Turkish Flour Industrialists Federation Congress & Exhibition

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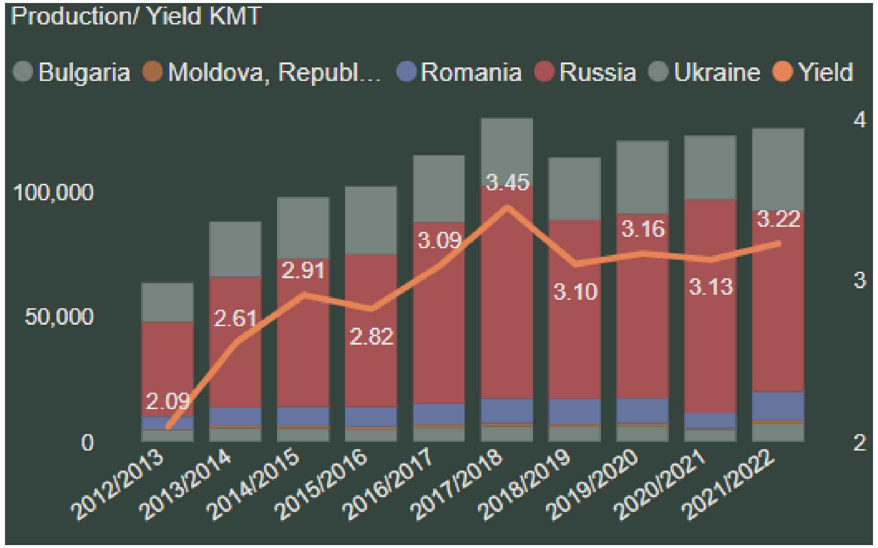
CM NAVIGATOR COPENHAGEN MERCHANTS

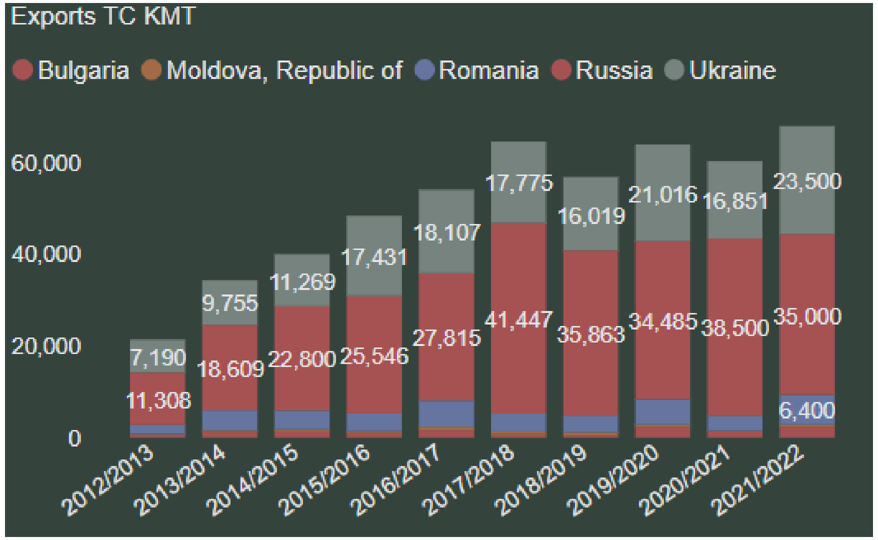
Overview – Tight Reserves and a Structural Bull

- **Grain Production in Main Origins** – Promising starts got hindered by weather problems
- **Markets** – No signs of demand distruption regardless to record high grain prices
- **Climate Initiatives** – Farm to Fork in EU and renewable diesel in the US will have a strong impact on our markets
- **A Tectonic Shift** – How Baltic and Black Sea have swapped their clients

Production Black Sea Countries

- Russian crop's decline to **75 Mmt** was compensated by a record harvests in Bulgaria, Romania and Ukraine resulting in record exportable surplus.
- Russian July-Sep trade down by 9% to **11 MMT** – impact of the progressive export levy?
- Russia has taken over Saudi Arabian market from the German-Baltic exporters, is Algeria next?
- Winter seeding have gone very well with an exception of Russia where a **5% decrease** YoY is discussed.
- The farmer behaviour in the context of high fertilizer prices remains a big flag to watch.





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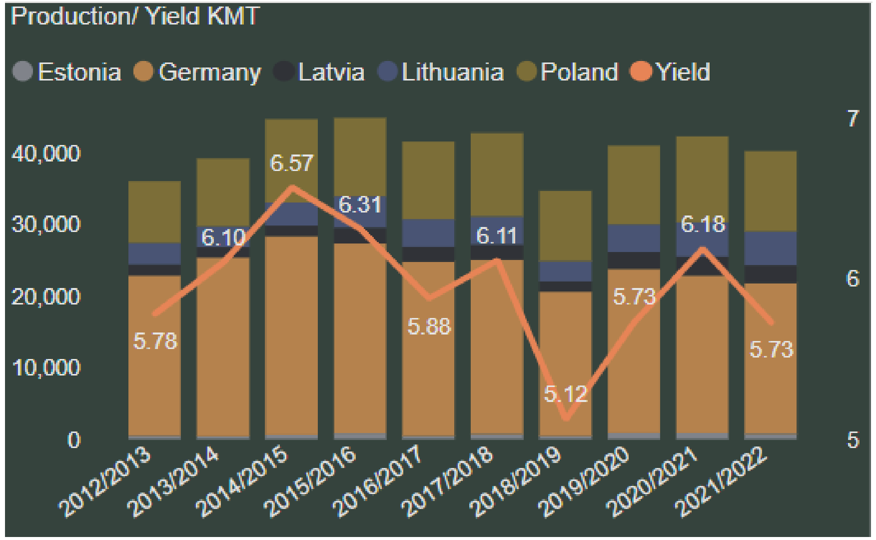
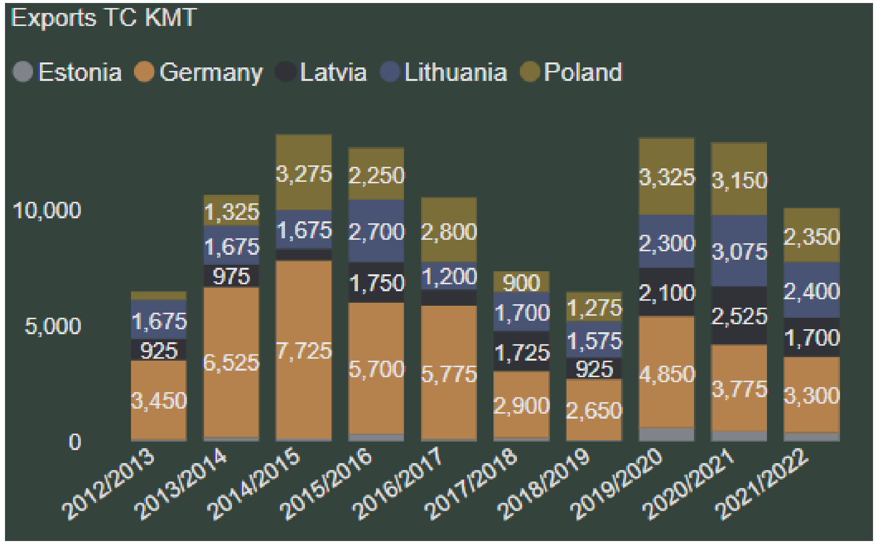
Production Baltic Sea Countries

- A very promising start to the crop was ruined by a **long heat wave** in the beginning of July
- As a result Northen European producers lost 2.5 kg/hl test weight, ca 15% of the crop and gained about 1.5% protein
- Baltic Sea exporters have lost Saudi and Turkish markets to Black Sea competition but have gained Nigeria (formerly strongly US-biased importer) and South Africa
- Baltic Sea has seen record export pace with 4 Mmt already shipped and another 3.5 Mmt committed out of **10 Mmt total surplus**.





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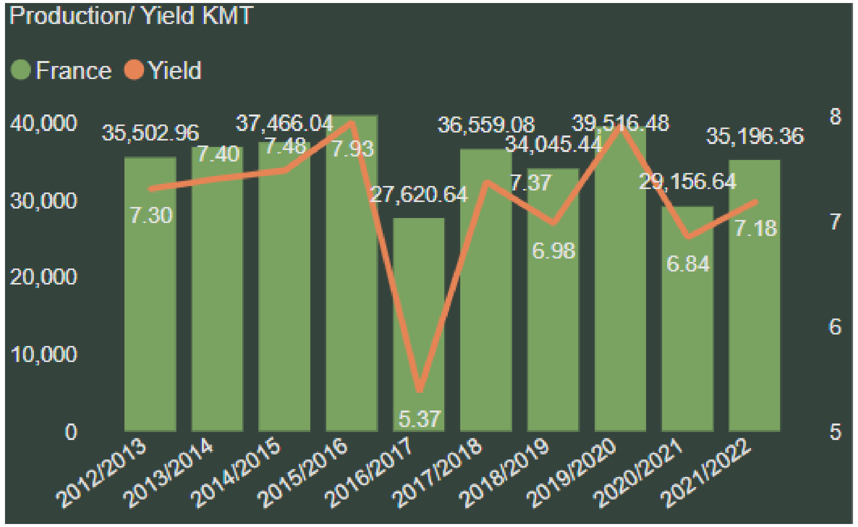
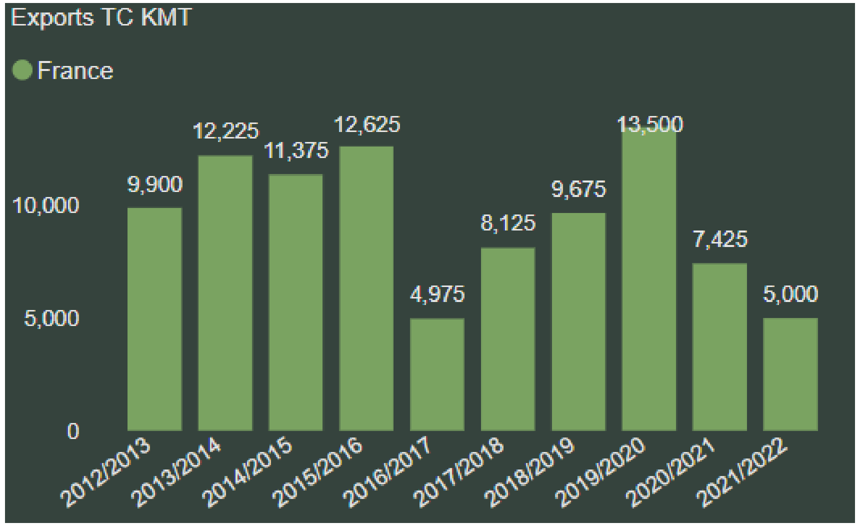
Production France

- France endured a very wet weather pattern interior in July resulting in loss of test weigth and falling number.
- 2/3 of French crop this year is **feed wheat**
- France for the 1st time is exporting feed wheat to 3rd countries (China, Indonesia).
- France's loyal clients Morocco and Algeria have converted to purchasing their wheat from Baltic and Black Seas





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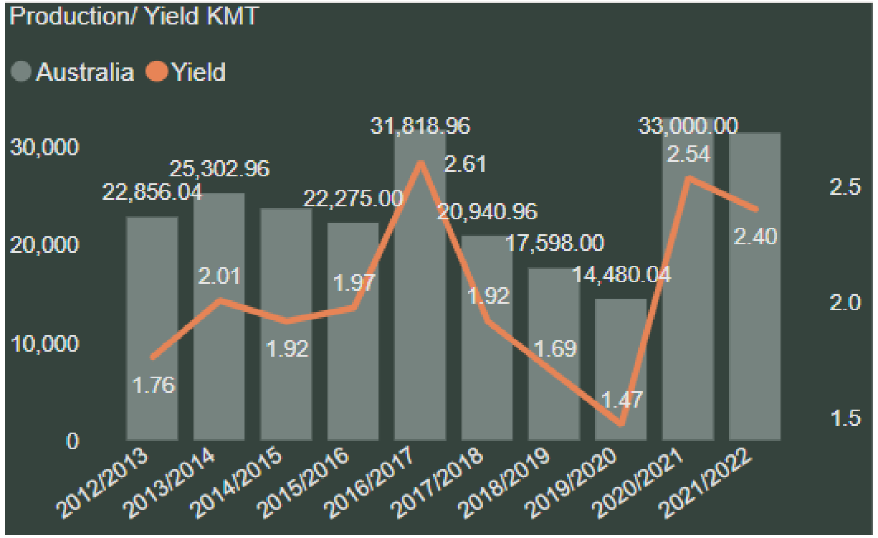
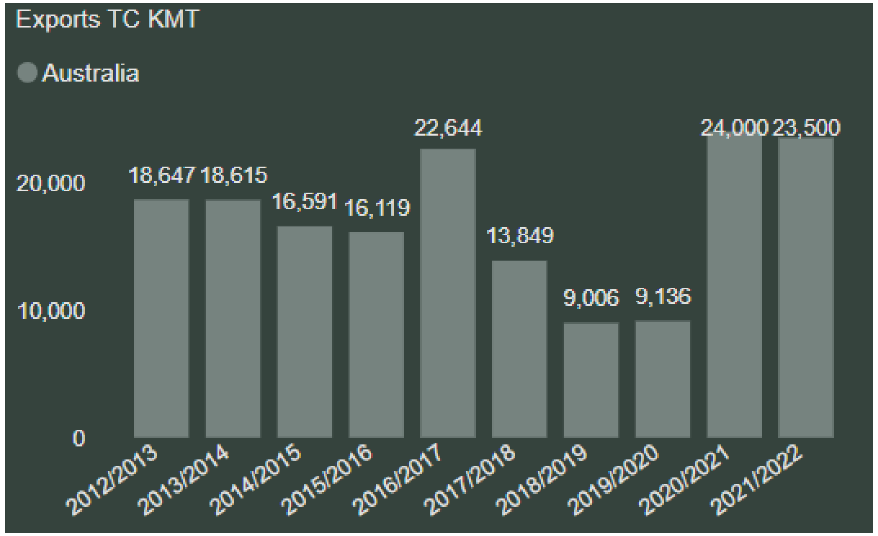
Production Australia

- Australian crop keeps being upgraded (Estimates vary **31.5 - 36 MMT**)
- Harvest has started with with majority in QLD being complete but below 10% in the Western Australia where all the exports originate from
- Concerns that heavy rains over the next 2 weeks could have a negative impact on crop size/quality
- How much can they push for export?





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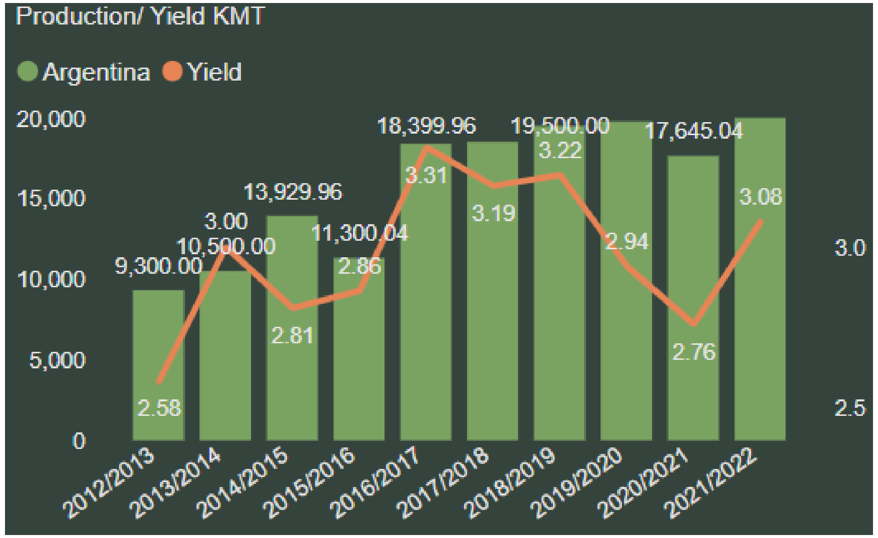
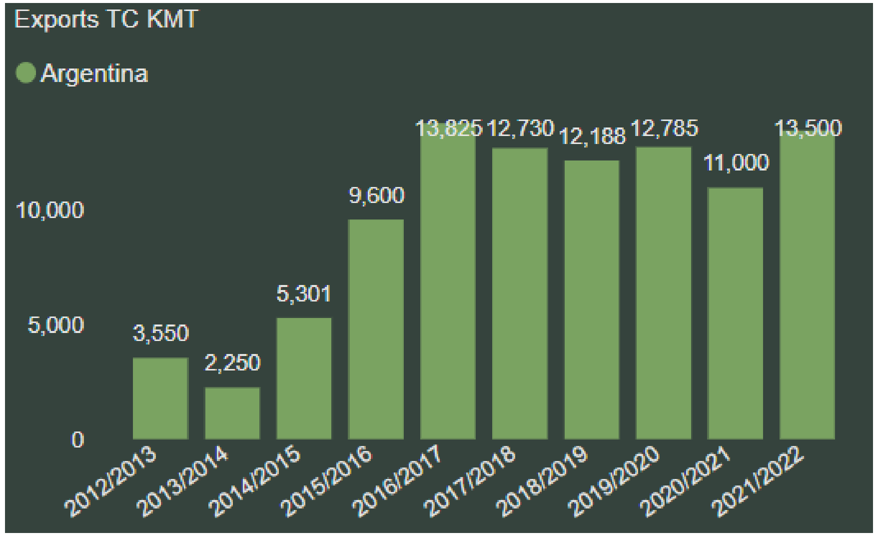
Production Argentina

- Argentinian crop is impatiently waited for on the African continent as it is expected to offer relief to the current prices.
- However freight and Parana River water levels remain a flag.
- Argentina is also on the way to experience Peak La Nińa – climate models forecasting up to 3-month draught.
- Argentina has **55.000 ha** (200.000 mt) of test-phase GMO wheat growing. Will they be able to separate this from their export programme?

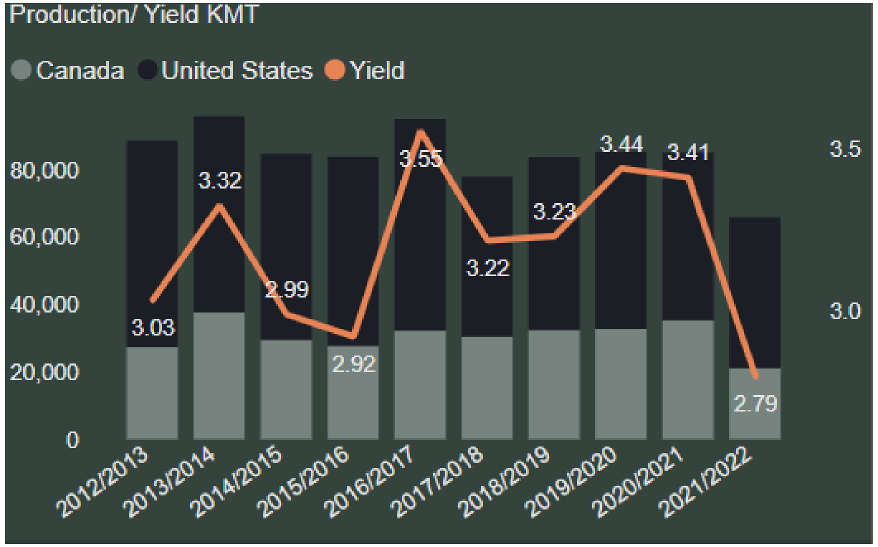


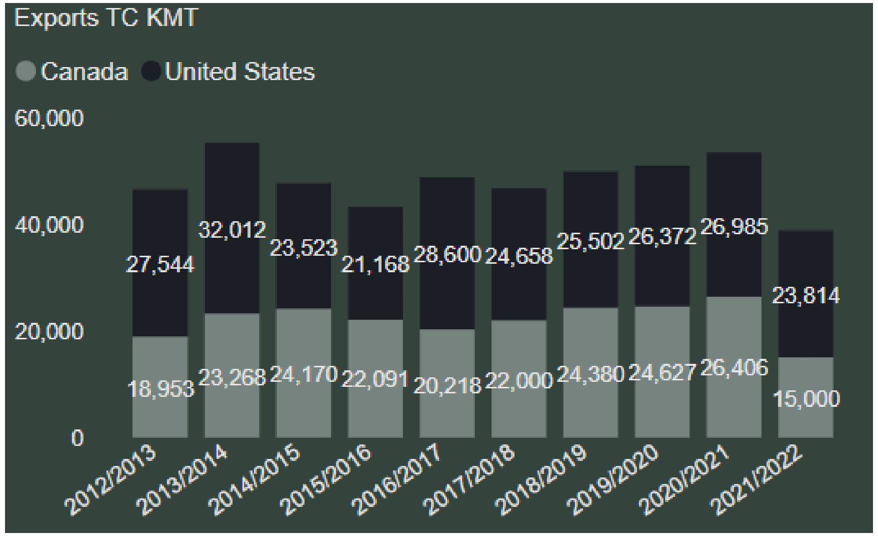


Source CM NAVIGATOR

Production US/Canada

- Northern US and Canada suffered **extreme heat** during this summer which had catastrophic impact on soft wheat, durum, canola and oats production.
- This has created a significant deficiency on a global scale for high quality wheat (US, CA, RU, KZ combined **spring wheat** production is down by **20 MMT!**) – protein is king
- In the coming years wheat area in the US/Canada will face severe competition from Soybeans/Canola due to strong increase in the oil demand



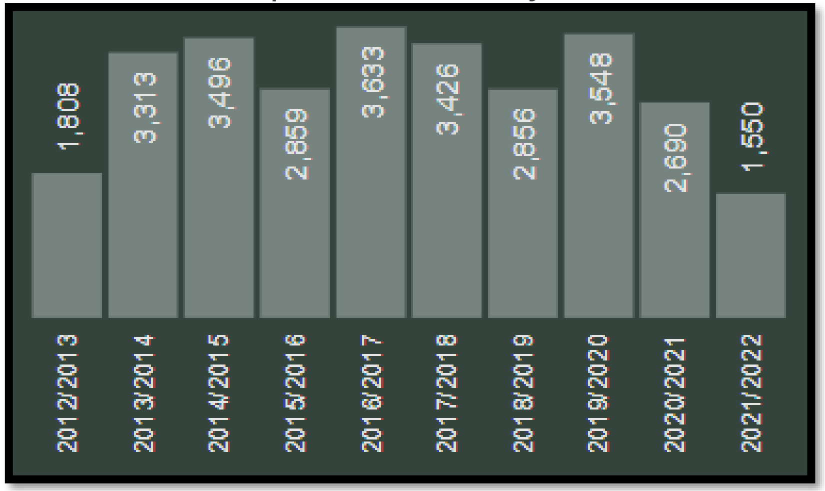


Source CM NAVIGATOR

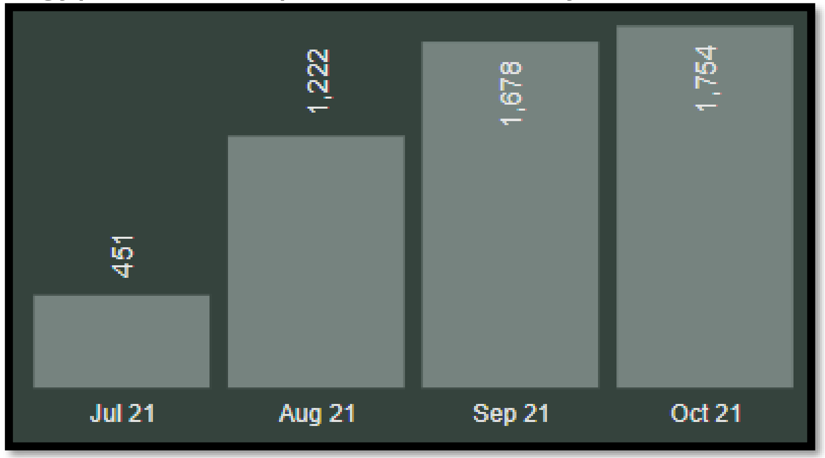
Wheat Demand

- **No Signs** of demand disruption so far
- China buying a now quarter of world crops is a megadriver for grain complex including wheat.
- World wheat demand at **860 Mmt** – up 20 Mmt YoY
- Iran, Saudi, Egypt all showing very strong imports
- Aug-Sep '21 have been highest on record for global wheat trade – **up +12% YoY**
- Iran now at 3 Mmt imports, we expect them to reach 5-6 Mmt this season
- Demand has been buying hand-to-mouth and is largely uncovered Jan onwards

Saudi Wheat Imports Mmt Yearly



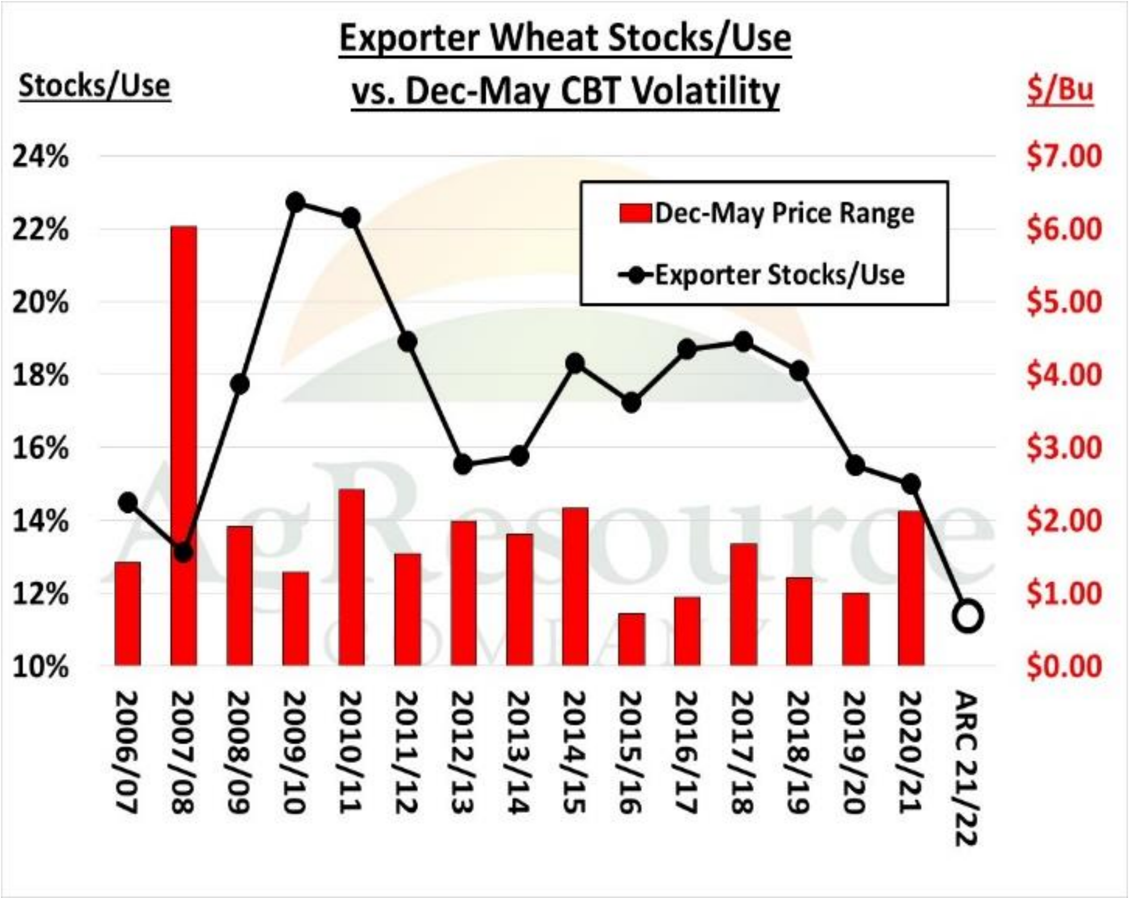
Egypt Wheat Imports Mmt Monthly



Source CM NAVIGATOR

Wheat Supply

- World exporters crops down by **10 Mmt** vs demand rise **20 Mmt** in 21/22
- Will high prices drive wheat area by needed 3 M Ha? Hindered by fertilizer prices?
- Global wheat yield has not increased since 2017 – we need more hectares
- Developing draught story in Agrentina will be a flag to watch for the next months
- Historically Black Sea prices have peaked **in Q1** – will we see the same this season?
- The world cannot afford any yield failiures in the next **2 years**
- We will see market **react violently** to any SnD hiccups



Source AgResource Company

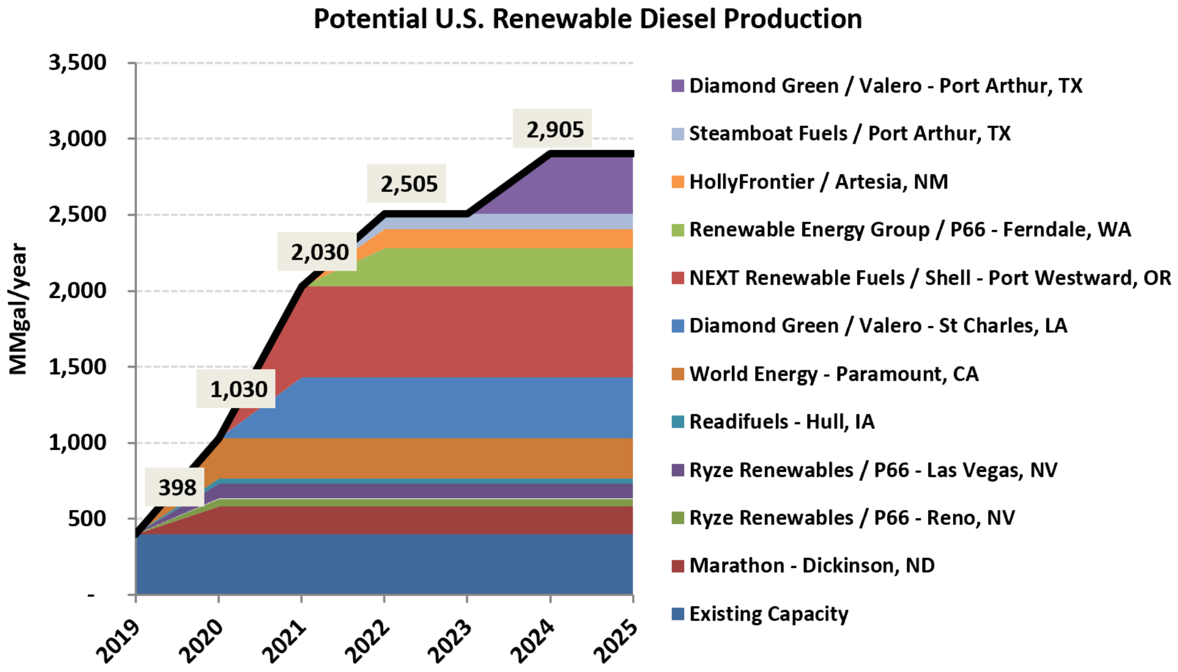
Farm 2 Fork

- As a part of The Green Deal the EU Comission is roling out F2F initiative which by 2030 must achieve the following results:
  - Reduce pesticide usage by 50%
  - Reduce fertilizer usage by 20%
  - Increase organic production to 25% of arable land
- According to the most recent impact study this would turn EU from exporting 18 Mmt to **importing 17 Mmt** in 8 years!
- Concrete roadmap expected in Q1 ‘22.
- Questions in need of an answer:
  - Will CO2 emmissions reduced in EU happen elsewhere in the world?
  - What about countries relying on EU imports today?
  - Impact on grain and food prices?

Source CM NAVIGATOR

Renewable Diesel Initiative

- United States states of CA, OR, WA are implementing a civil programme subsidising 2 USD/gallon for re-used vegoils as diesel.
- Big-Oil names like **Exxon, Chevron** are behind and supporting it. Facilities for processing are being re-modelled now.
- As a result US soybean area has to **triple in 3 years** to match demand for oil. Mission impossible but competition for wheat and corn areas will be fierce.
- Also this will create challenges for logistics and marketing of meal.



Source: Rbenergy

A Tectonic Shift

- Baltic wheat has taken the market from the US and Russia in Nigeria, second most important destination being SAR
- German and Polish wheats works well as a replacement for French wheat in Algeria
- As Polish wheat struggels to find love in Sub-Saharan Africa and complicated phyto issues it is selling mainly to Saudi Arabia with a significant discount to Latvian/Lithuanian origins
- German wheat the only one in the Baltic Sea able to go to Iran, trading with a strong premium
- Black Sea 12.5% is competing strongly in Saudi and gaining market share – is Algeria next?

Conclusion

- Global wheat SnD, logistical challenges, environmental challenges (yield failiure), money print have brought us to unprecedented volatility, outlook for food prices – we will continue to see market react violently to any news about crop losses
- F2F, renewable diesel but also environmental goals taken by all countries now will curb global grain production – in order to save the planet, we need to pay more for food
- Any major climate events in the upcoming season will bring us to unprecedented price levels
- Buying demand showing no signs of slowing down despite high prices
- Expensive and erratic logistics, government interventions but also very high price levels creating new flows
- Volatility and high levels attracting new money into agri trading

Teşekkür ederim!
Thanks!