

Feed Grain, Where To From Here?

Poultry and Egg Conference

R&H HALL

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R&H Hall Ltd.

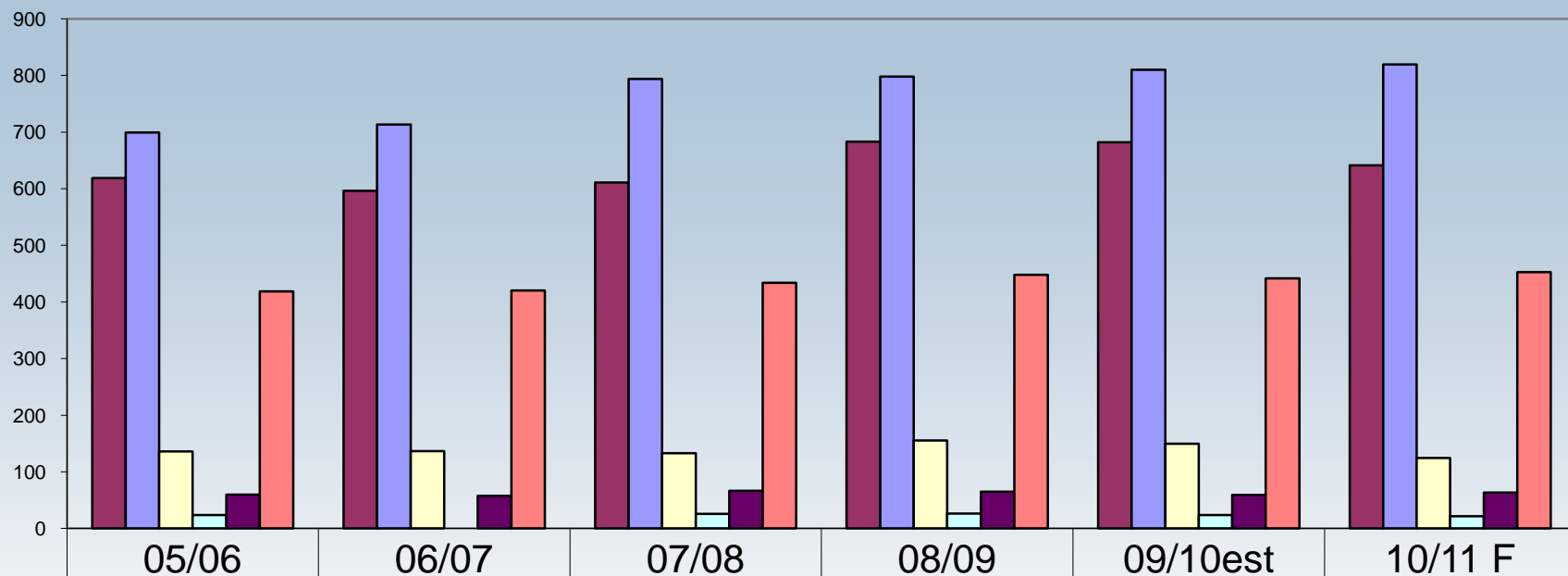


Topics

- Grain Market Overview
- Oilseed Market Overview
- Freight
- Summary

Grain Market Overview

Global Grain Production (Mmt) (Wheat, Rice & Coarse Grain)



| | 05/06 | 06/07 | 07/08 | 08/09 | 09/10est | 10/11 F |
|---------|-------|-------|-------|-------|----------|---------|
| Wheat | 619 | 596 | 611 | 683 | 682 | 641 |
| Corn | 699 | 713 | 794 | 798 | 810 | 820 |
| Barley | 136 | 136 | 133 | 155 | 150 | 125 |
| Oats | 24 | 0 | 26 | 26 | 24 | 21 |
| Sorghum | 60 | 58 | 66 | 65 | 59 | 63 |
| Rice | 419 | 420 | 434 | 448 | 442 | 453 |

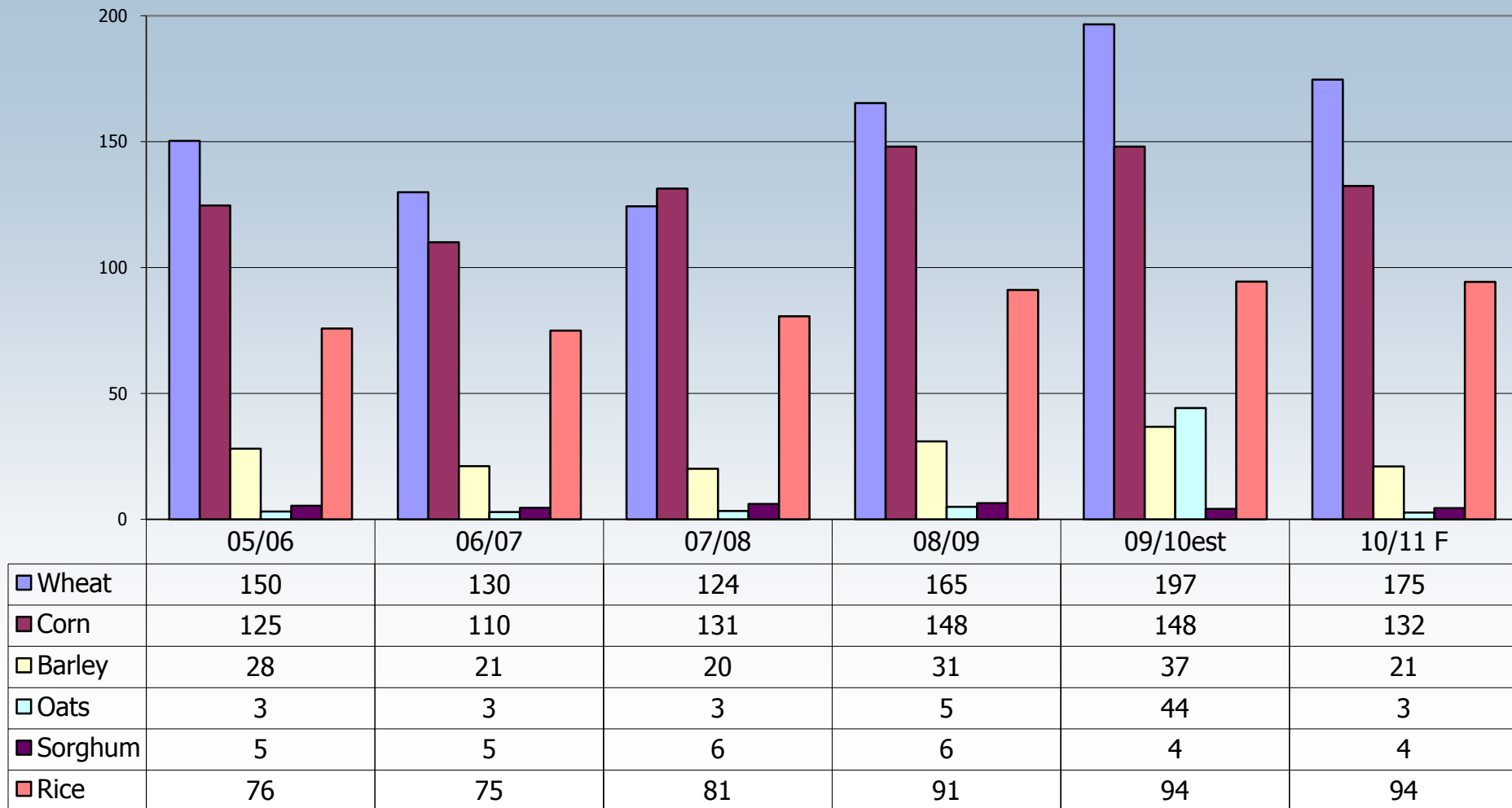
Source: USDA

Change In Global Wheat Balance (mmt)

| | Production | Ending Stocks |
|-----------|------------|---------------|
| 2008/09 | 683 | 165 |
| 2009/10 | 680 | 196 |
| 2010/11 | | |
| May | 672 | 198 |
| June | 669 | 194 |
| July | 661 | 187 |
| August | 646 | 175 |
| September | 643 | 178 |
| October | 641 | 175 |

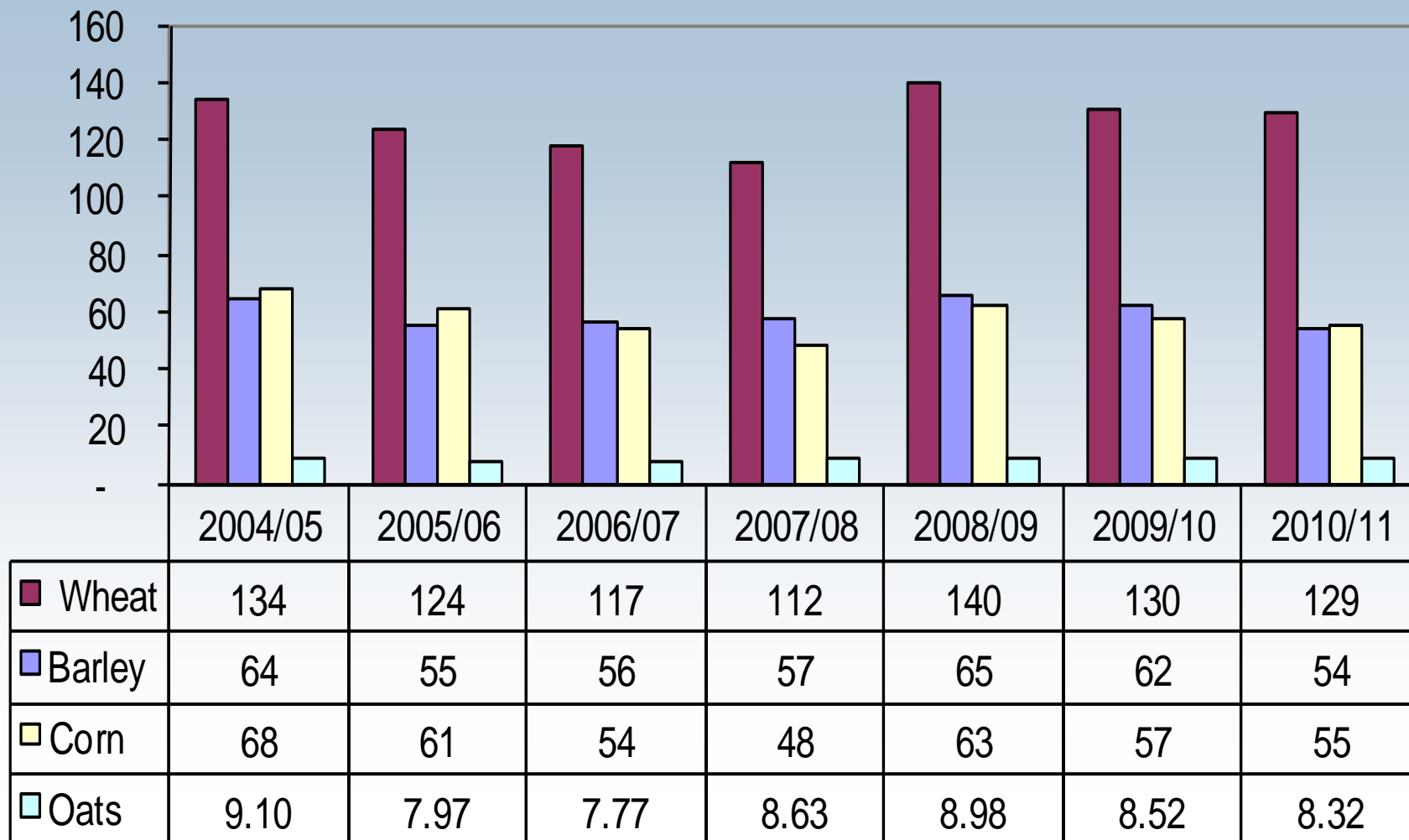
Source: USDA

Global Grain Stocks (MMt) (Wheat, Rice & Coarse Grain)



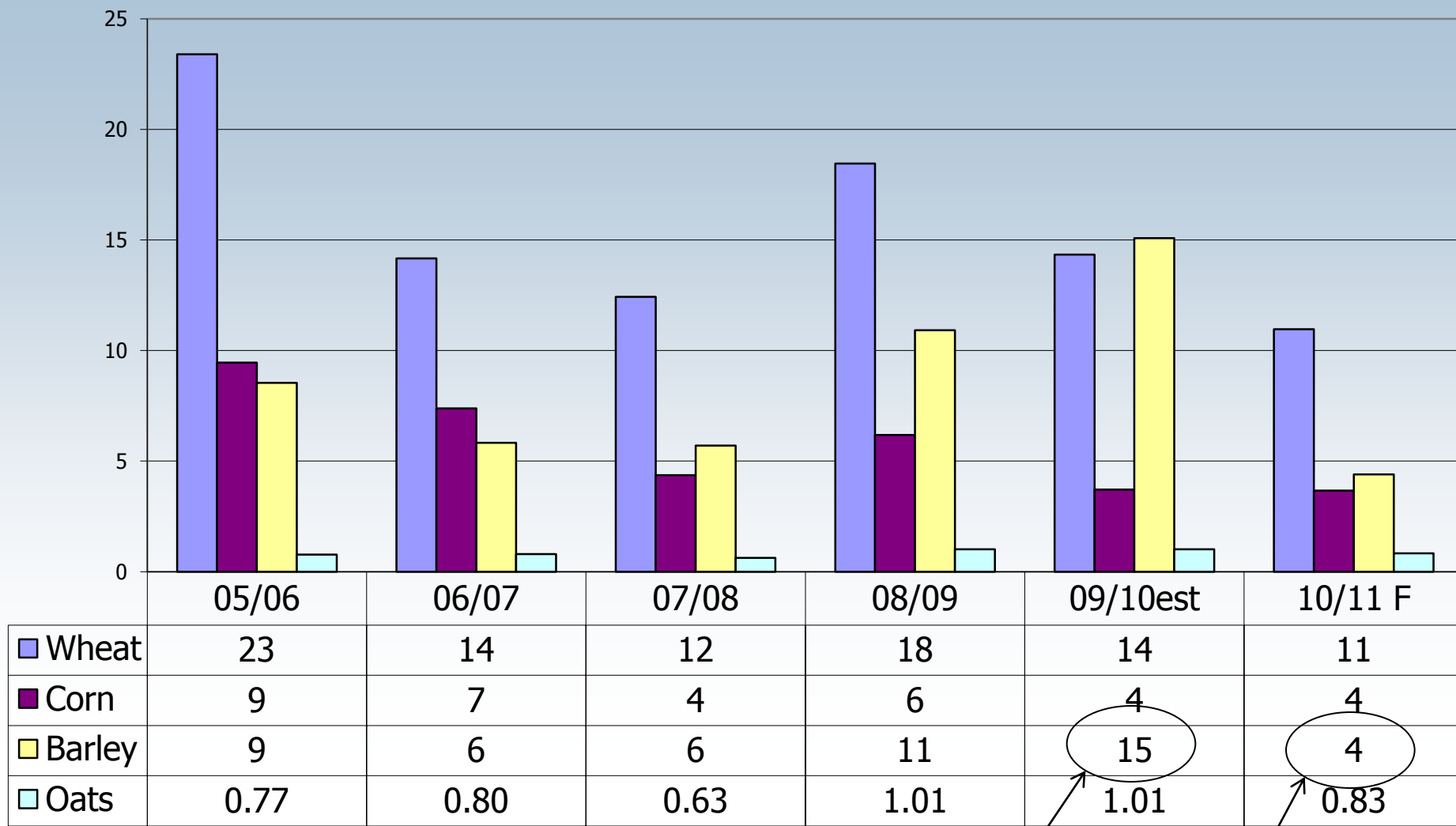
Source: USDA

EU-27 Cereal Production (MMt)



Source: USDA

EU-27 Ending Stocks (MMt)



Source: USDA

Includes Intervention barley

Russian Situation

- Russia has experienced the worst drought in over 130 years
- Russia have banned wheat exports.
 - Ban in place until July-11
- How will next year's crop plantings be affected?
 - 8% less winter crops planted, 18mln ha to 15.5mln ha in 2010.
 - Of this 13.2mln ha will be winter wheat.
- This leaves the world market bereft of one of the most important suppliers going into next year.
- Russian government wants farmers to plant 20% more spring wheat to compensate for reduced winter wheat production.

Russia Wheat Situation mil tn

Some estimate this at 35mil

| Russia Wheat | | | |
|---------------------|--------------|--------------|----------------|
| | 09-10 | 10-11 | 11-12 F |
| Carryin | 10.5 | 12.8 | 5 |
| Production | 61.7 | 43 | 53 |
| Imports | 0 | 0 | 0 |
| Available | <u>72.2</u> | <u>52.8</u> | <u>58</u> |
| Domestic | 41.9 | 41.9 | 42 |
| Export | 17.5 | 5.9 | 11 |
| Total | <u>59.4</u> | <u>47.8</u> | <u>53</u> |
| Carryout | 12.8 | 5 | 5 |

FSU Wheat Situation mil tn

| FSU Wheat | | | |
|------------|--------------|-------------|--------------|
| | 09-10 | USDA 10-11 | ALT 10-11 |
| Carryin | 20.2 | 23.8 | 23.8 |
| Production | 114 | 101 | 89 |
| Imports | 5.6 | 6.2 | 6 |
| Available | <u>139.8</u> | <u>131</u> | <u>118.8</u> |
| Domestic | 81 | 86.4 | 89 |
| Export | 35 | 31.6 | 17.8 |
| Total | <u>116</u> | <u>118</u> | <u>106.8</u> |
| Carryout | 23.8 | 13 | 12 |

Russia/FSU Coarse Grain Situation mil tn

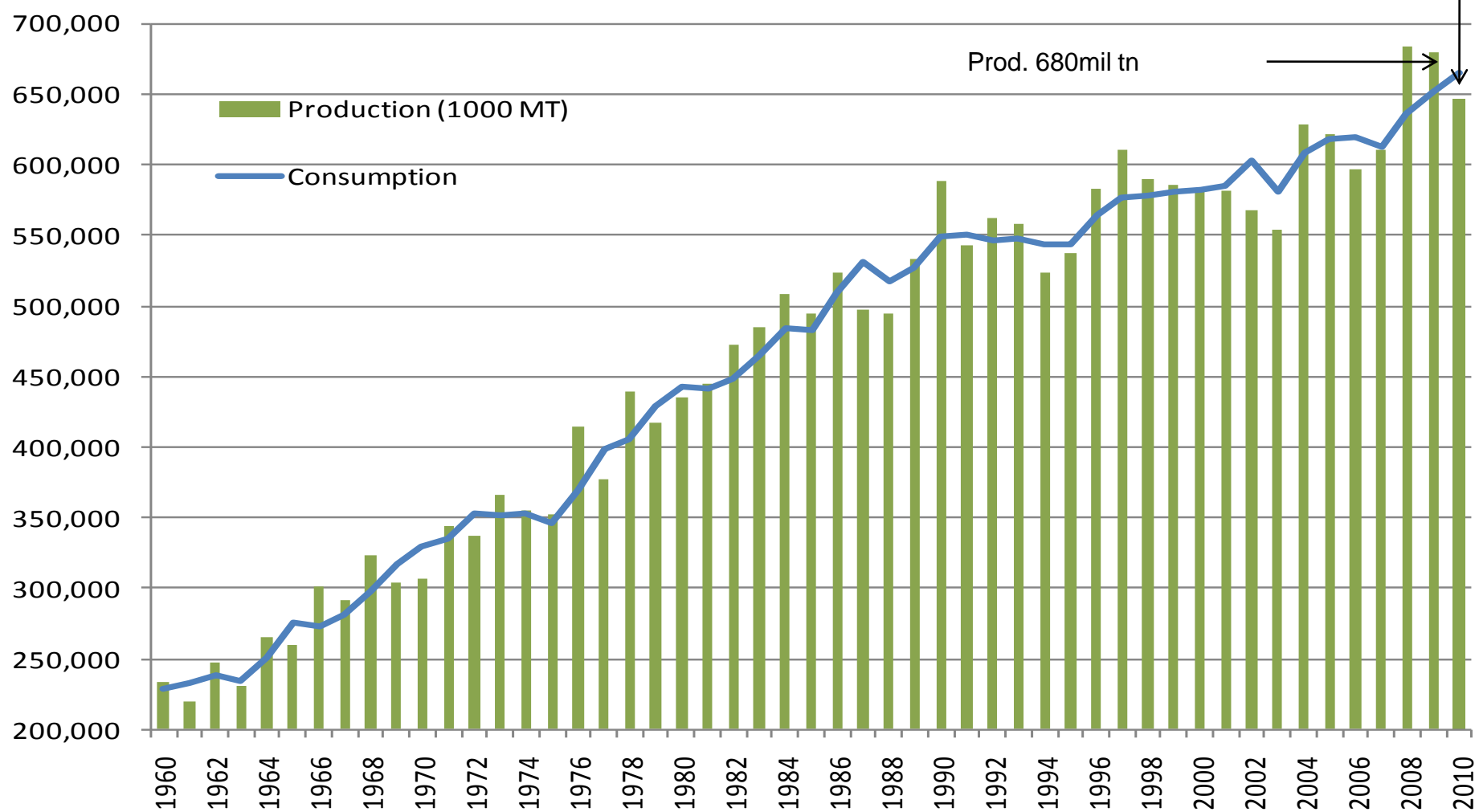
| Russia Coarse Grain | | | | |
|---------------------|-------------|-------------|-------------|-------------|
| | 08-09 | 09-10 | USDA 10-11 | ALT 10-11 |
| Carryin | 1.6 | 4.8 | 2.8 | 2.8 |
| Production | 40.7 | 31.8 | 26.8 | 15 |
| Imports | | | | |
| Available | 42.3 | <u>36.6</u> | <u>29.6</u> | <u>17.8</u> |
| Domestic | 32.7 | 30.8 | 26.8 | 26.8 |
| Export | 4.8 | 3 | 1.2 | -10.6 |
| Total Use | <u>37.5</u> | <u>33.8</u> | <u>28</u> | <u>16.2</u> |
| Carryout | 4.8 | 2.8 | 1.6 | 1.6 |

| FSU Coarse Grains | | | |
|-------------------|--------------|------------|--------------|
| | 09-10 | USDA 10-11 | ALT 10-11 |
| Carryin | 20.2 | 23.8 | 23.8 |
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Net Importer

Global Wheat – Production

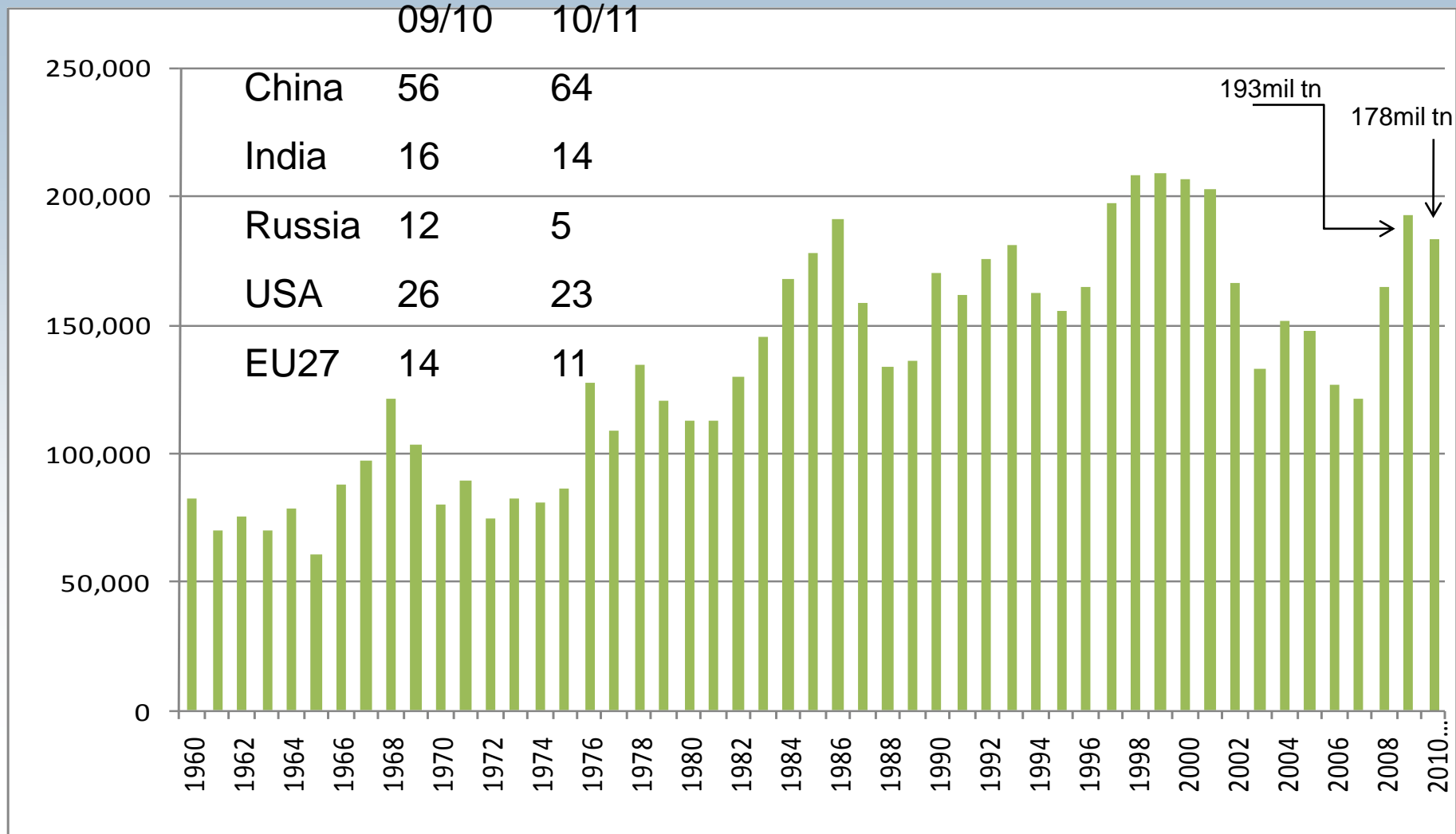
1000 MT



Source: AgResource

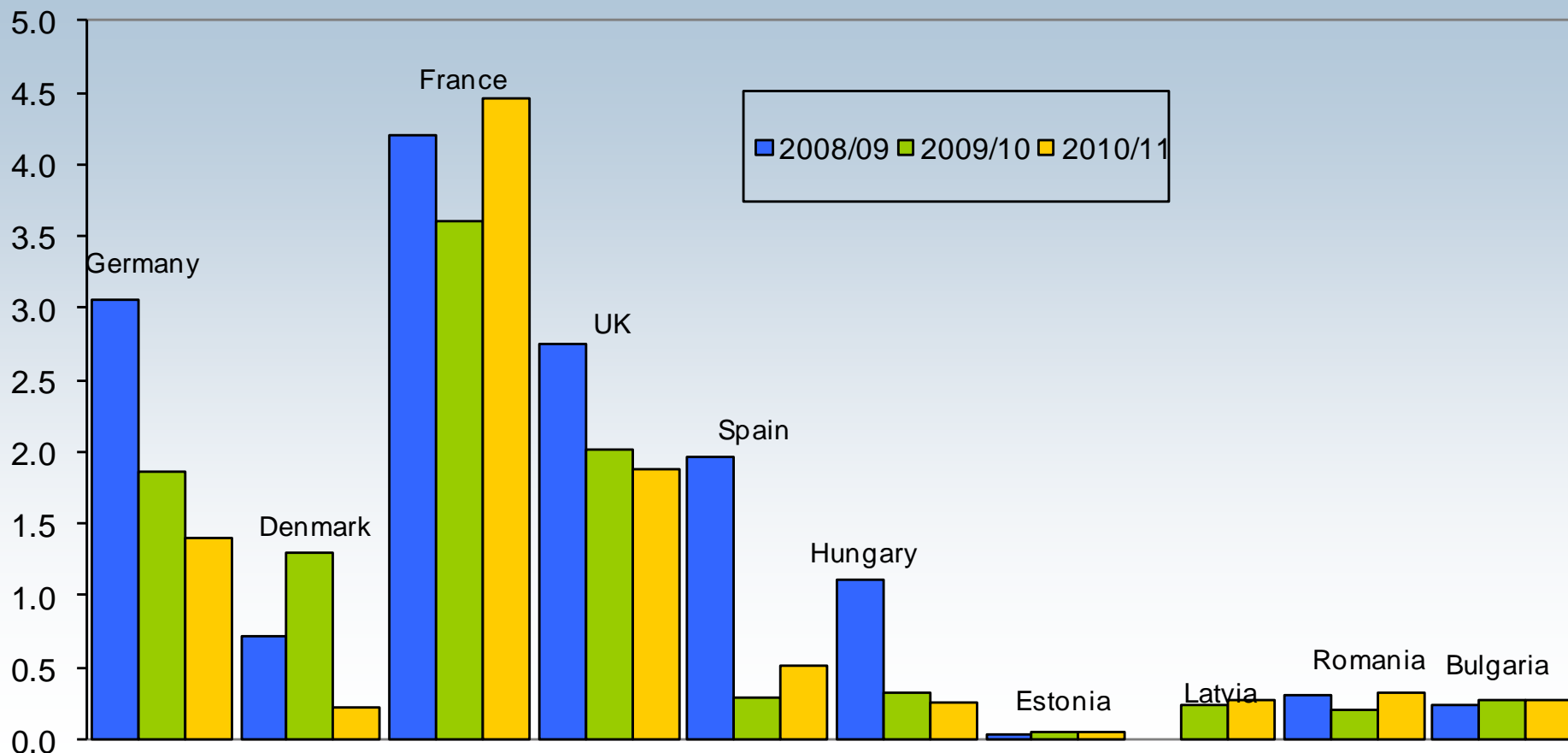
Global Wheat – Ending Stocks

1000 MT



Source: AgResource

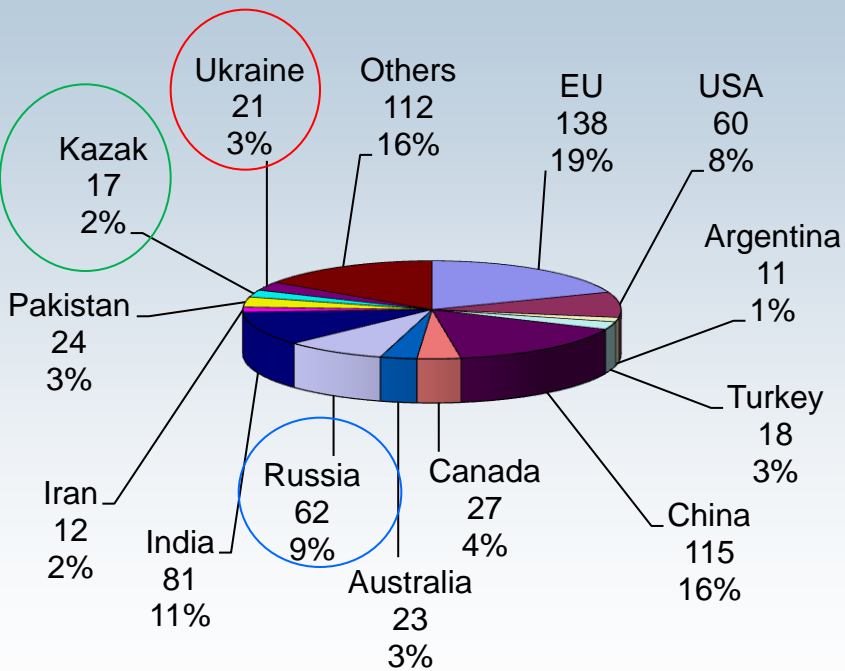
EU27 – Wheat Closing Stocks (mln tn)



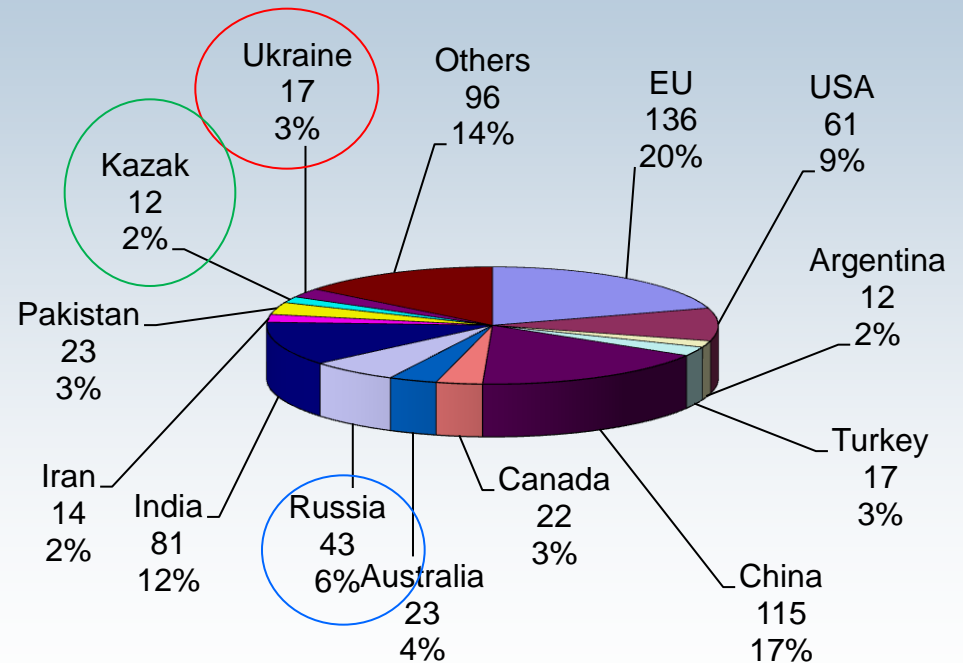
Source: Stratégiegrains

Global Wheat Production (mln tn)

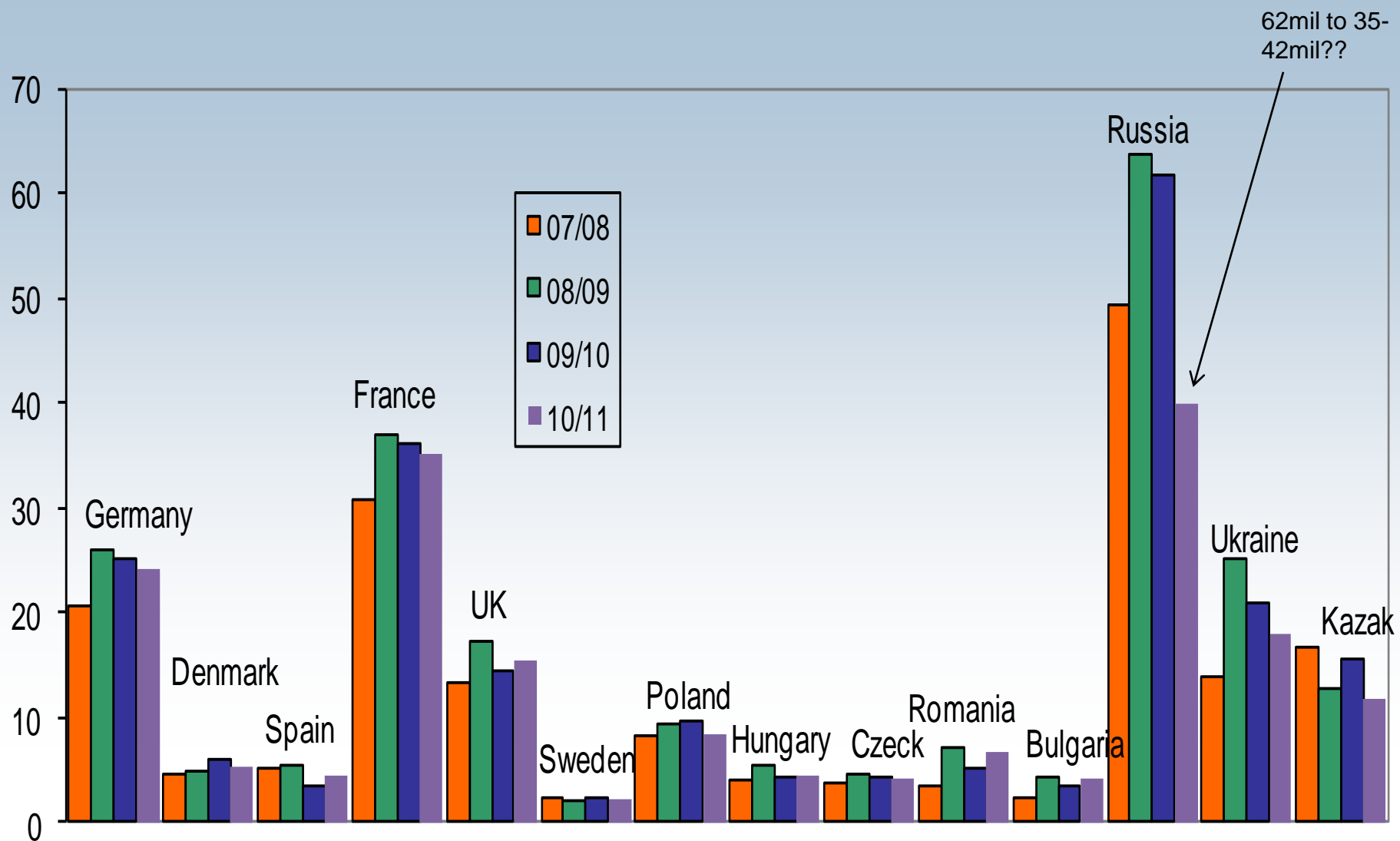
2009/10



2010/11



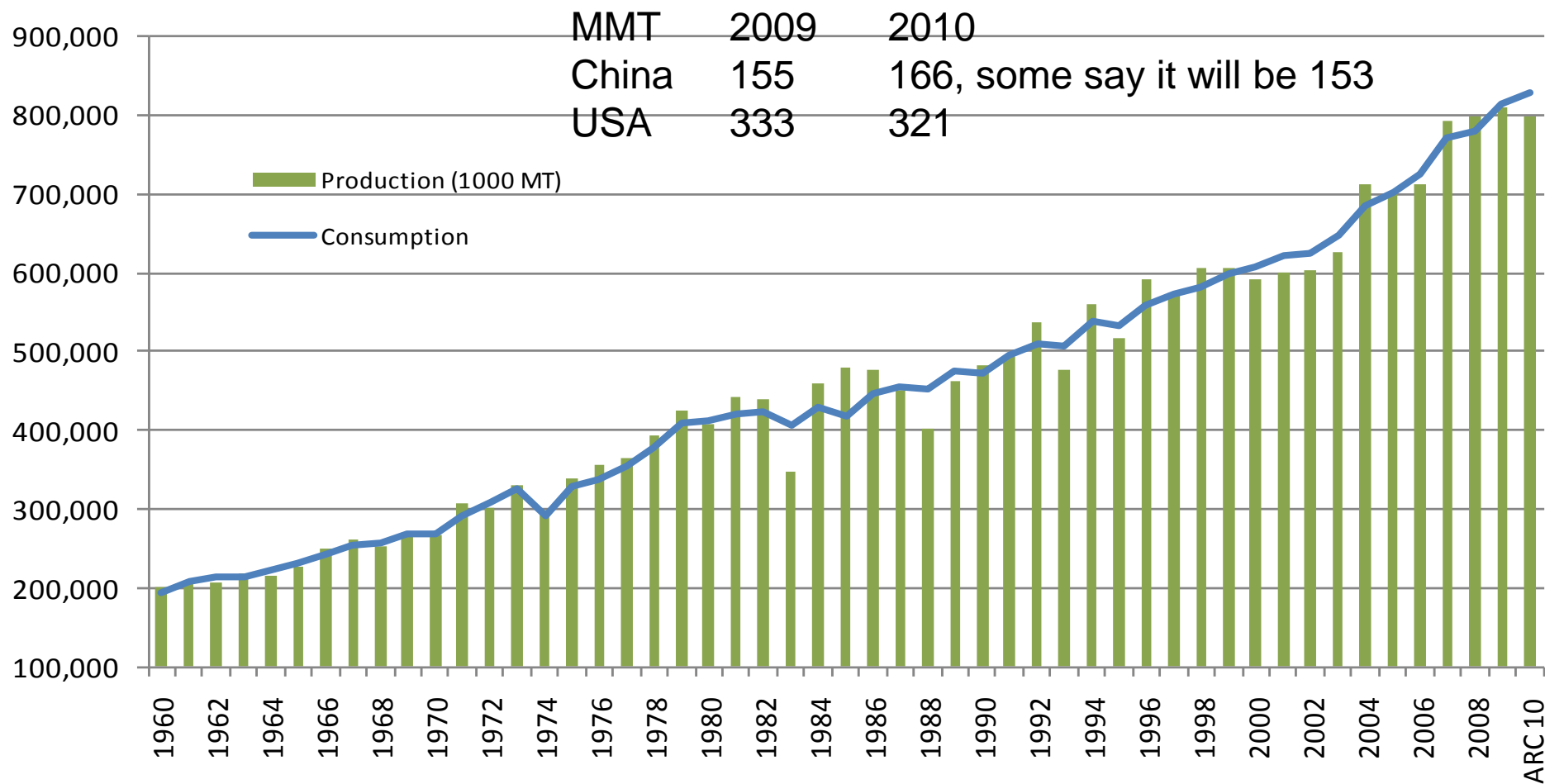
Europe/Black Sea mil tn



Source: Stratégiegrains

Global Corn - Production

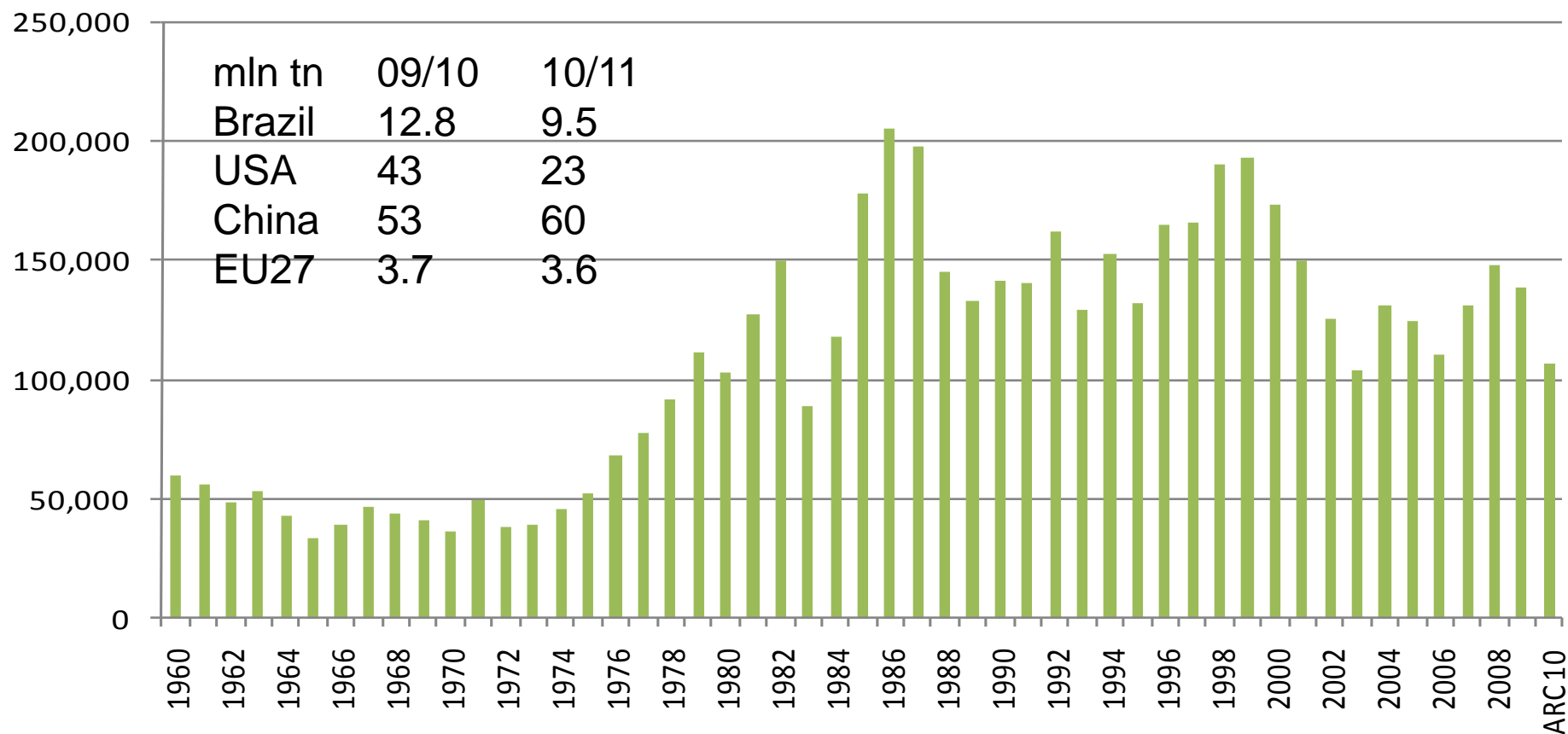
1000 MT



Source: AgResource

Global Corn – Ending Stocks

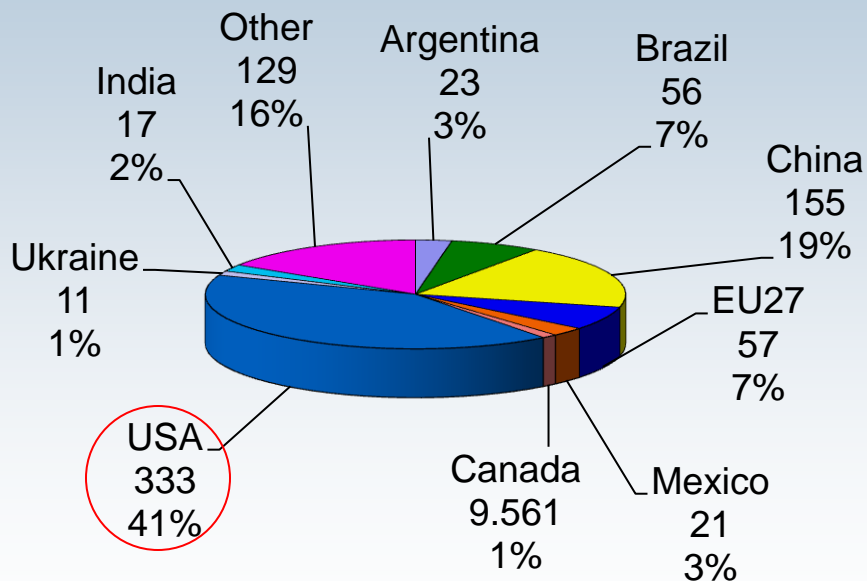
1000 MT



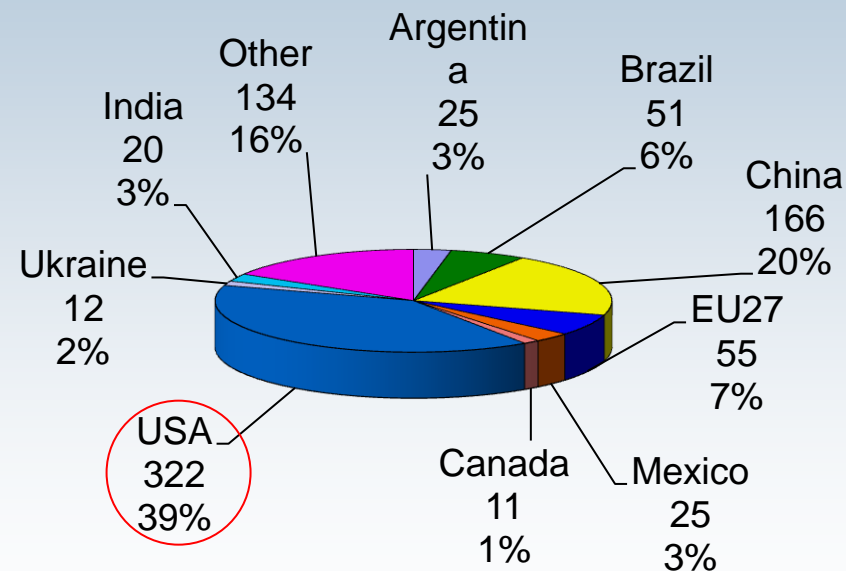
Source: AgResource

Major Corn Producers (mln tn)

2009/10

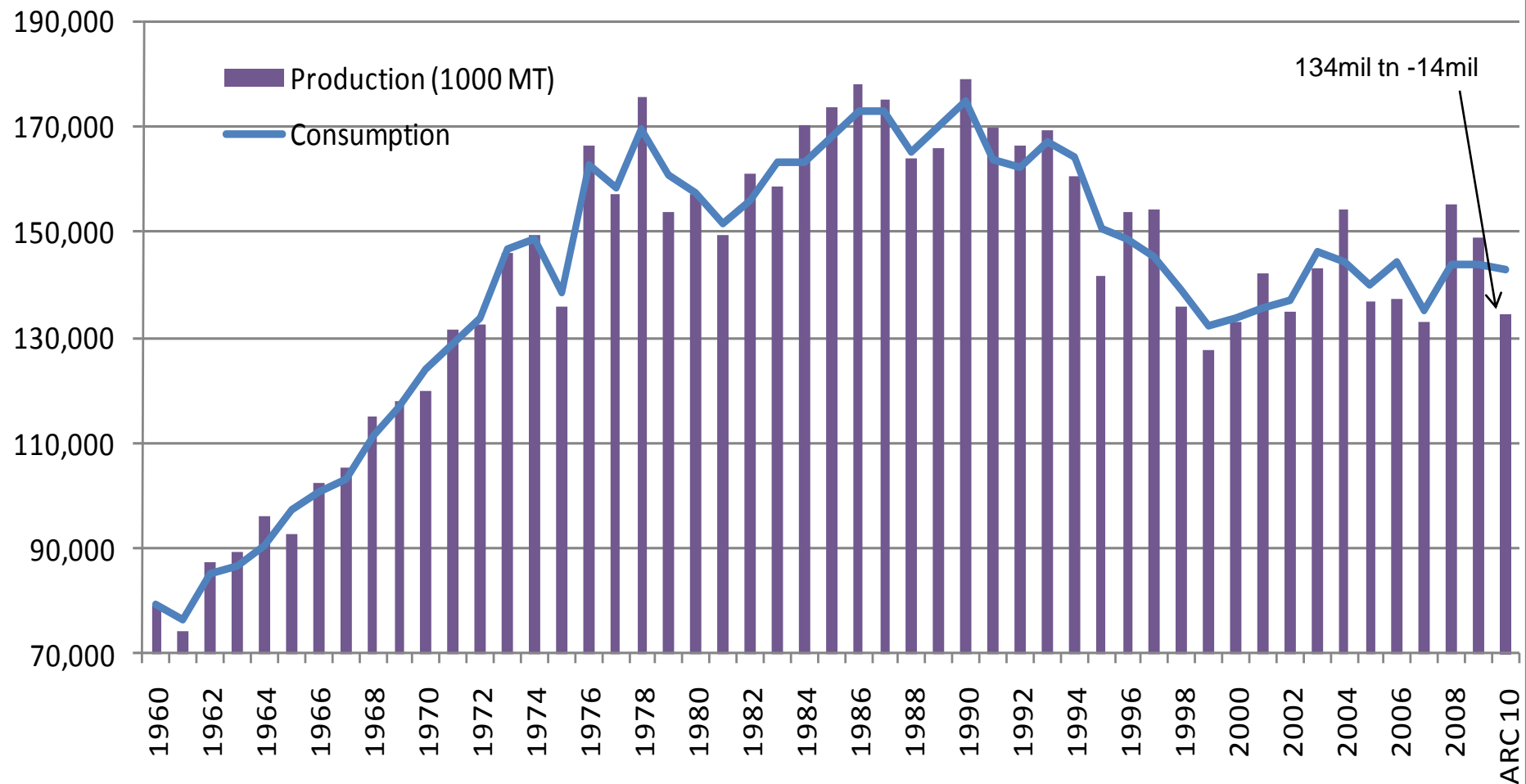


2010/11



Global Barley – Production

1000 MT

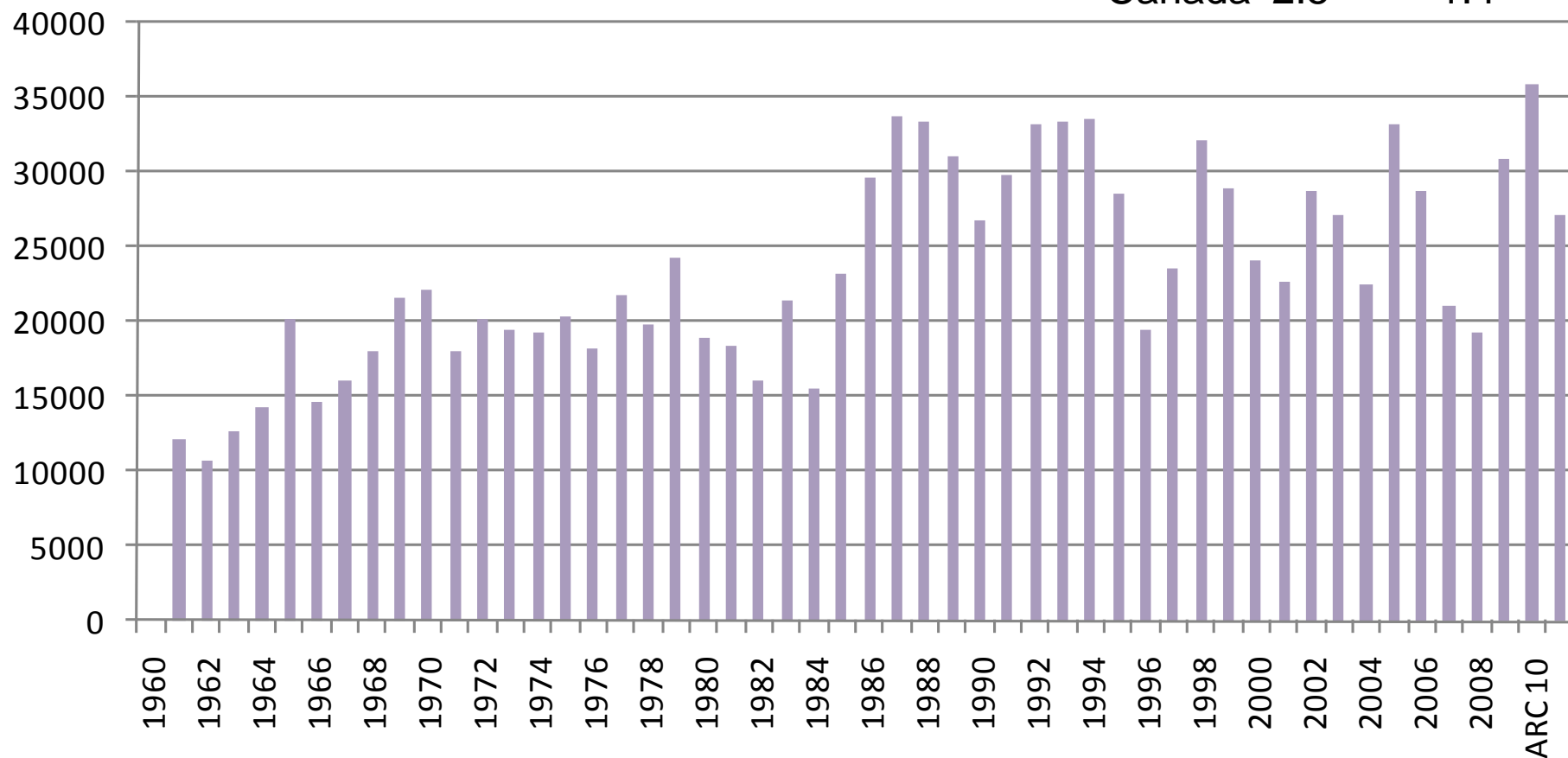


Source: AgResource

Global Barley – Ending Stocks

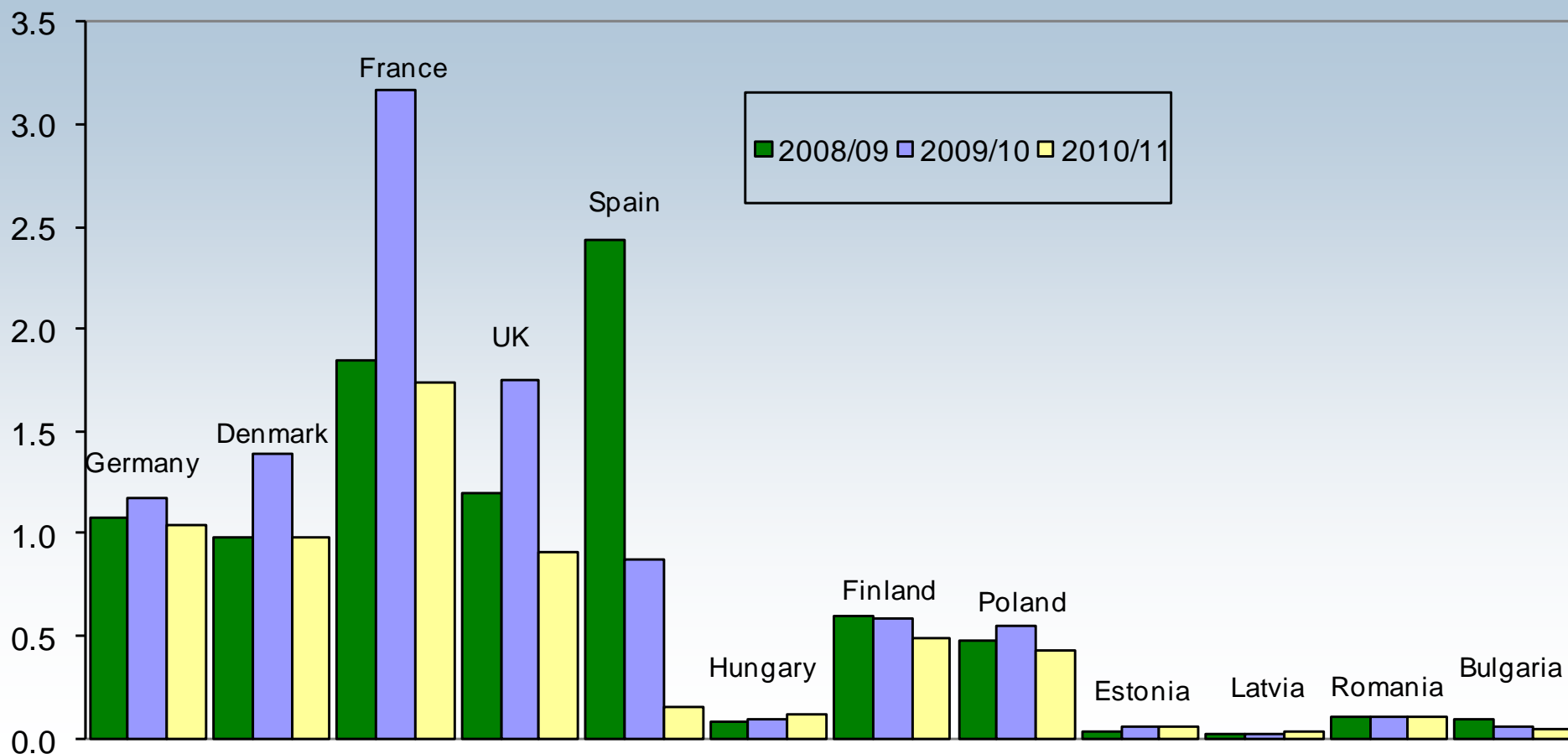
| | | |
|--------|-------|-------|
| MMT | 09/10 | 10/11 |
| EU27 | 15 | 4 |
| Russia | 2 | 0.9 |
| Canada | 2.5 | 1.4 |

1000 MT



Source: AgResource

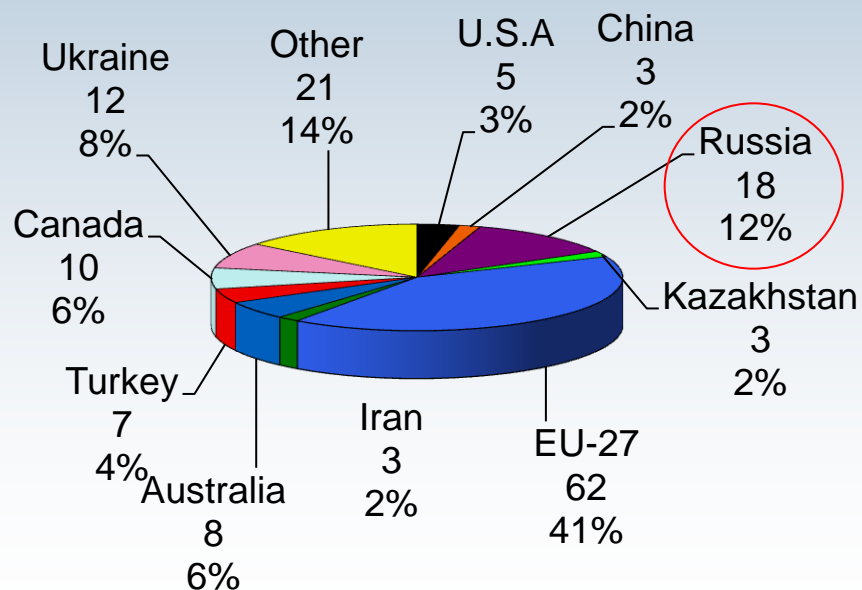
EU27 – Barley Closing Stocks (mln tn)



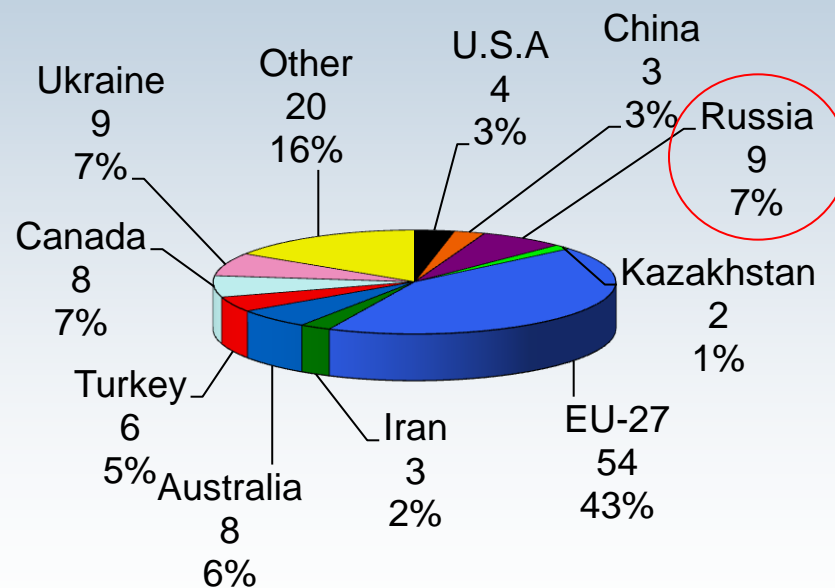
Source: Stratégiegrains

Major Barley Producers (mln tn)

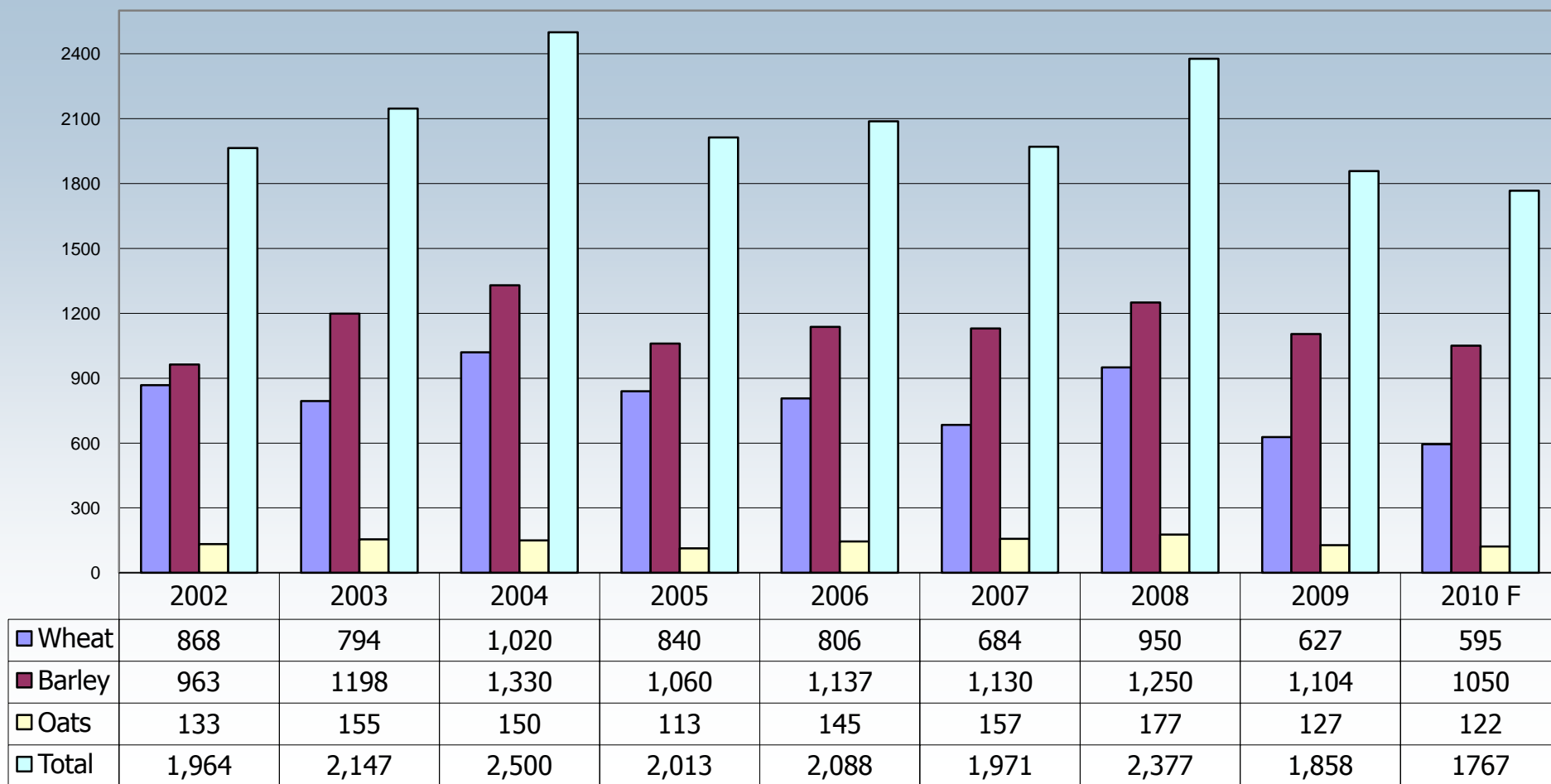
2009/10



2010/11



Native Harvest Production ('000tn)



Minimal carry over from 2009 to 2010.

2011 crop may see increase of 35% in winter barley and winter wheat may increase 25%.

Drivers of Irish Market

- Net importers.
- European market – Price Influence.
- Supply of Irish Grain – Native Production.
- Global Supply & Stocks.
- Coarse Grain price.
 - Price Relationship between Corn, Barley and Wheat
- Weather.
 - Russia, Germany harvest this year
- Funds / Global Economy / Currency.

Volatility

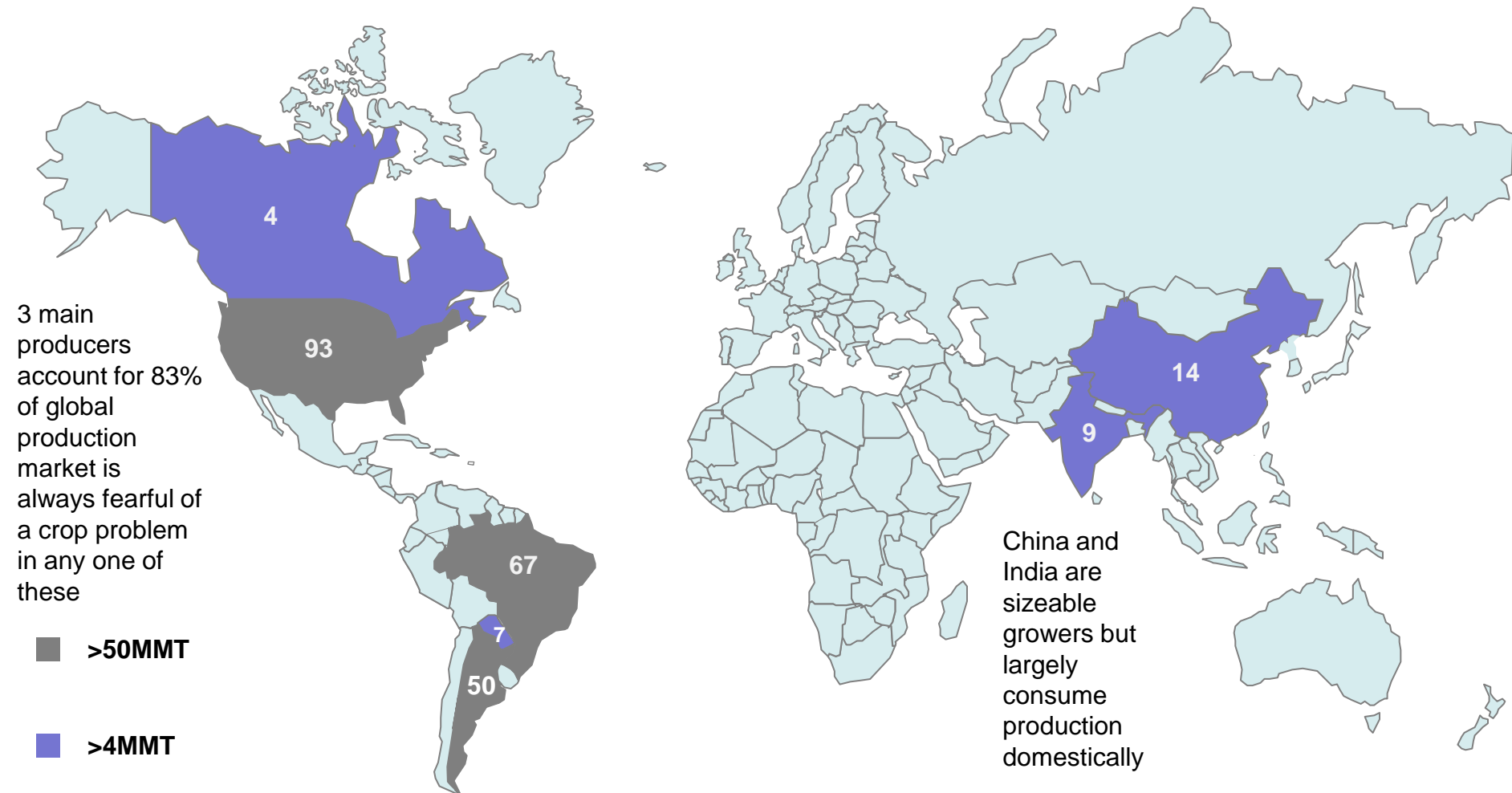
- Biggest monthly grain price increase since 1959
- July and August to date have gained 73%
 - Cbot 4.25 to 7.13 cents/bu
 - Matif 148.50 to 236 €/tonne. Contract high at that time
 - Liffe 103 to 169 £/tonne. Contract high at that time
- Daily movement can swing 10%
- Largest ever volume in Cbot wheat on Friday 06/08/10 at 354,000 contracts (48mil tn), previous high 02/08/10 at 294,000 contracts (40mil tn).
- Markets very uncertain

Market Drivers Going Forward

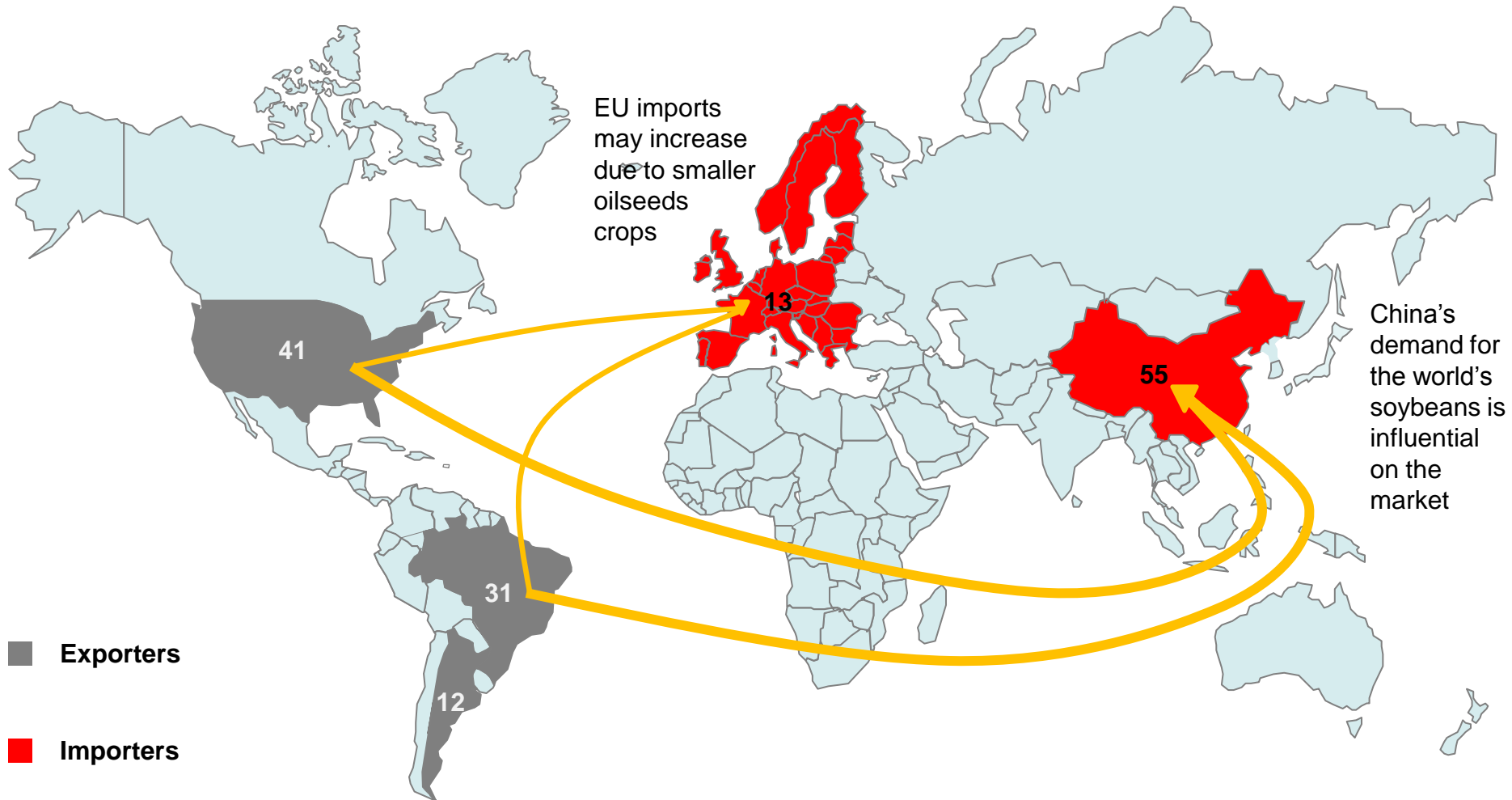
- Where Will Final Global Cereal Production Be.
 - South America, Australia.
- Demand
 - Will high prices reduce demand, corn/wheat ratio out of sink.
- Switch in exports
 - Egypt
 - Russia 18mmt to 3mmt
 - USA 24mmt to 34mmt
- Planting forecast for 2011/2012 harvest
 - Weather market has started for 2011 crop, (dryness in USA, crop rating of 48% Vs 62% last year)
- Global Economy

Soya Market Overview

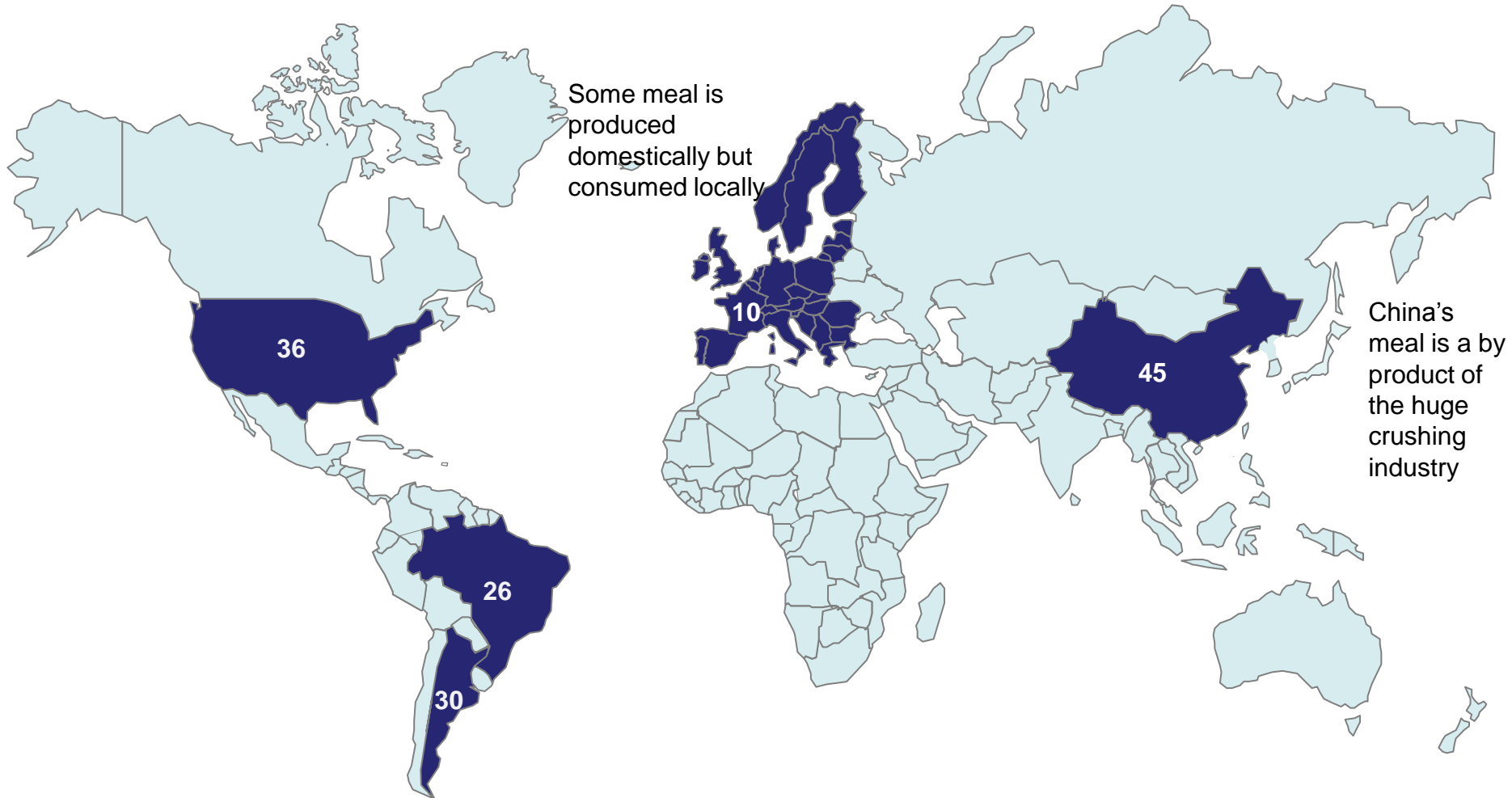
Major World Soybean Producers



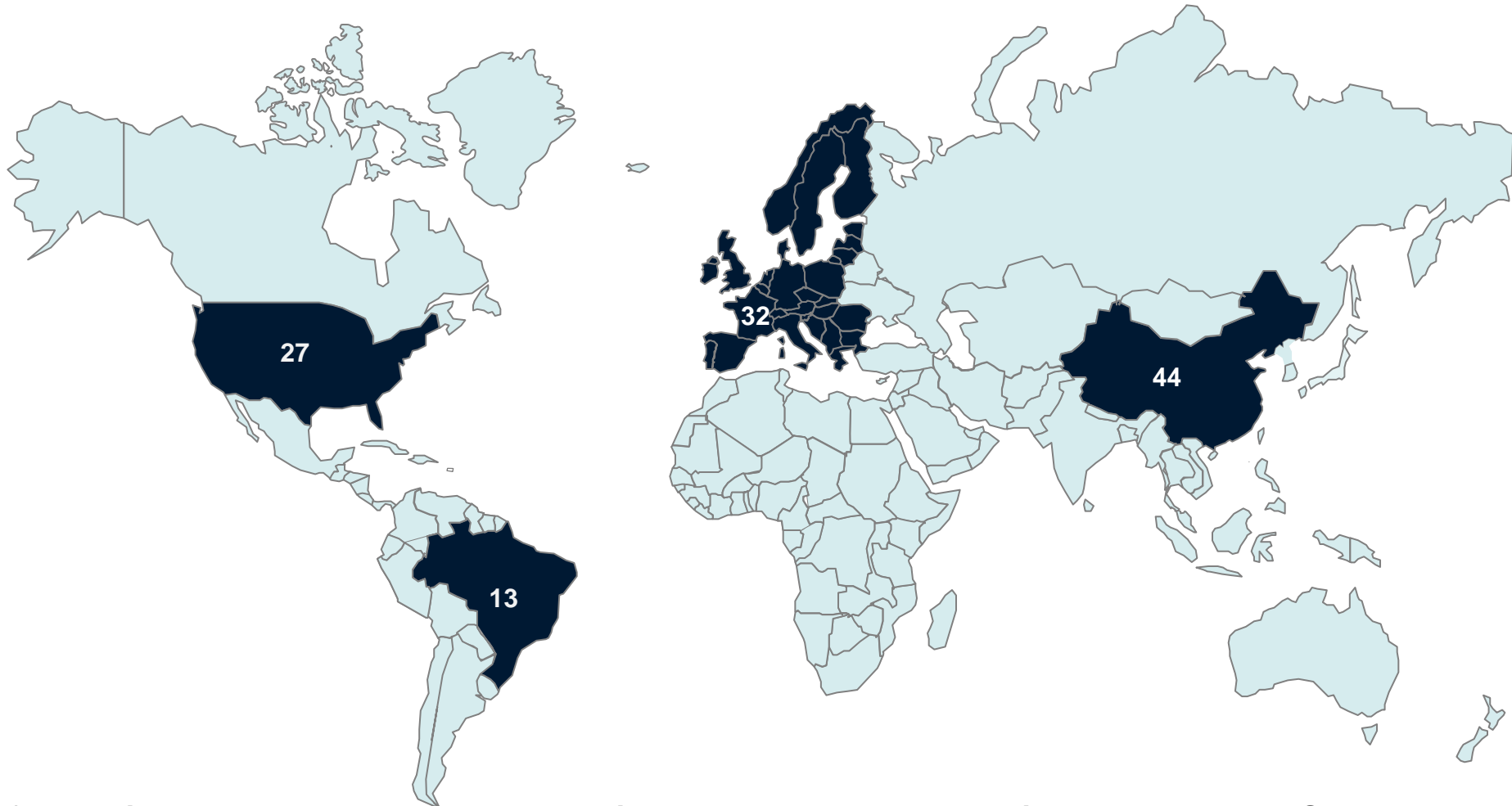
Major World Soybean Exporters/Importers



Major World Soymeal Producers

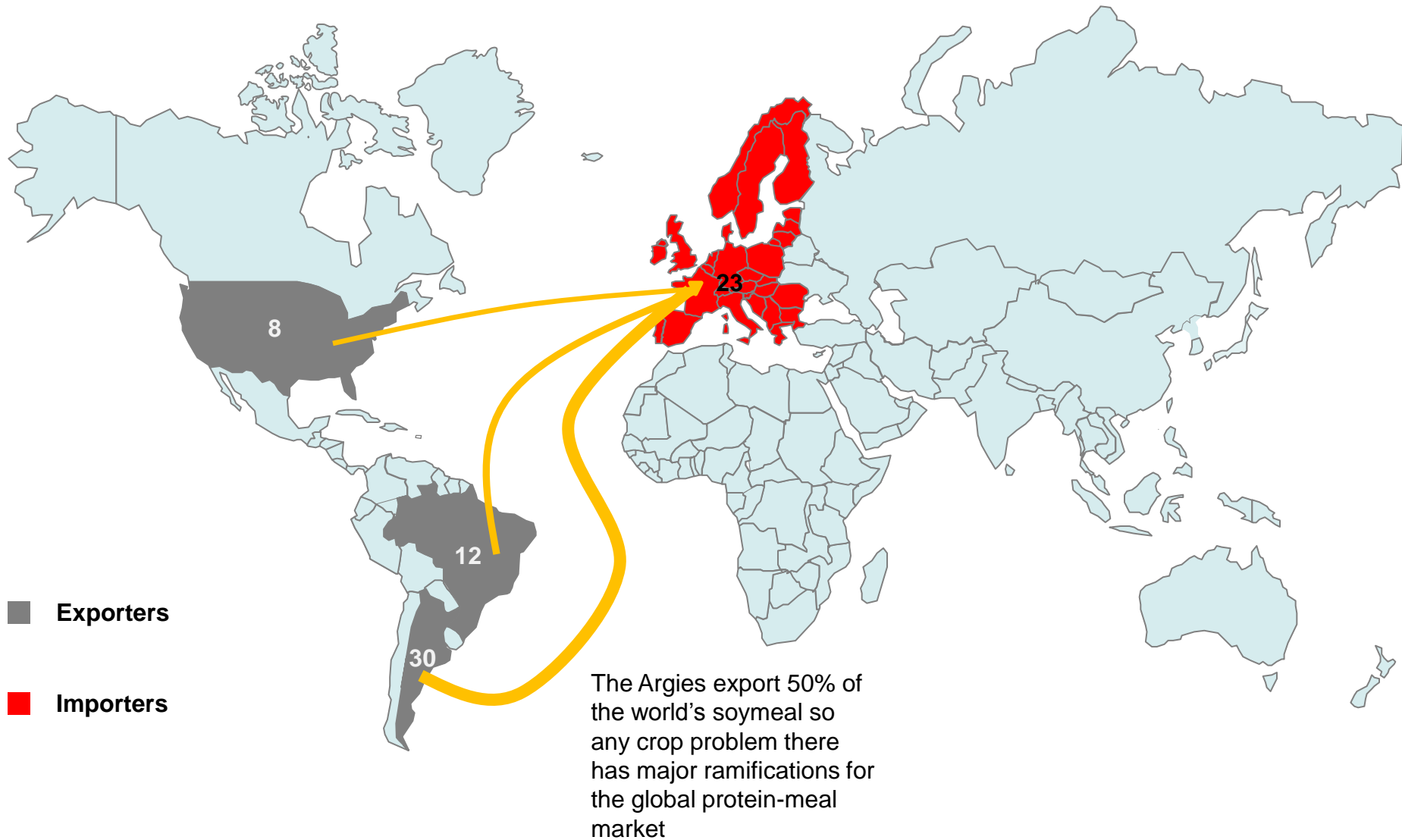


Major World Soymeal Consumers

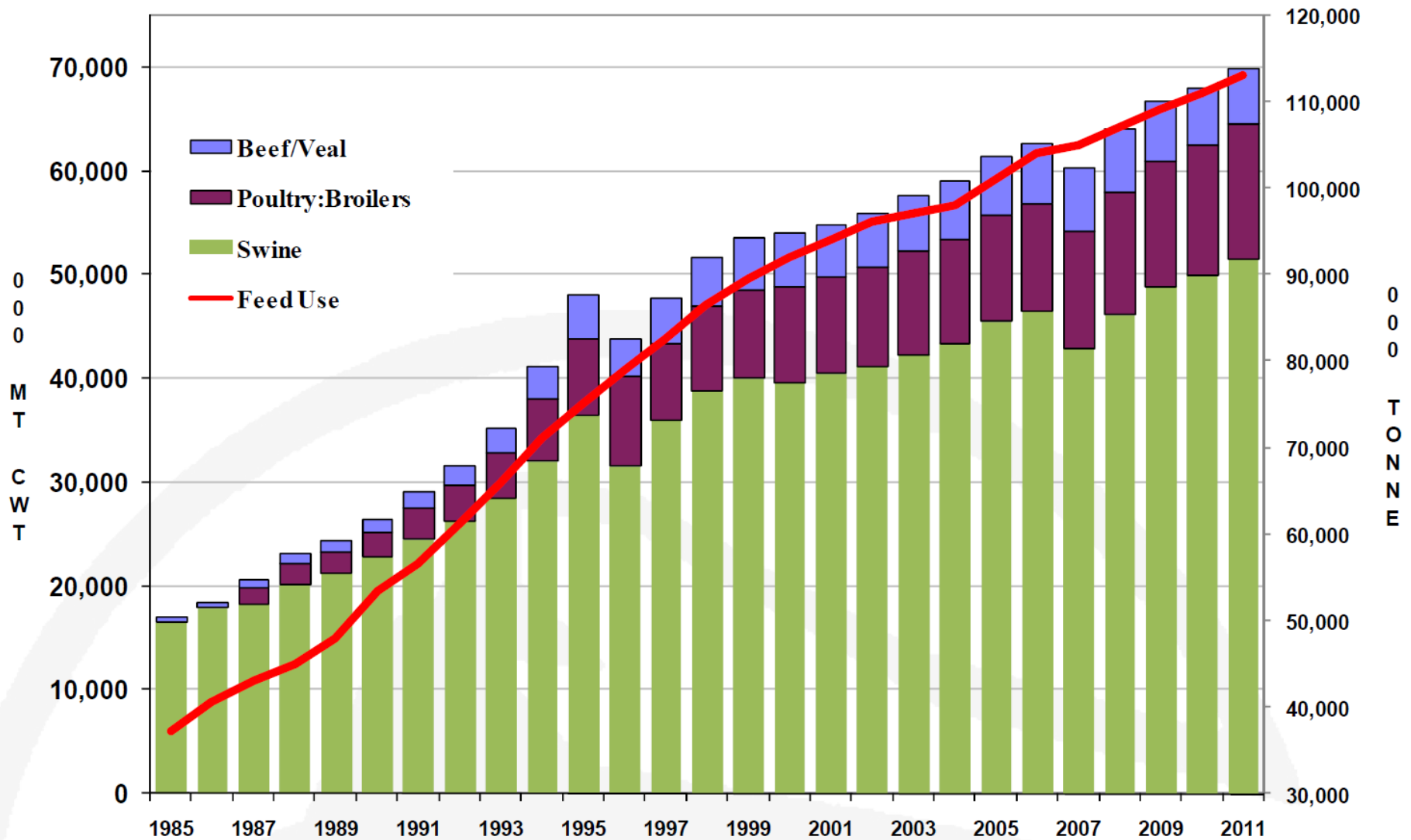


Of the main soymeal producers only Argentina has a very small domestic demand. In the US the hog/poultry industry consume the majority of soymeal produced. Growing livestock populations in China is driving the crush there while a rapidly growing Brazilian hog/poultry population is eating into their

Major World Soymeal Exporters/Importers

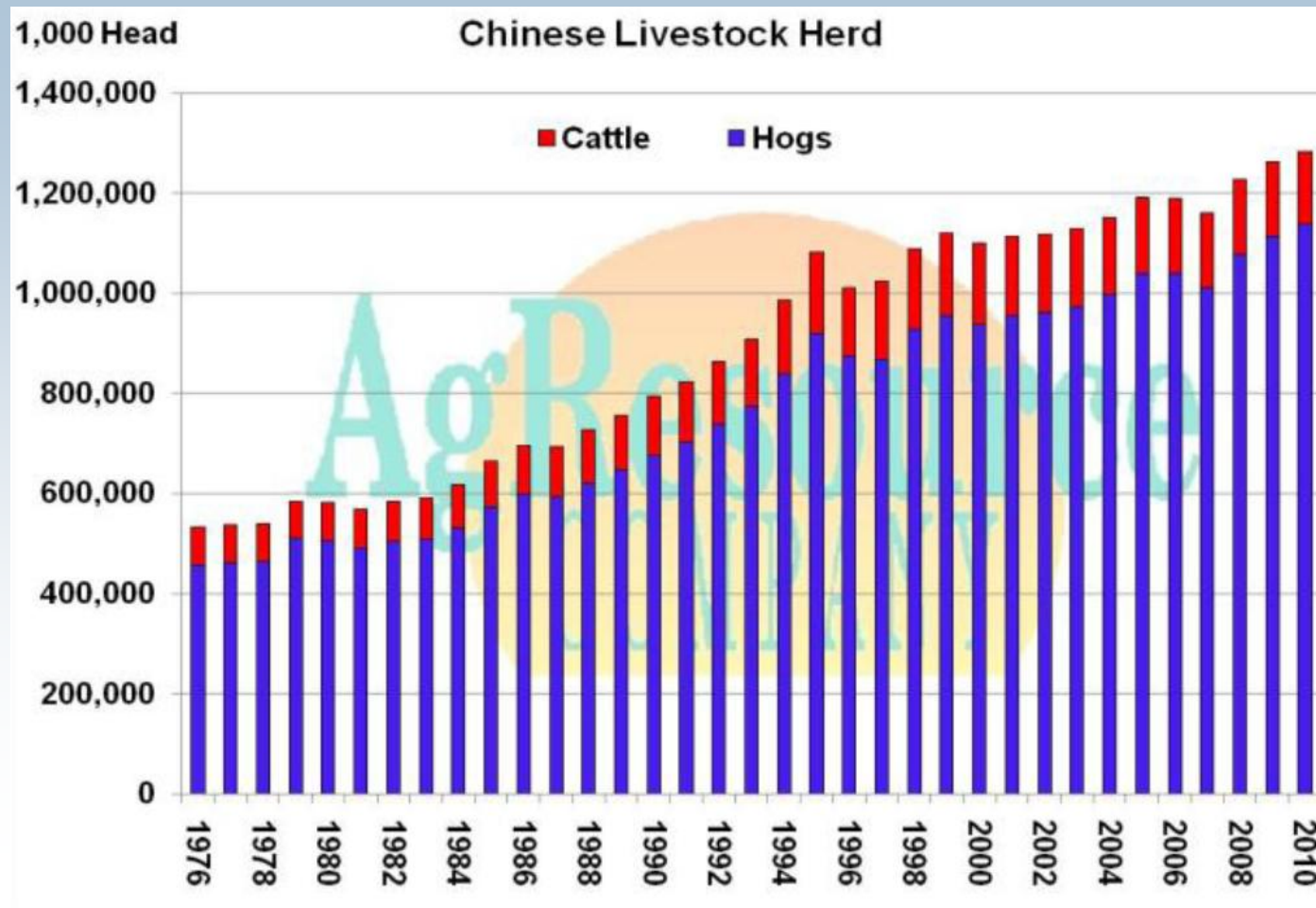


China Meat/Poultry Production – Feed Use - Corn



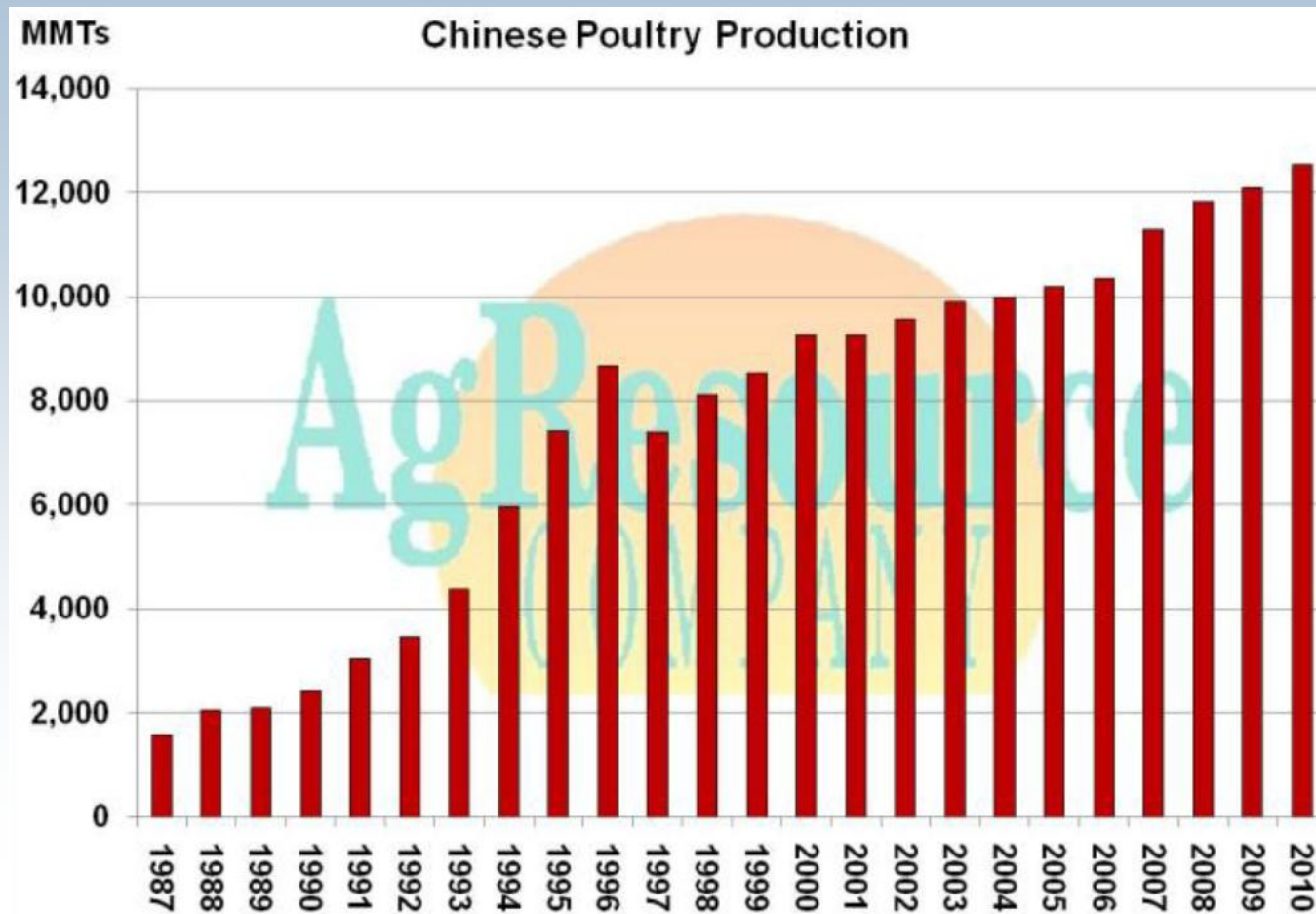
Source: USDA, Prudential Bache

Growth in China's Livestock Herd



Source: AgResource Co.

Importance of China's Poultry Sector

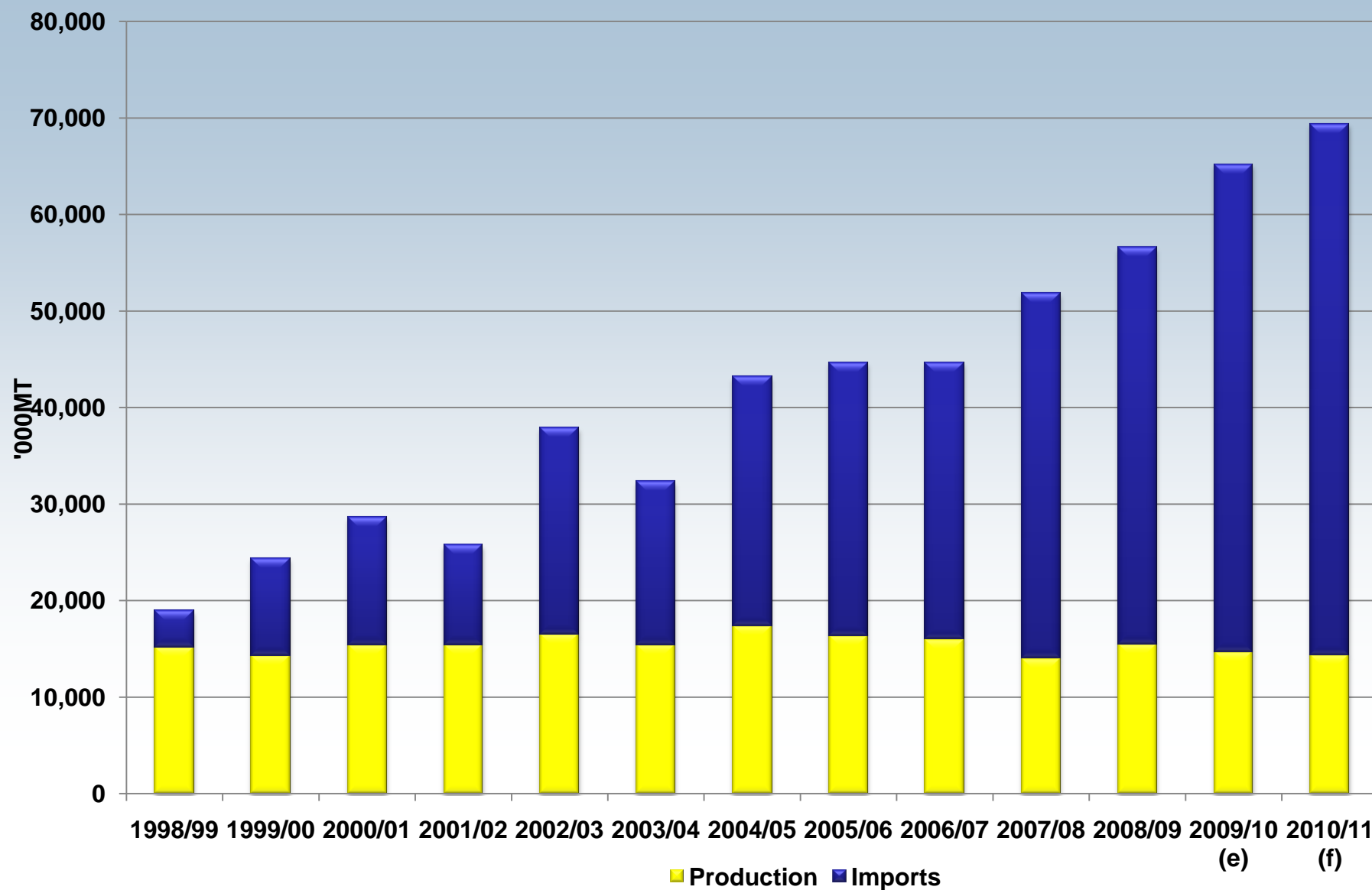


Source: AgResource Co.

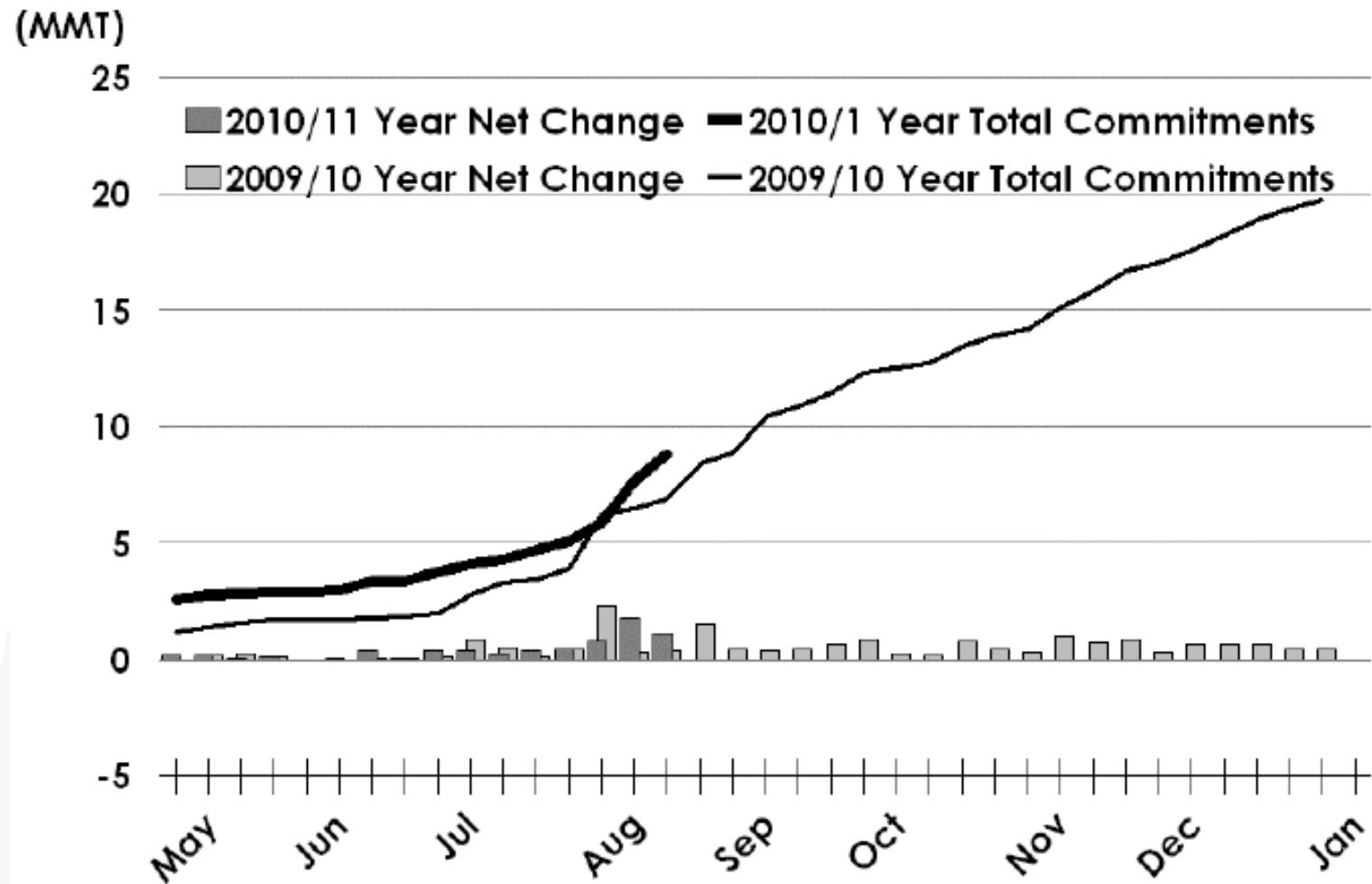
China Soybean Imports as % of World Production



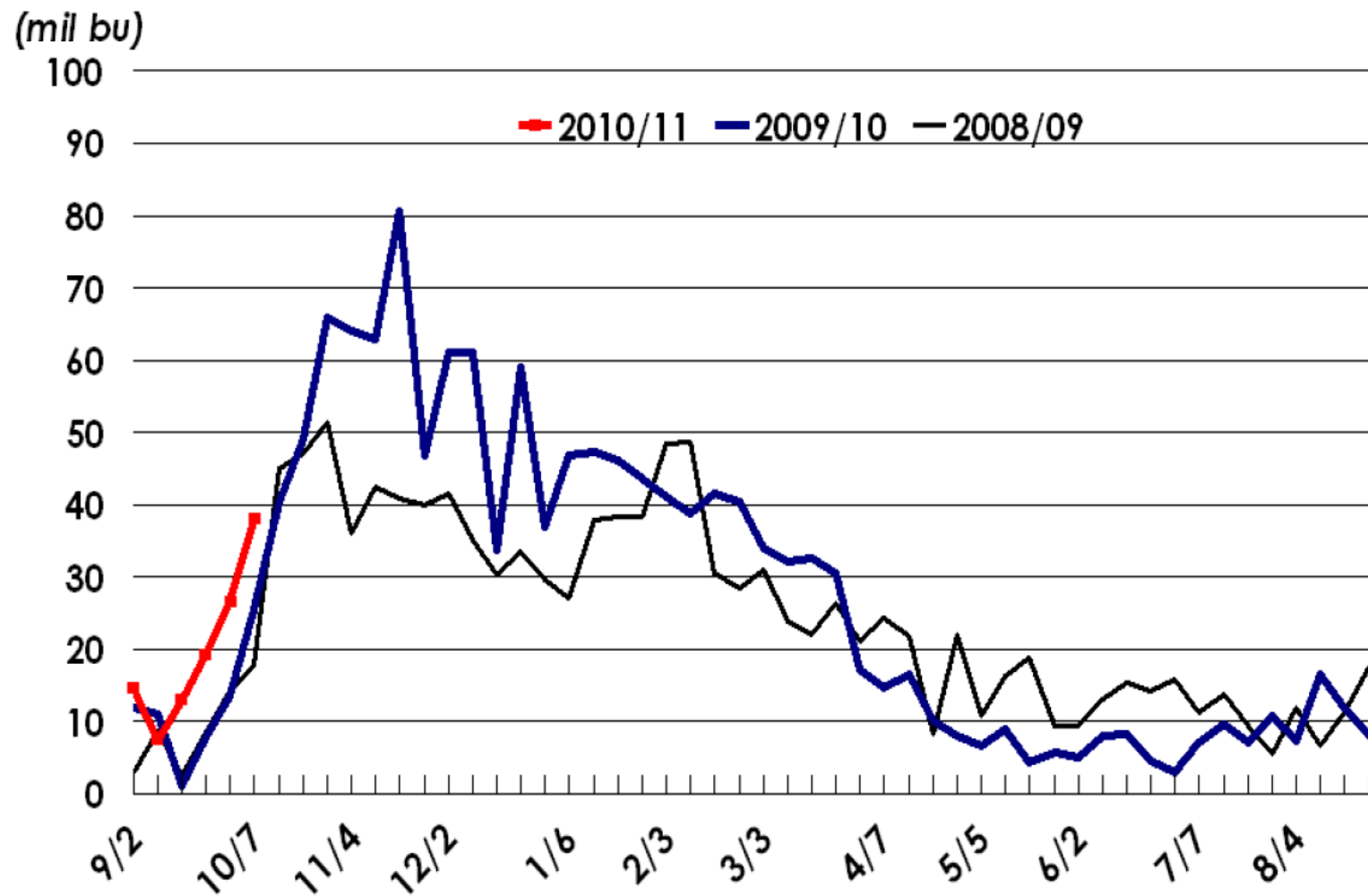
China's Reliance on Imports



China Soybean Import Pace.....



Weekly US Soybean Export Inspections



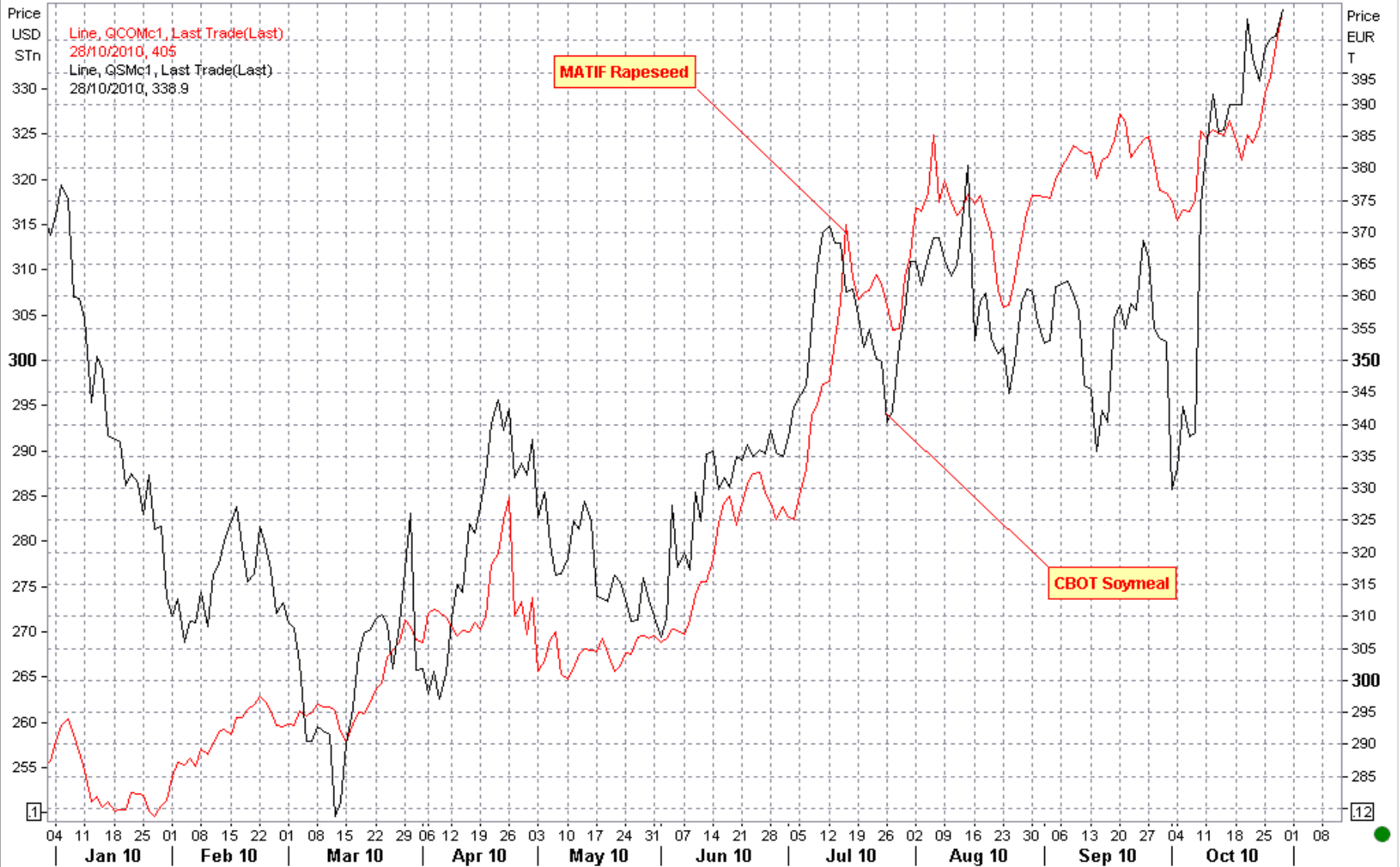
Source: USDA

Source: Prudential Report 12/10/10

CBOT Soymeal & MATIF Rapeseed

Daily CBOT Soymeal & MATIF Rapeseed

31/12/2009 - 11/11/2010 (PAR)



Soybean Meal market factors.....

Hand to mouth buying of consumers which supports prices on any setbacks

Need to replace depleted protein supplies due to lower rapeseed and sunseed production and crush products

More competitive than normal price relationship of soybean meal to fishmeal

Increased US and world broiler numbers

Concern that record large US soybean exports may end up causing shortage of supplies to crush

Uncertainty over weather in parts of South America

Record large combined US, Brazilian & Argentinean supplies

A return to normal/above normal soybean yields from last year's low level indicating more meal produced per bu crushed

Competition in some regions from increased corn by product availability


Lower US soybean meal export bookings

Larger % increase in world meal production than world oil production which could pressure meal prices relative to oil prices


Market will closely monitor developments in the South American soybean crop

Does a rising tide raise all vessels.....the impact of the Russian drought on the soy complex


Wheat rally has increased speculative buying which has pushed soybeans higher in sympathy




Higher wheat prices obviously harms its competitiveness causing perhaps additional corn and meal consumption



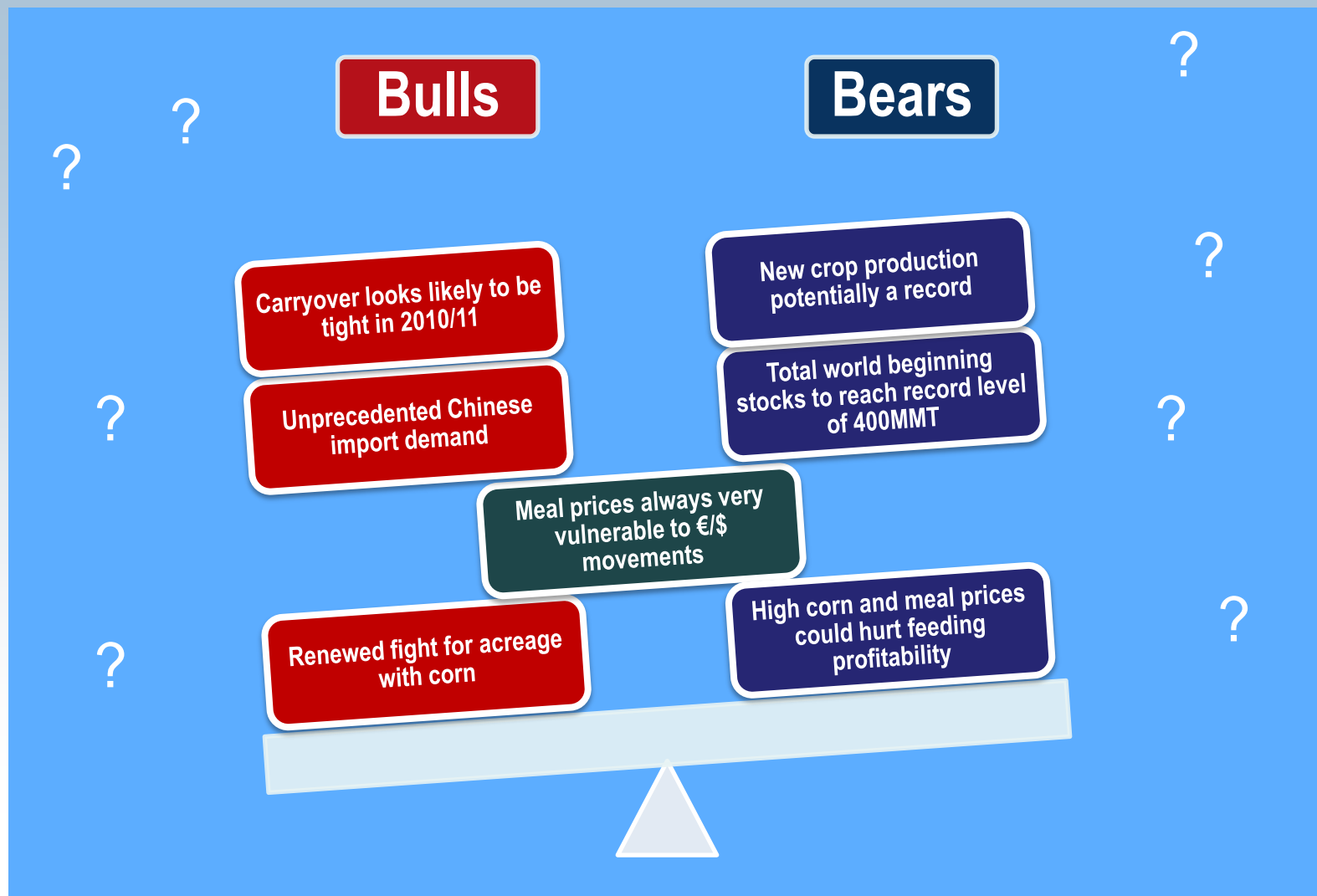
Wheat production losses could ultimately translate into an increase in poultry or meat imports which could have an impact on US domestic meal consumption



Decreased FSU rapeseed and sunflower production may lead to higher EU soybean imports



What impact will the rally in wheat prices have on new crop soybean acreage and how will the market react to this



Trade trying to balance potential record supplies with demand levels way above that initially expected

Freight

Baltic Dry Index

This index gauges the cost of shipping resources including iron ore, grain, coal and fertiliser.

Daily Q.BADI

06/05/2002 - 22/12/2010 (LON)

Line, Q.BADI, Last Trade(Last)
01/11/2010, 2,648

Price
USD

10,500

10,000

9,500

9,000

8,500

8,000

7,500

7,000

6,500

6,000

5,500

5,000

4,500

4,000

3,500

3,000

2,500

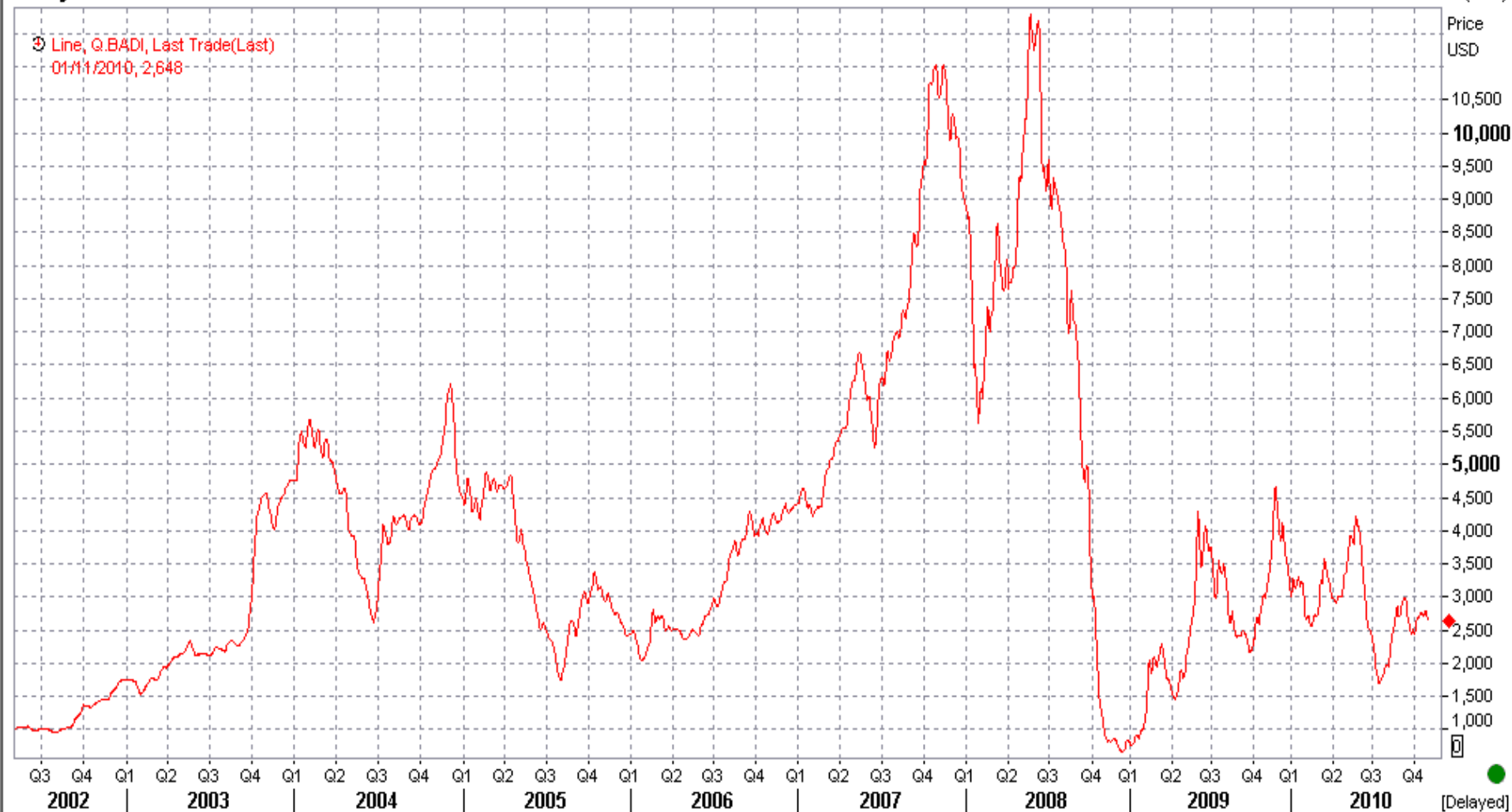
2,000

1,500

1,000

0

[Delayed]



Summary

- Fundamentally, markets look over valued.
- Still too many unknowns regarding production for clear direction
- According to UN if population grows to 9 billion, Demand for cereals will grow:
 - Cereal demand will rise by almost 1 billion tonnes from 2.1 billion tonnes today.
 - Meat demand will grow by 200million tonnes to almost 470million tonnes.
- Demand
 - Population may double by 2050 (2009 6.8billion)
 - Dietary change – higher meat and dairy consumption
 - Rising per capita food intake
- Challenge
 - Food Security, Self Sufficiency and Sustainability

Summary

- Grain markets appear to be well supported at current levels.
- Volatility will remain.
- Next year prices are well supported as the market debates planting intentions and the switch of exports from FSU to USA, EU, etc.
- Lack of forward cover (Jan/Jun), will under-pin the market.
- **Market will react violently to any food shortage, whether it be perceived or real.**