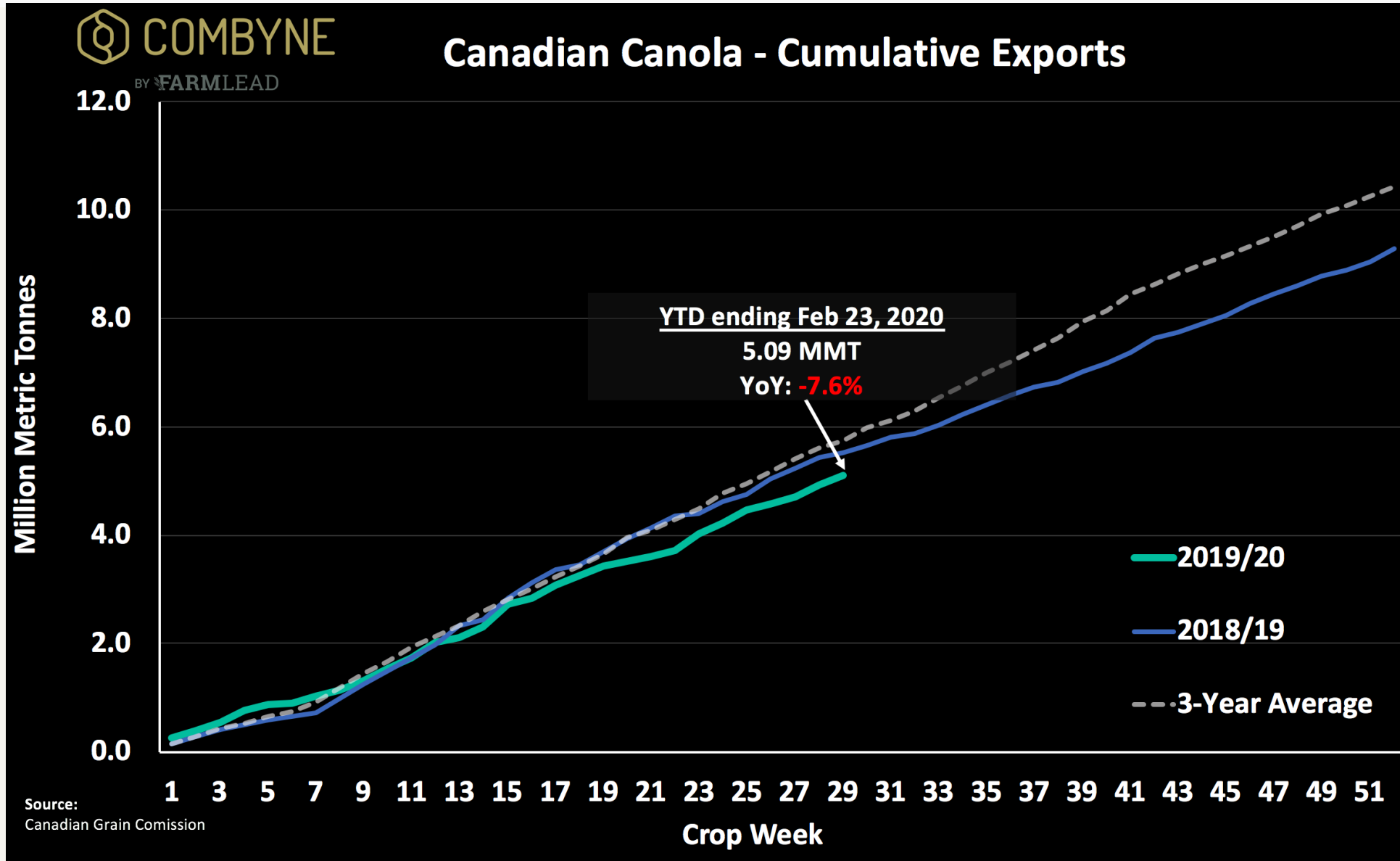
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Canadian Canola Production vs Exports



Source: AAFC - Feb 2020

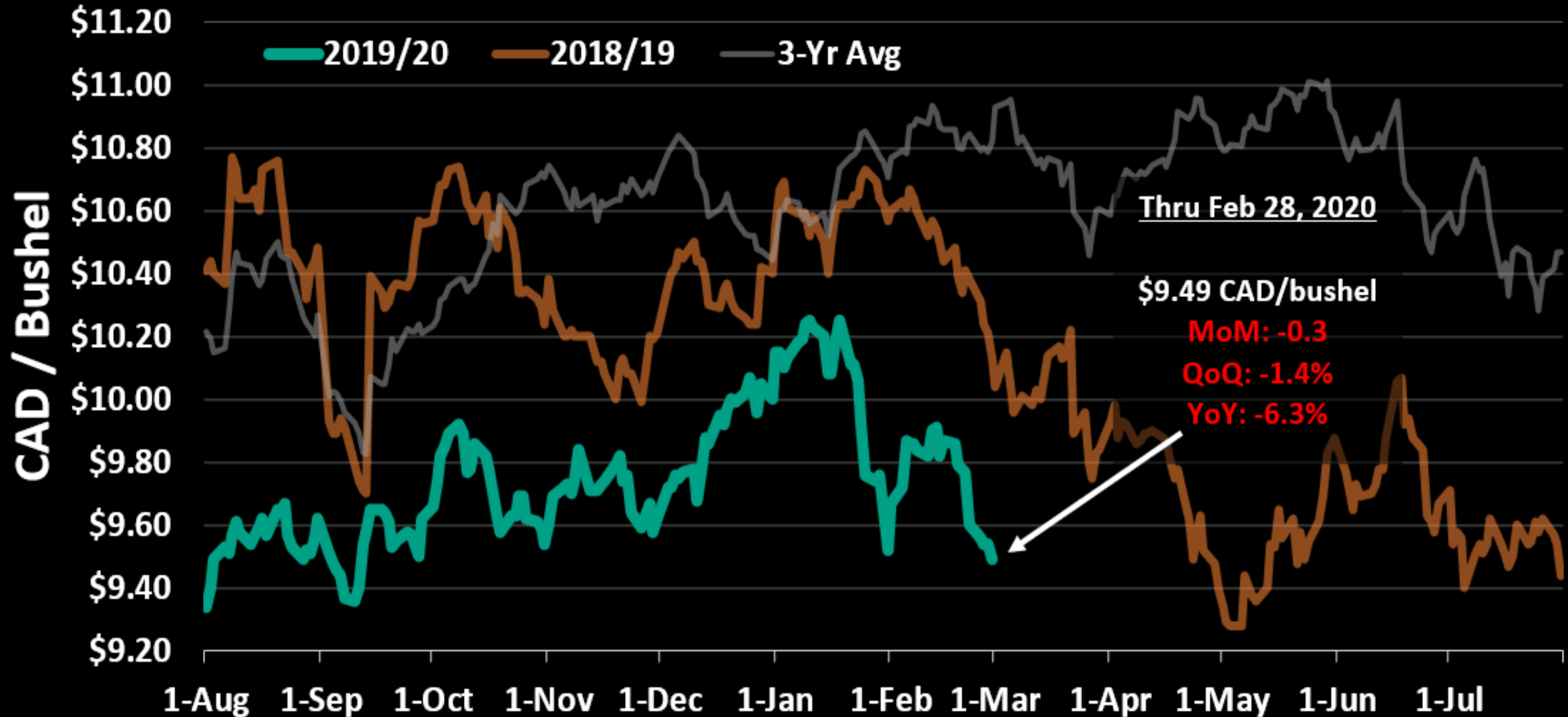
Export markets definitely miss China



Increase in shipments to Europe are helping but it doesn't replace the customer who used to buy 1 in every 5 rows of Canadian canola

#1 Canola Prices

Average Spot in NW Saskatchewan



When to price 2020 canola?



BY FARMLEAD

New Crop Canola Prices in NW Saskatchewan

As of Feb 28, 2020

September

October

Movement

Movement

Cash Prices	Today	\$9.92	\$9.97
	1 Yr Ago	\$10.28	\$10.30
	Change Yo	-3.5%	-3.2%
Futures	Today	\$10.78	\$10.78
	1 Yr Ago	\$10.99	\$11.12
	Change Yo	-1.9%	-3.1%
Basis	Today	-\$0.86	-\$0.80
	1 Yr Ago	-\$0.71	-\$0.83
	Change Yo	-21.1%	-3.6%
Best New Crop Pricing Date in 2019/20		Jan 24, 2019	Jan 24, 2019
		\$10.58	\$10.59
Best New Crop Pricing Date for 2020/21 (so far)		Jan 10, 2020	January 31, 2020
		\$10.42	\$10.50

Source: PDQ Info



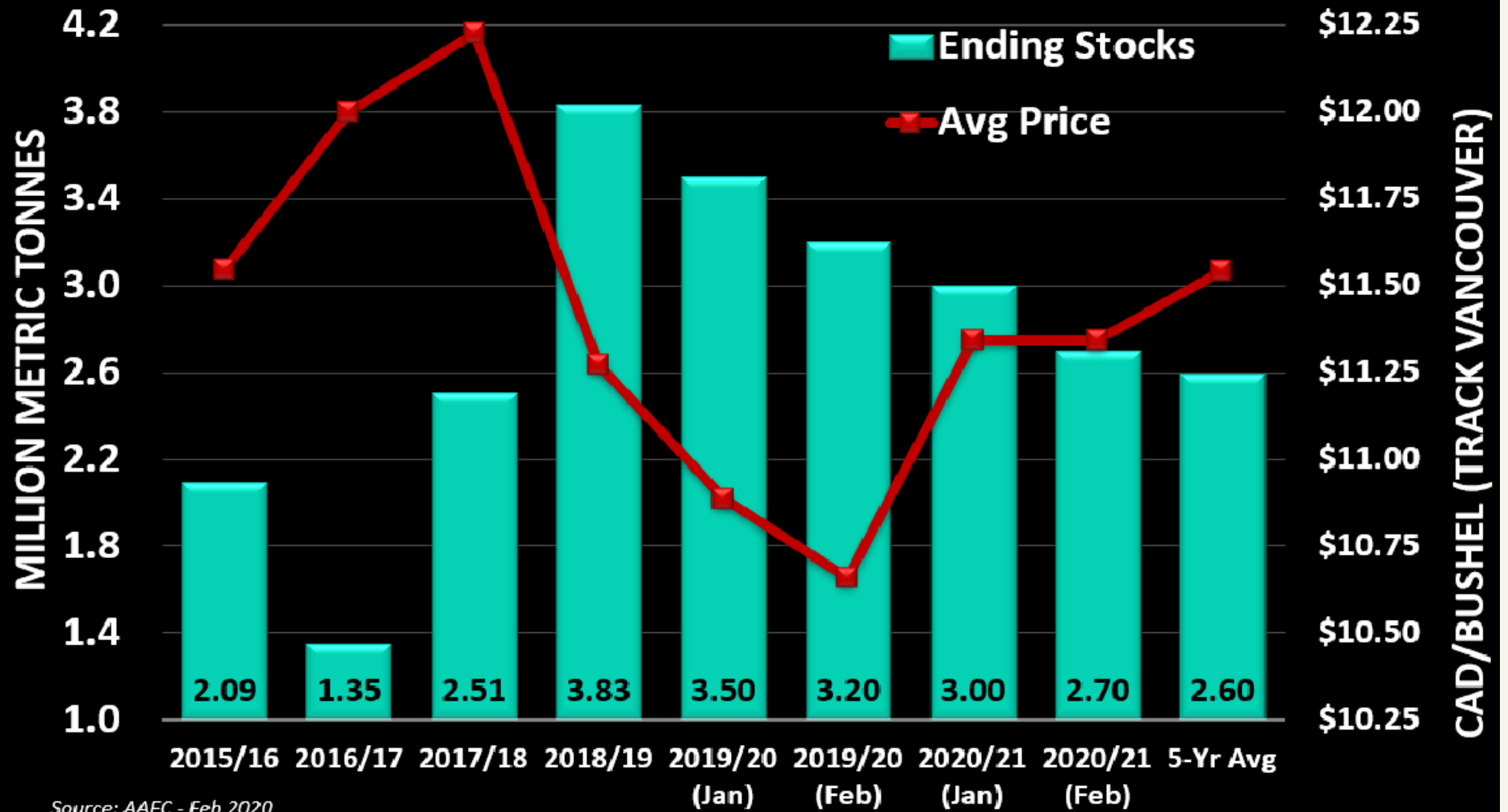
Good News

Very strong domestic demand

Bad News

You might want to keep checking your bins

Canadian Canola Prices vs Ending Stocks



Source: AAFC - Feb 2020

Main Canola Factors



Bullish

- Situation with China coming to a head
- Increased export opportunities into Europe (5.2 MMT of imports in 2019/20)
- Increased export opportunities into the Middle East (more crush capacity than in year's past)
- Strong domestic crush

Bearish

- China's 2019/20 imports down to just 2.9 MMT
- EU 2020 production: last estimated at 17.1 MMT, (+400,000 MT from Harvest 2019)
- Similar acres in Plant 2020 as last year
- Swine fever = weaker canola meal demand

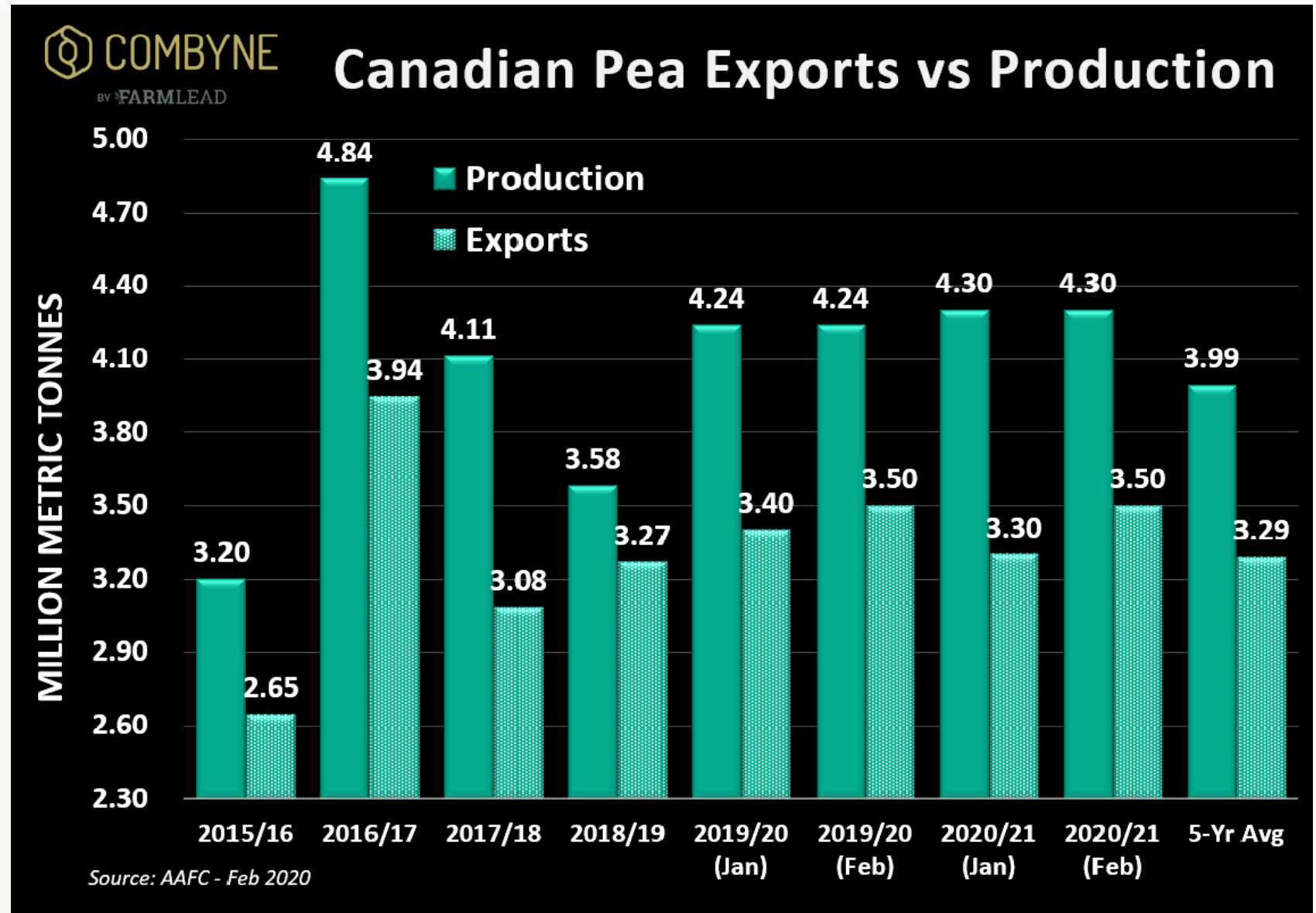


Peas

Another solid year of Canadian pea production, repeat in 2020?

Overall, a pretty good year of pea production.

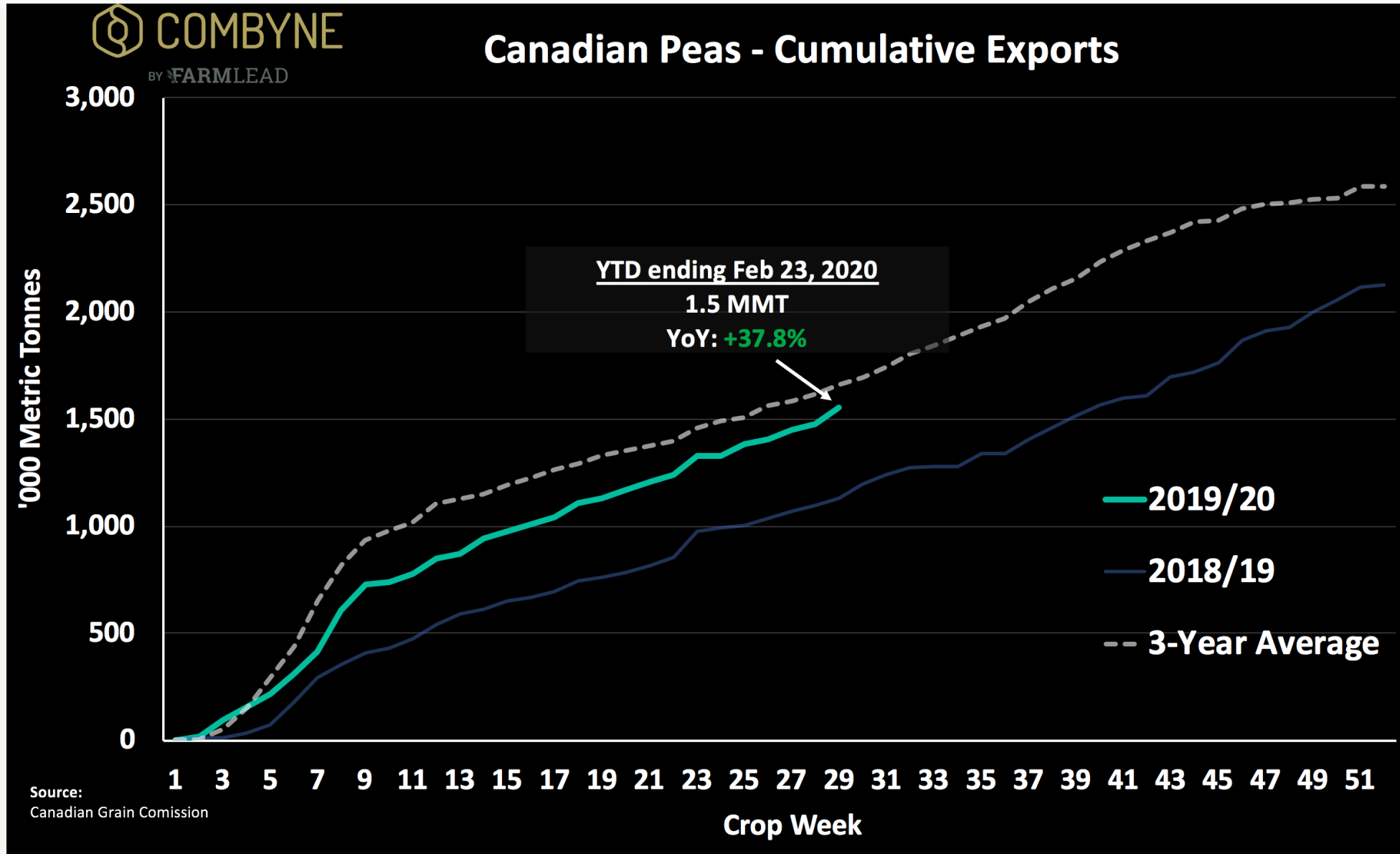
Expectations for next year are virtually identical to 2019



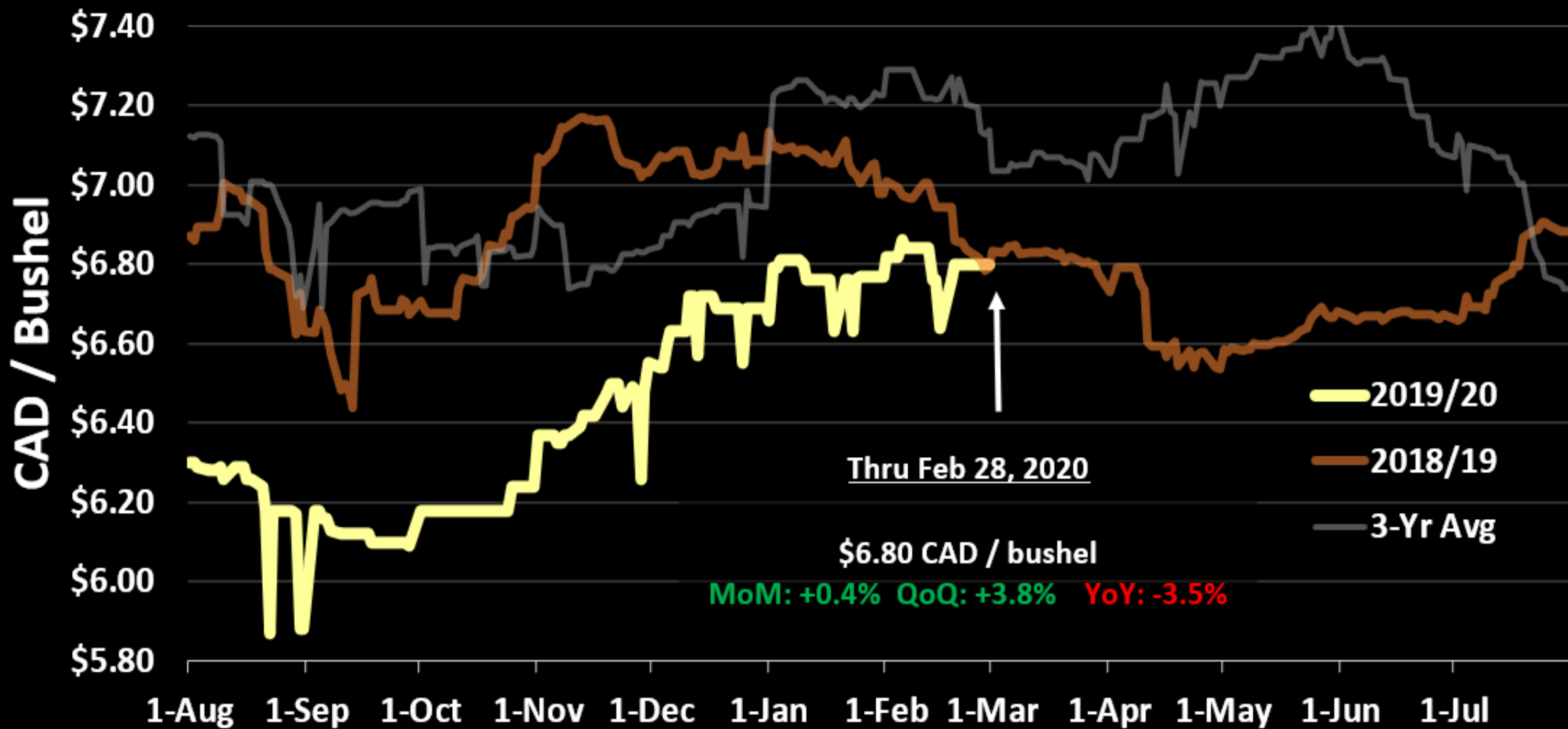
Strong demand from Asia (especially China) helping exports

More buying from China and Bangladesh

Optimism for more imports from India but that seems very unlikely



#2 Yellow Pea Prices Average Spot in NW Saskatchewan



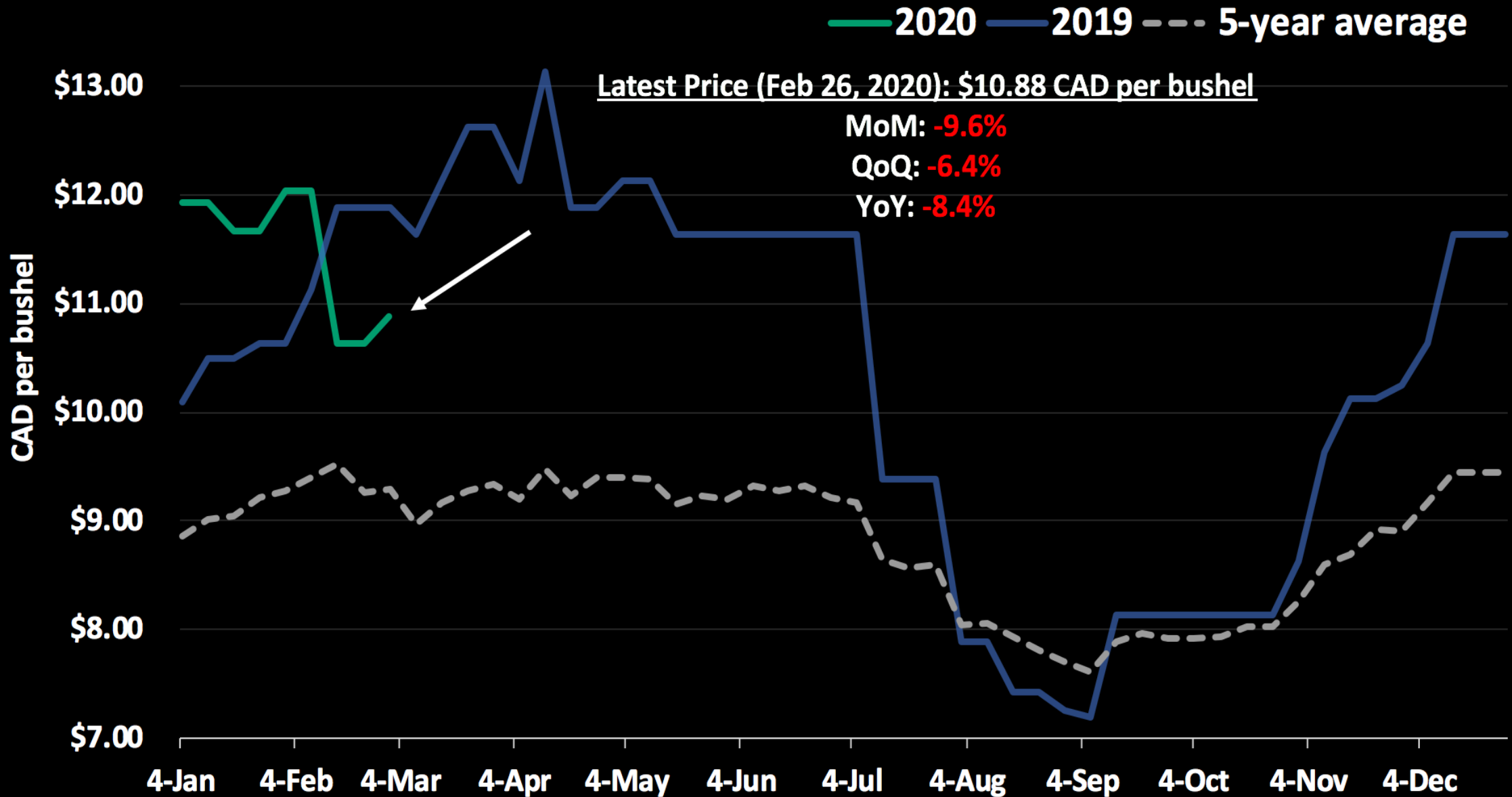
Thru Feb 28, 2020

\$6.80 CAD / bushel

MoM: +0.4% QoQ: +3.8% YoY: -3.5%

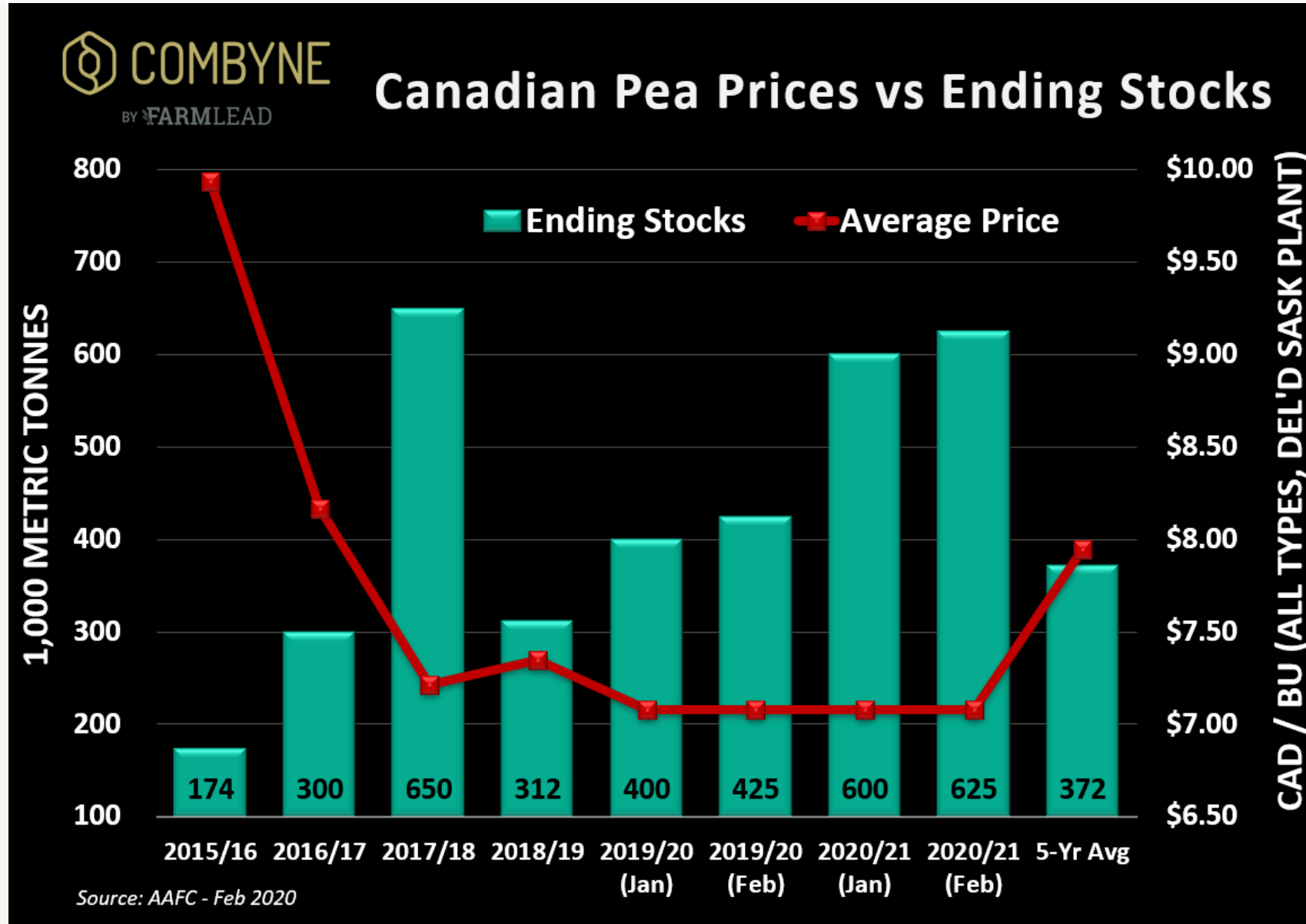


\$14.00 BY 



Source: Saskatchewan Agriculture

Some optimism for pea prices despite higher carryout



Despite heavier stocks, prices are expected to be near where they are today.

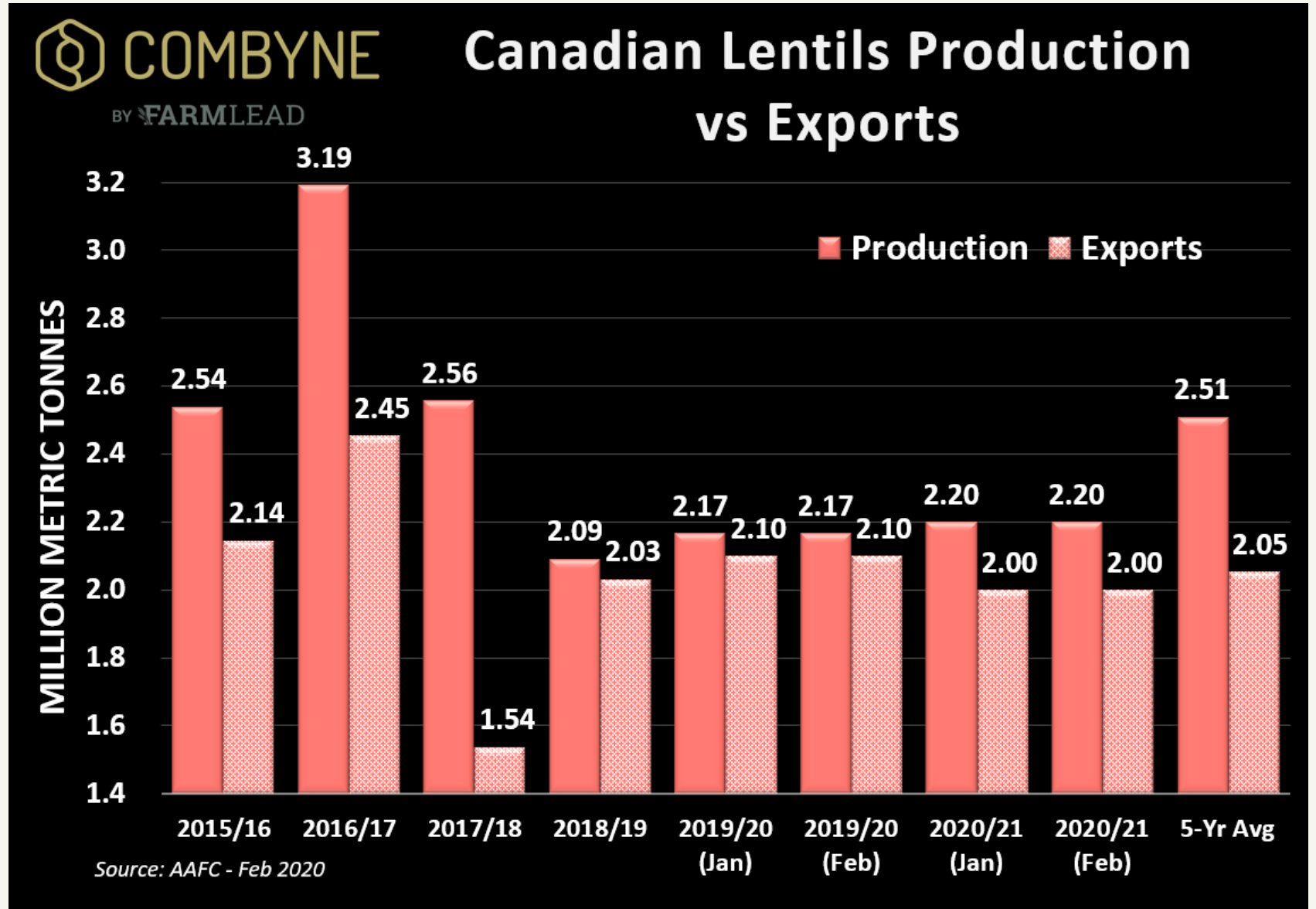
Musical crops of colours will ultimately determine where the market goes.

An aerial photograph of a vast, flat green field, likely a lentil crop, stretching to a flat horizon under a bright blue sky with scattered white clouds. The field is densely packed with green plants, and the perspective is from a high angle, looking down and across the field.

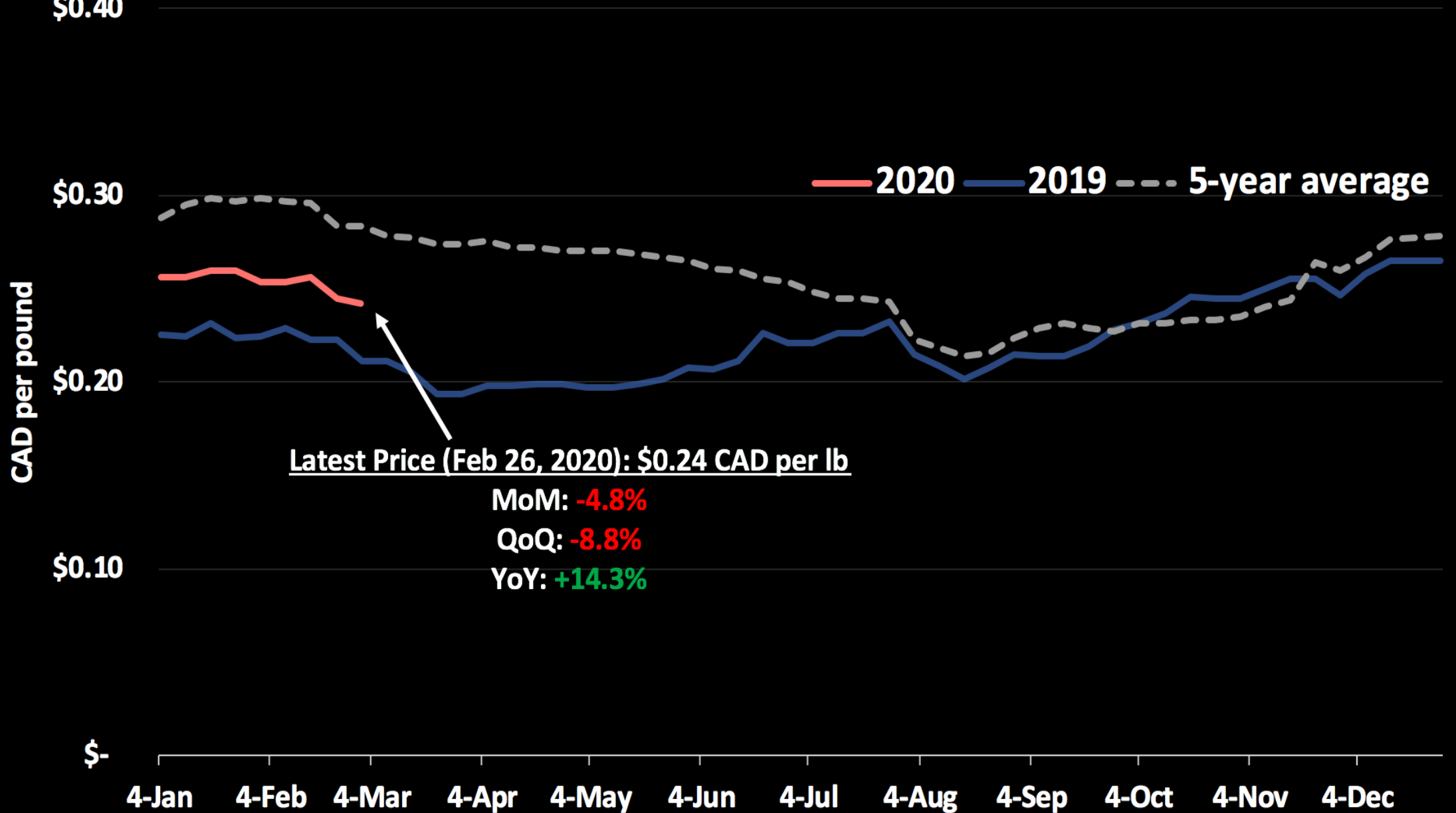
Lentils

Sideways production, exports, carryout, and prices

Similar supply structure as peas (flat) but continuing to diversify exports (Turkey a bigger buyer this year)



\$0.40 BY **FARMLEAD**

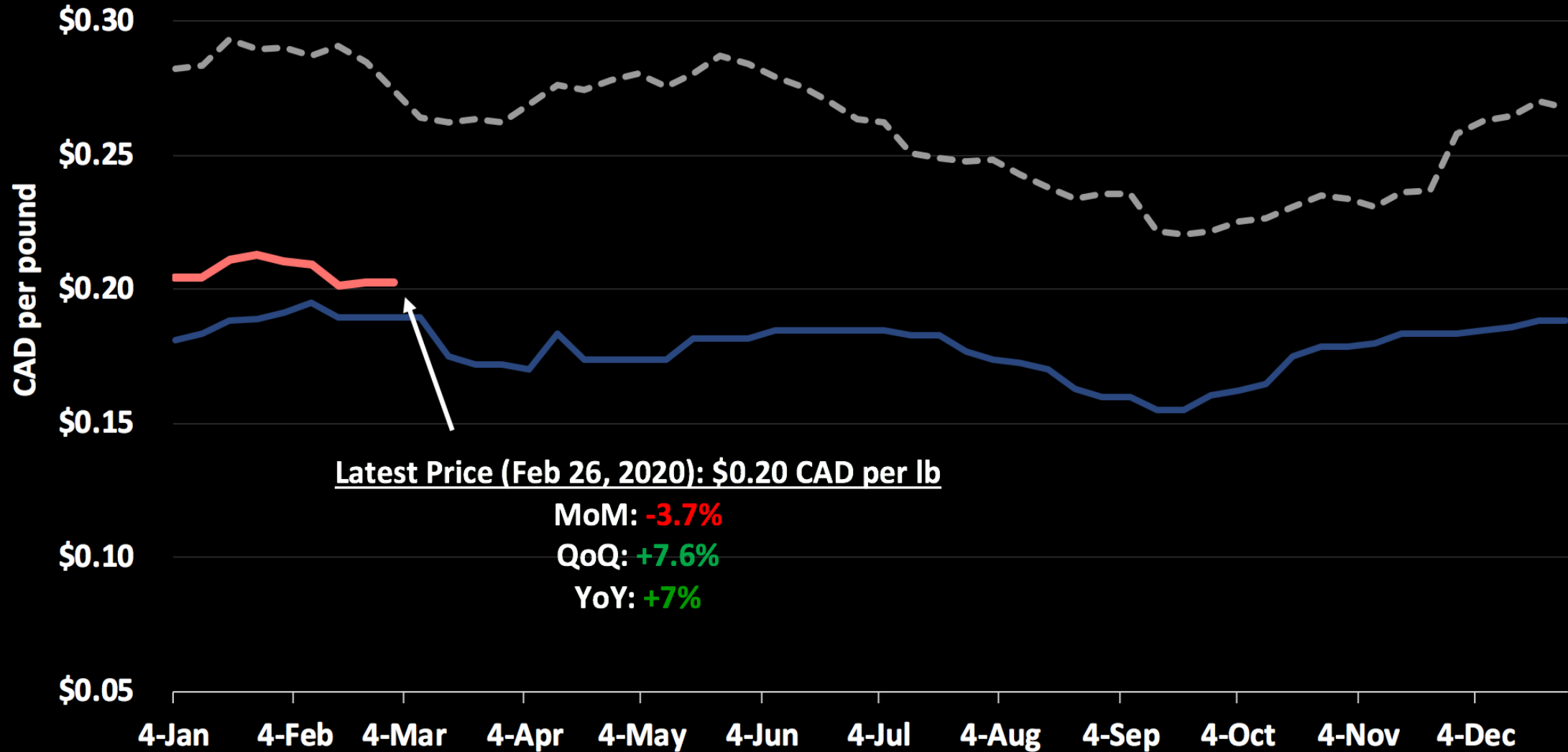


Source: Saskatchewan Agriculture



\$0.35 BY FARMLEAD

— 2020 — 2019 - - - 5-year average



Latest Price (Feb 26, 2020): \$0.20 CAD per lb

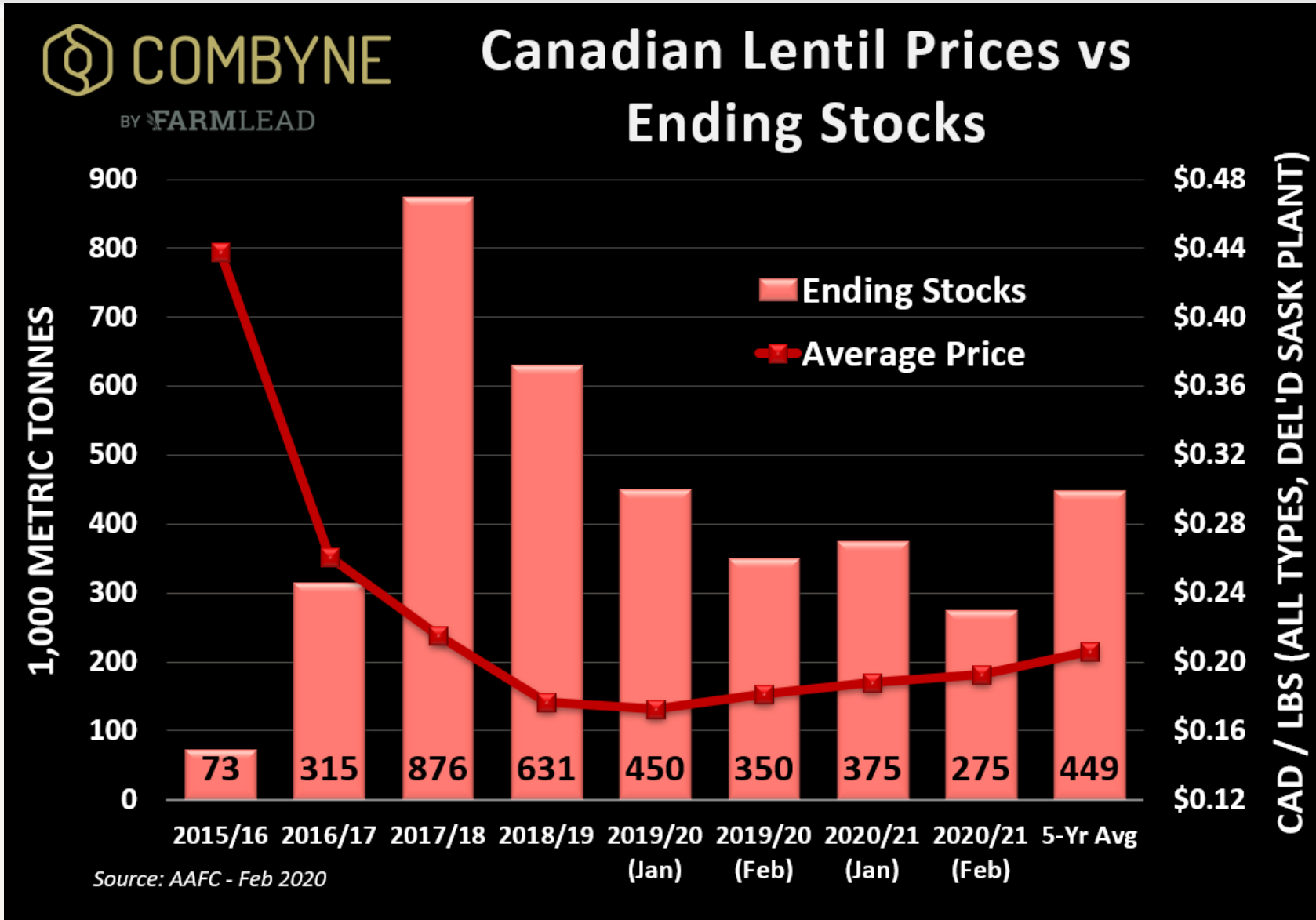
MoM: -3.7%

QoQ: +7.6%

YoY: +7%



Slight drawdown in stocks = slight improvement in price



With sideways-to-lower acreage in 2020, prices are expected to marginally improve.

Main Peas (& Pulses) Factors



Bullish

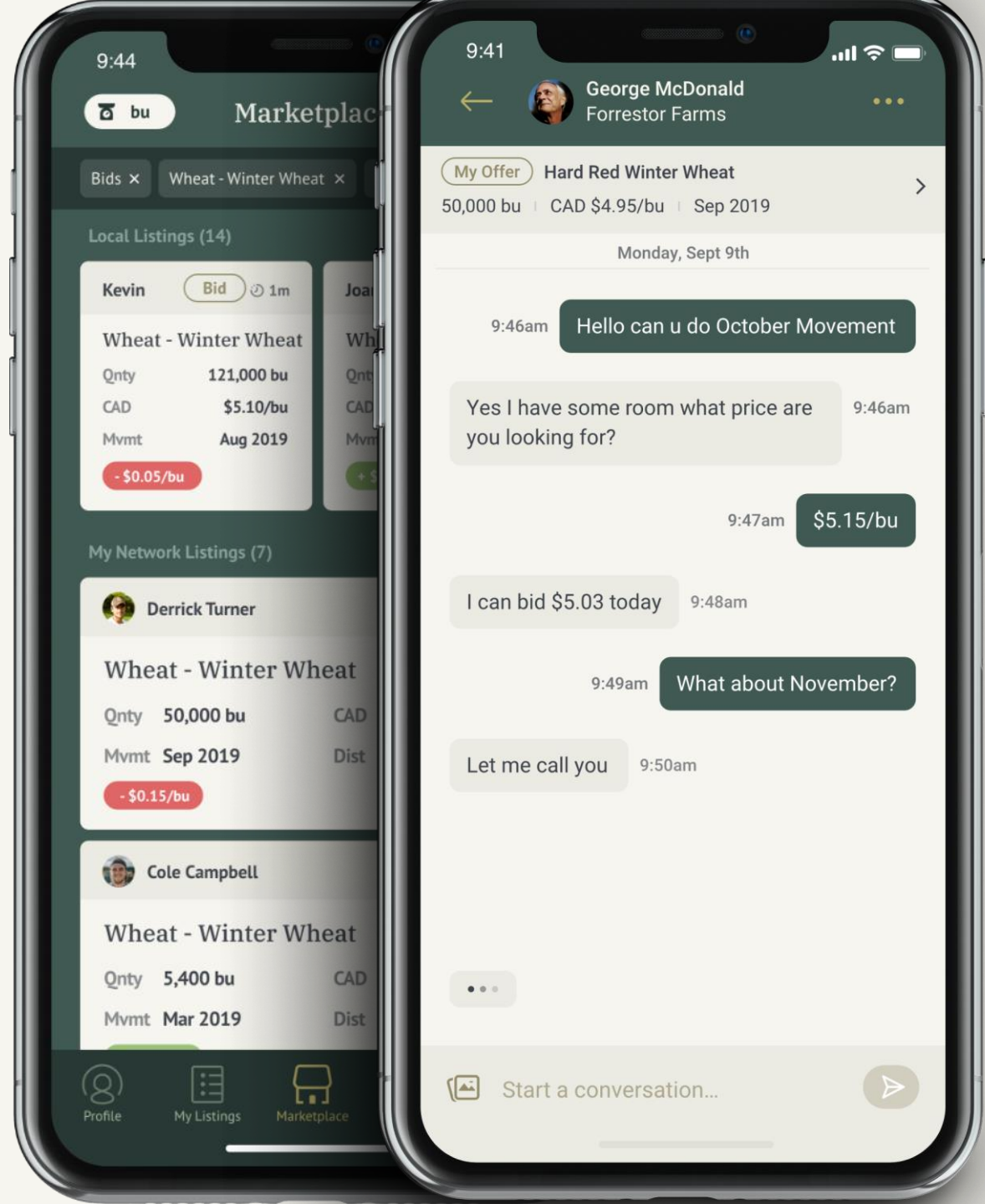
- China continues to buy a lot
- Increasing pea protein demand from consumers
- Increasing petfood market demand

Bearish

- Tariffs/protectionism from India
 - (-60% in imports in the 2020/21 crop year due to govt market intervention)
- Bigger acres, production potential in Plant 2020
- Chasing green prices likely mean prices will revert (could also mean some better yellow pea prices though!)

Trust-based marketplace: Combyne

Marketplace
Connections
Listings
Chat



Why should
any of this
matter?



***Society's expectations of
business are rising***



***WANTED: More environmental
awareness, sustainable, social good
ETC ETC ETC***



**More
Transparency.
Please.**

30 MMT Carbon Net Capture



- 60 MMT in farmer emissions
- 11 MMT captured in soil
- 79 MMT capture in grain

This ↑ is not shared/talked about. Ever.

“Sustainable” Canola Going to the EU

- **No-Till**
- **Continuously cropped for 5 years**
- **Field records**





Technological Proof

The data is already available.

9:41 AM 100%

Cancel Add Details



Have OPIsystems?

Show buyers that your bins are equipped with OPIsystems. Please provide the email address used for your OPIsystems login to verify your account.

I agree to the [terms and conditions](#).



Not Now

Save Details

Open Source Wins

Closed loop systems only benefit small numbers

- My Profile
- Notifications
- Certifications
- Integrations**
- Change Password
- Help
- FAQ
- Licenses
- Privacy Policy
- Data Use
- Terms of Use

Log Out

Integrations

Connect your Combyne account to other tools you use in order to improve your experience.

OPI Monitored Bin



FCC AgExpert

Combyne is partnering with other tools you use so that you can easily transfer your information from one platform to another and save time.

What are integrations?

Save Changes

**Optionality
of what tools
can be used
maintains
ownership,
pride**

Connect your Combyne account to other tools you use to improve your experience.



FCC AgExpert



OPI Blue



IntelliFarms



BinSense



Decisive Farming



Save Changes

Leverage Your Team

A farmer's bench of transparent ground truth data

There are benefits



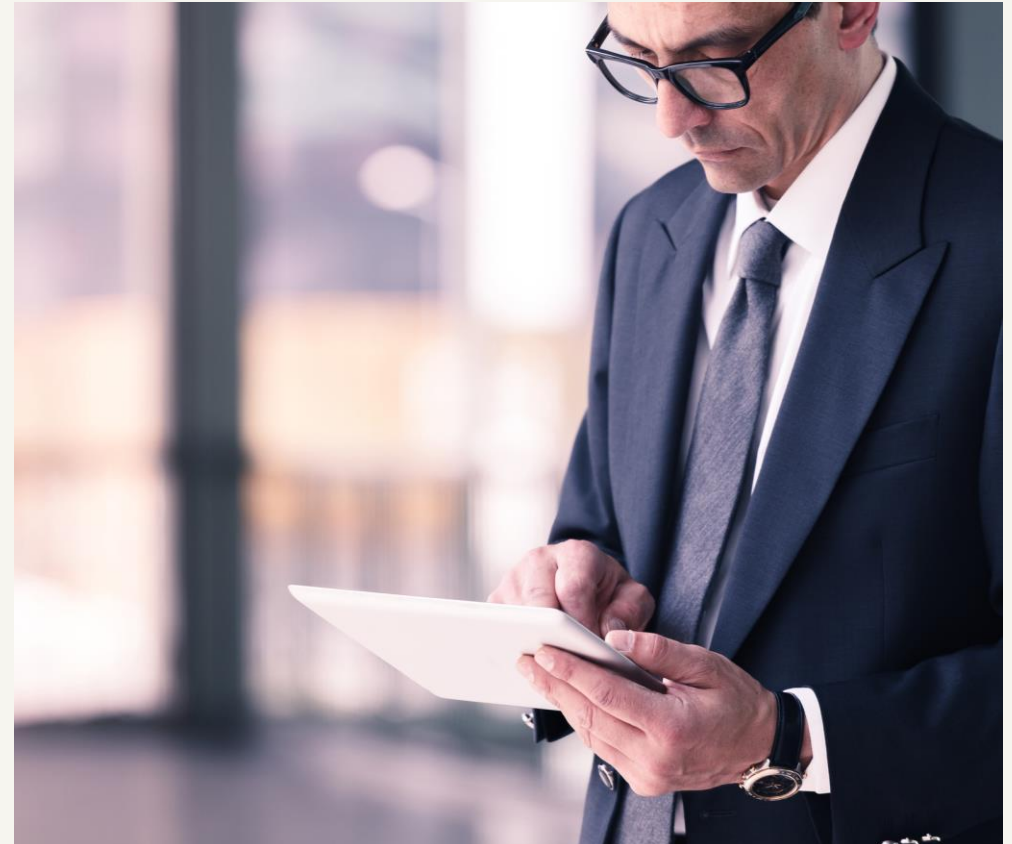
- 1. Consumer trust**
- 2. Market access**
- 3. Differentiation**
- 4. Defense**

A Better Grain Marketing Plan in 2020

1. **When are your cashflow needs?**
2. **What's your cost of production?**
3. **What's your quality?**



Are you a farm or a hedge fund?



Hedge fund managers are just like you!

- They have to weigh multiple different variables
- They manage an operation with multiple people, suppliers
- Many outside factors they cannot control

DIFFERENCE: They understand, respect, & manage risk better



5 rules for risk managers

1. **Admit you have no idea what the market is going to do**
2. **A risk manager acknowledges this and manages their exposure to the market**
3. **Weighs the upside potential versus the downside risks**
4. **Decreases their price risk exposure as market**
 1. **Reaches new heights (“sell into strength”)**
 2. **Looks like there are more downside risks**
5. **Just because you “don’t need to sell” doesn’t mean you should stop managing your risk exposure**



3 day-to-day best practices



- **Minimize the loss aversion that you face**
 - The feeling that you have of selling a little and the price going up (and still have more grain to sell)
 - The feeling when you didn't do anything, and the price went down
- **Work on recognizing recency bias**
 - "I just sold some grain 2 weeks ago; I don't need to sell right now"
- **Do some pencil farming!**
 - How many bushels of each crop = 10%?
 - How many truckloads of each crop = 10%?
 - Recalibrate and review each calendar quarter



**LET'S CHAT
NOW OR LATER!**

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