



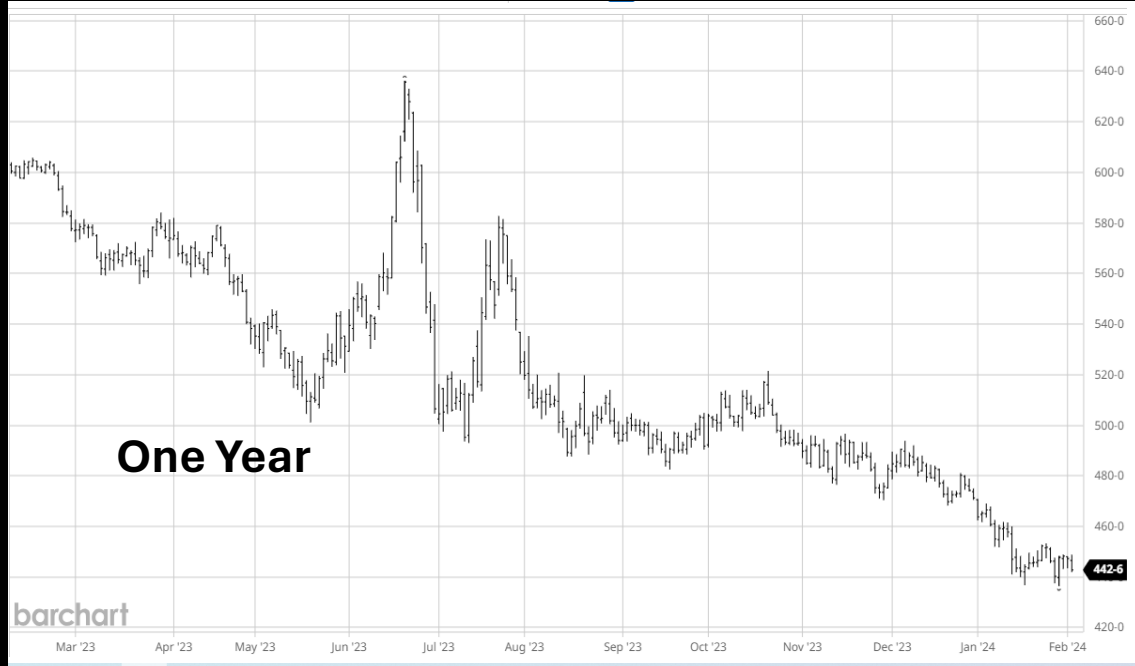
Analyzing the Market as a Cash Trader

What The Physical Market Is Saying About Supply and Demand

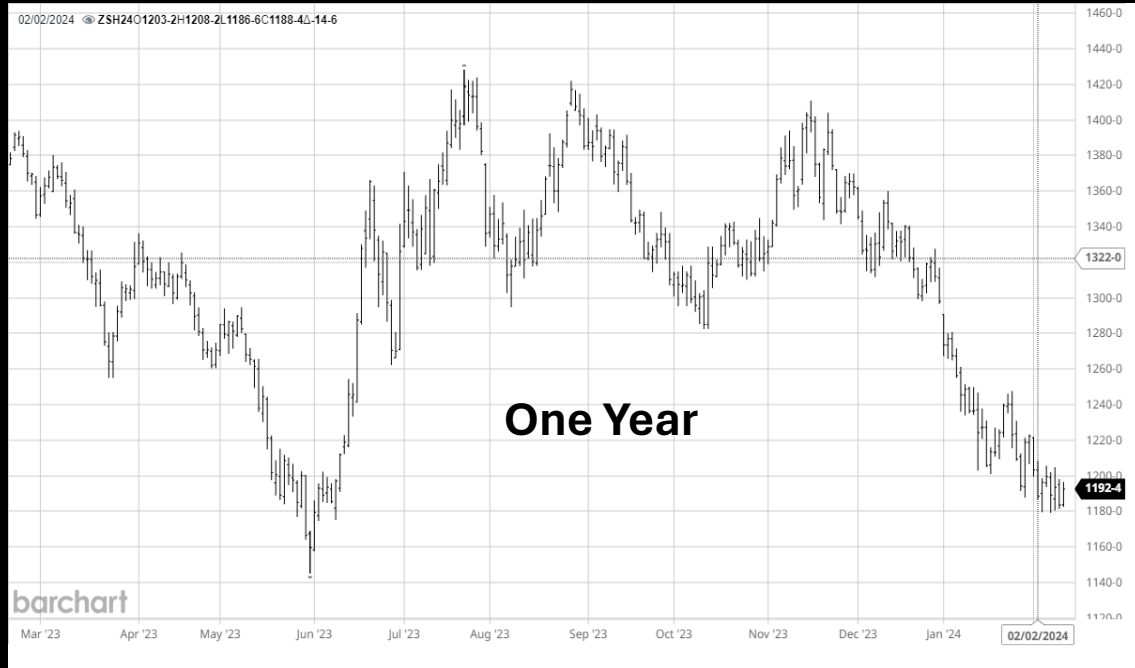
Who Am I?

- 19 years of cash grain experience
- Started as a cash broker
- Managed 5 locations and built a state-of-the-art direct ship business over the next 10 years
- Launched Consus in 2021
 - Now work with over 60 growers
 - Managing 13+ million bushels directly
 - Enjoy a little market analysis in my free time
 - Sunday Scaries
 - Daily Commentary with my husband Karl

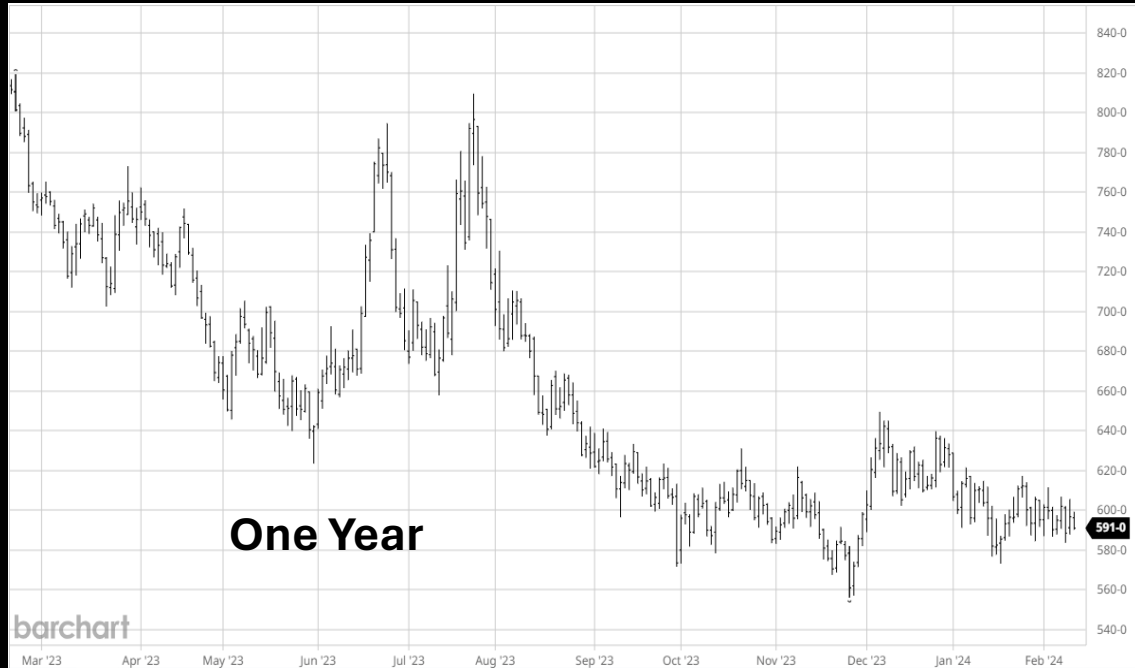
What Has Been Happening In Corn:



What Has Been Happening In Soybeans:



What Has Been Happening In Wheat:



Watching More Than Futures

- Futures are global, driven by overall supply and demand fundamentals
 - For a hedger, the futures price means very little
- Basis, the main driver—the difference between futures and cash price
 - A function of local supply and demand
 - Basis works to speed up or slow grain movement
- Spreads are influenced heavily by the US delivery market
 - They tell you how badly the market needs supply right now
 - Carry market—incentivizes storage, indicates adequate supply
 - Inverted market—discourages storage, indicates high demand



What Cash Traders Pay Attention To

- Basis movement
 - Local
 - Regional
 - Domestic
 - Global
- Values and depth of offers
- Confirmation of values and depth traded
- Freight availability and cost
- Day to day spread movement
- Moves in the global cash market matter now more than ever

What Is Happening?

- More available supply
 - World buyers are awash in offers
 - No real shortages seen on the horizon at this point
- Demand is not enough
 - End users have gone back to just in time purchasing
 - Stockpiling grain and oilseeds is unnecessary and not feasible
- Speculator sentiment has shifted, taking money out of corn, soybeans, and wheat
 - The inflation trade seems to have run its course
 - There are other, better places to put money



US Supply and Demand: Corn

U.S. Corn Supply and Demand

Item	2022/2023 estimate	2023/2024 forecast	Change from January 12	Change from 2022/2023
Planted area (million acres)	88.2	94.6	--	6.5
Harvested area (million acres)	78.7	86.5	--	7.8
Yield (bushels per acre)	173.4	177.3	--	3.9
<i>----- Million bushels -----</i>				
Beginning stocks	1,377	1,360	--	-17
Production	13,651	15,342	--	1,691
Imports	39	25	--	-14
Total supply	15,066	16,727	--	1,661
Feed and residual	5,487	5,675	--	188
Food, seed, and industrial	6,558	6,780	-10	222
Ethanol	5,176	5,375	--	199
Domestic use	12,045	12,455	-10	410
Exports	1,661	2,100	--	439
Total use	13,706	14,555	-10	849
Ending stocks	1,360	2,172	10	812
<i>----- Percent -----</i>				
Stocks to use ratio	9.9	14.9	0.1	5.0
<i>----- Dollars per bushel -----</i>				
Average market price	6.54	4.80	--	-1.74

-- No change.

US Supply and Demand: Soybeans

U.S. Soybeans Supply and Demand

Item	2022/2023 estimate	2023/2024 forecast	Change from January 12	Change from 2022/2023
Planted area (million acres)	87.5	83.6	--	-3.9
Harvested area (million acres)	86.2	82.4	--	-3.8
Yield (bushels per acre)	49.6	50.6	--	1.0
<i>----- Million bushels -----</i>				
Beginning stocks	274	264	--	-10
Production	4,270	4,165	--	-106
Imports	25	30	--	5
Total supply	4,569	4,459	--	-110
Crush	2,212	2,300	--	88
Seed and Residual	101	124	**	23
Domestic use	2,313	2,424	**	111
Exports	1,992	1,720	-35	-272
Total use	4,305	4,144	-35	-161
Ending stocks	264	315	35	51
<i>----- Percent -----</i>				
Stocks to use ratio	6.1	7.6	0.9	1.5
<i>----- Dollars per bushel -----</i>				
Average market price	14.20	12.65	-0.10	-1.55

-- No change. ** Rounds to zero.

US Supply and Demand: Wheat

U.S. Wheat Supply and Demand

Item	2022/2023 estimate	2023/2024 forecast	Change from January 12	Change from 2022/2023
Planted area (million acres)	45.8	49.6	--	3.8
Harvested area (million acres)	35.5	37.3	--	1.8
Yield (bushels per acre)	46.5	48.6	--	2.1
<i>----- Million bushels -----</i>				
Beginning stocks	674	570	--	-105
Production	1,650	1,812	--	162
Imports	122	145	--	23
Total supply	2,446	2,527	--	81
Food use	973	960	-10	-13
Seed	68	64	--	-4
Feed and residual	77	120	--	43
Domestic use	1,118	1,144	-10	26
Exports	759	725	--	-34
Total use	1,876	1,869	-10	-7
Ending stocks	570	658	10	88
<i>----- Percent -----</i>				
Stocks to use ratio	30.4	35.2	0.7	4.8
<i>----- Dollars per bushel -----</i>				
Average market price	8.83	7.20	--	-1.63

-- No change.



World Markets at a Glance

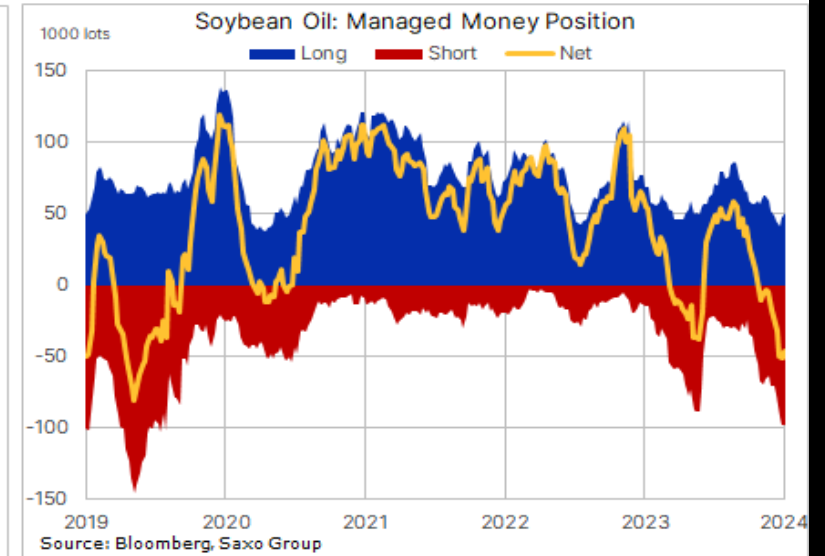
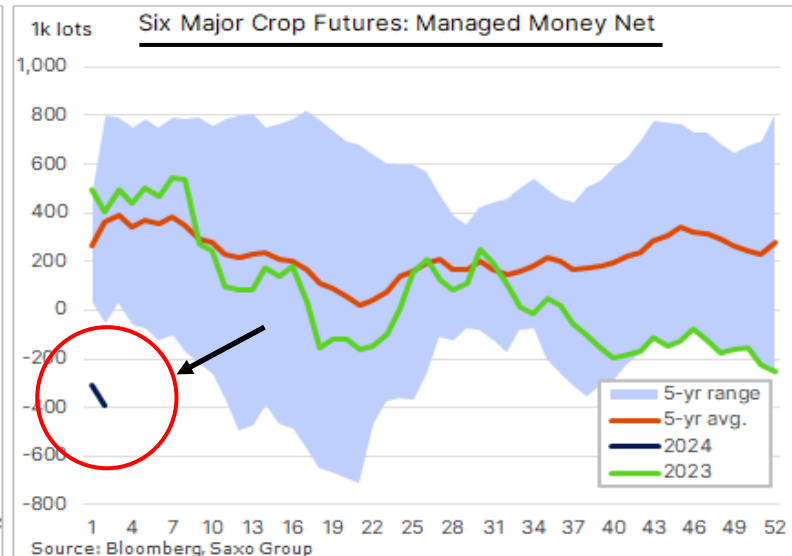
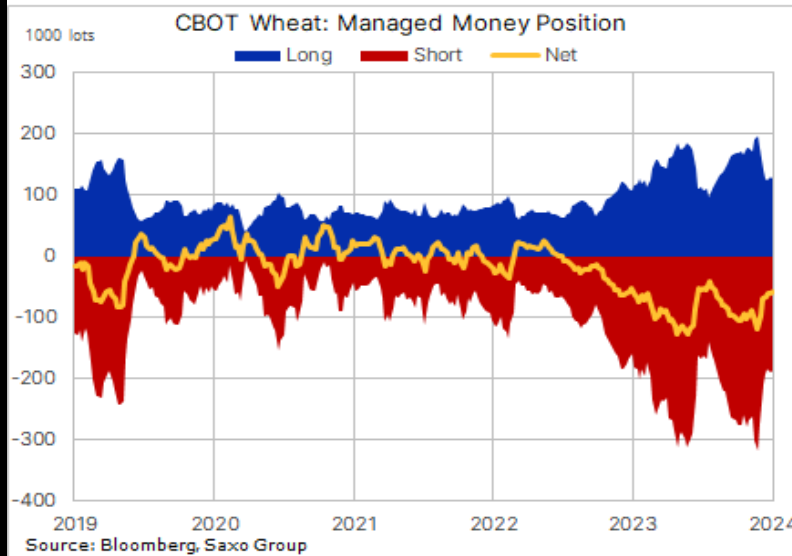
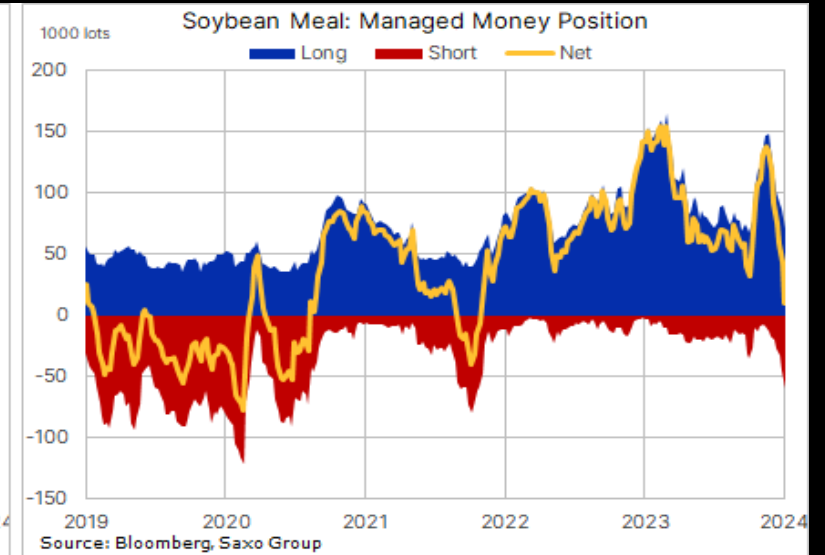
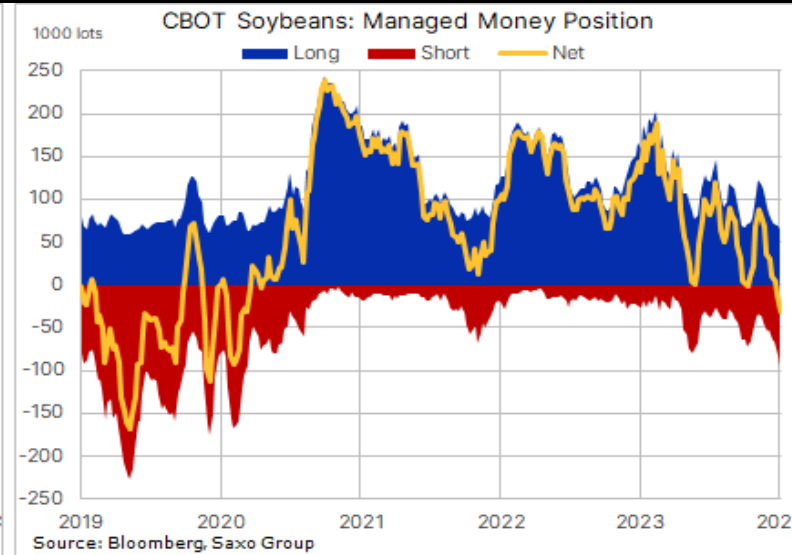
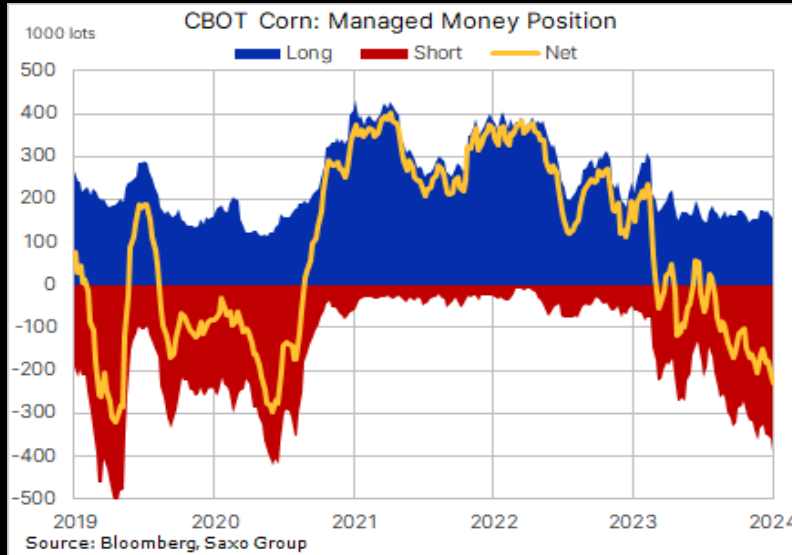
- Grain can be easily sourced
 - Even with slower than normal farmer selling, supplies feel readily available
- Logistical hurdles and geopolitical developments have helped to create new trade flows
 - Once these new relationships are forged, they tend to be maintained
 - China approved importer list continues to grow
- Cost matters, but ease of shipments and performance are important too
 - Shipping the agreed upon quality when agreed upon is key
 - This is where the US shines
- The cash markets seem to agree with current supply and demand projections
 - Spreads have carry
 - Basis is weaker

Why The Cost of Money Matters

- Higher interest rates have reduced the amount of cash available to many of our traditional grain buyers
 - Total global debt was over \$307 trillion last summer
- Strength in the dollar limits our export competitiveness
 - The stronger our dollar the more of their dollars it takes to buy our goods
- It costs more to store bushels
 - Cost of carry is around 5 cents per bushel per month for corn, 7 cents for wheat, and around a dime for beans



Money Flow:



The China Situation

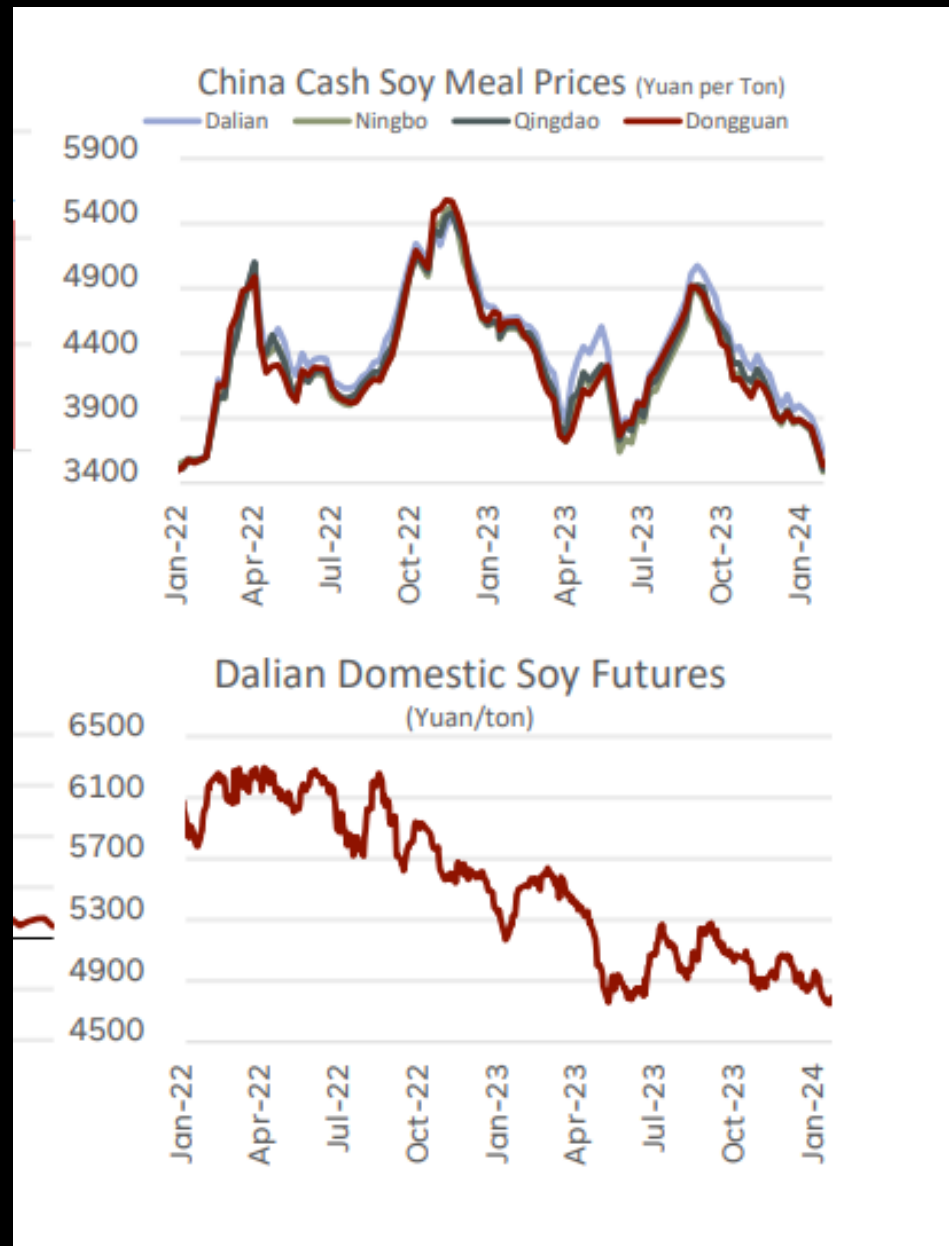
- A crackdown on corruption starting in 2018 uncovered a large discrepancy in what local officials said they had on hand for grain and what was there
 - This discovery combined with a desire to have more reserves on hand led to an historical surge in buying after the trade war
- Still dealing with a disappointing post-covid reopening as consumer habits have shifted and the economy remains in trouble
 - Falling property values and a drop in the stock market, the country's middle class is choosier on how they spend money
 - Youth unemployment was nearly 25% the last time it was reported over 6 months ago
- Poor consumer demand and an attempt to produce themselves into profitability has the country's hog and crusher margins under pressure
 - Publicly traded hog producers are openly discussing the issues they are having paying bills

An aerial photograph showing a combine harvester and a tractor working in a vast, golden grain field. The harvester is in the foreground, moving towards the right, with its grain chute extended. The tractor is positioned behind it, also moving in the same direction. The field is a uniform golden-brown color, indicating it is ready for harvest. The sky is not visible, as the field fills the frame.

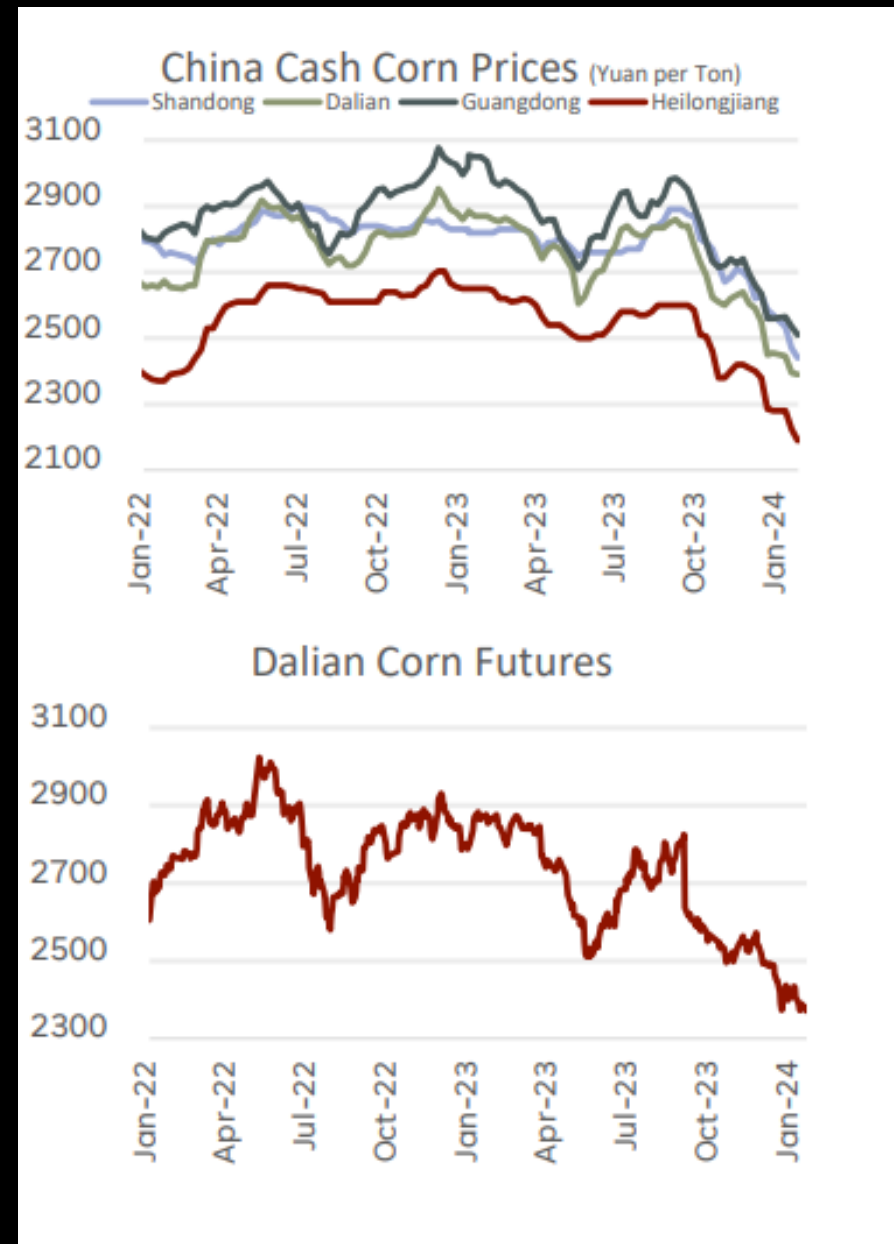
Doom and Gloom Has Not Stopped a Grain Import Boom

- Corn imports were up 32% in 2023
- Soybean imports were up 11%
- Wheat imports 22% higher
- Total 2023 grain imports were up 12% year over year
 - Second highest on record
- Brazil was the primary benefactor
 - Accounted for over half of the country's corn imports
 - 70% of soybean imports
- Questions over what the year ahead will look like after a slow start

The China Situation



The China Situation



What Is Happening In South America



- Brazil has not only increased production, but they have also improved infrastructure
 - Export capacity has grown by over 7 mmt (over 260 mbu) a month
 - Up 84 mmt a year—capacity growth of over 3 billion bushels
- Growth in Brazilian production does not necessarily mean deforestation
 - Much of the new acreage comes from pastureland
 - Additional growth potential is huge but only if supported by market economics
- Argentina's economy remains in a precarious position
 - Milei's election was initially thought to be a game changer for agriculture
 - The continued weakness in the unofficial exchange rate makes unsold grain a currency hedge



What Is Happening In South America: Soybeans

- Much of the debate over Brazilian crop size is over
 - It is up to the cash market now to manage supply versus demand accordingly
- Argentina expects a significant recovery in their crop from last year
 - Production estimates up 25 mmt (919 million bushels) from last year
 - Even with the reduction in Brazilian production, world production is up thanks to gains in Argentina
- Chinese demand remains key
 - How buyers act after they return from holiday will give us better insight on the likely size of their program

What's Happening In South America: Corn

- Still a lot of questions remaining regarding Brazilian production
 - Second crop corn is the driver of their overall crop size
 - April/May brings great weather risks
- Argentina crop size up 20 mmt (787 million bushels) from last year
 - Talk of a “Super Crop” has been walked back a bit after recent heat
 - Supplies available after April
- Brazilian exports likely to remain limited until June
 - There is a lot of old crop said to be left in bags around the countryside, farmers plan to hold tight to supplies for now



An aerial photograph of a container ship's deck, showing rows of colorful shipping containers in shades of orange, blue, and red. The ship is on a dark blue sea. In the foreground, a black silhouette of a person's head is visible, looking towards the ship. The overall scene is set against a dark background.

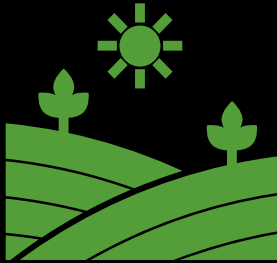
Other Important Geopolitical Flashpoints

- Russia and Ukraine—still a problem
 - Risk of escalation
 - Ability to perform remains key
- Rebel attacks and shipping in the Red Sea
 - Impacts the Europe to Asia trade routes the most
 - Questions on how much it's impacting bulk transit
 - Likely to have more of an impact keeping EU inflation sticky
- The Middle East
 - Lots of chaos there
- China relations with Taiwan and the rest of the world
- US election
 - What happens ahead of November

It's Not All Bad

- Speculators are incredibly short the markets, we typically don't see them get too much shorter—especially this time of year
 - Short covering rallies will provide pricing opportunities
- Rumors and talk that central planners in China are working on ways to stabilize the stock market and stimulate demand
 - Their hog market appears to be stabilizing
 - Growth in poultry demand is viewed as supportive as well
- Uncertainty regarding South American crop size
- Northern Hemisphere production season is wide open with production far from guaranteed
- Domestic demand growth driven by renewables remains a bright spot





What Does It Mean?

- We have entered a transitional market, moving from one of tight supply and strong demand to one of adequate supply and reasonable demand
- We are open to a supply story developing, the outlook is for burdensome supplies, but production must be guaranteed
- History points to a rally in price being likely from planting to mid-summer in corn
- El Nino transition to La Nina could have major implications on late season weather



Working with Farmers in a Transitioning Market

- One of the hardest parts of my job
 - Lost count on what number market downturn I am on, but it gets harder every time
- Farmers have been caught somewhat flat footed
 - Marketing opportunities last year seemed fleeting
 - Many of the big opportunities in corn came when the weather was the worst
- False sense of security from the last few years
 - Thoughts that we were trading in a new price paradigm
- Trying to focus on what we can control
 - Avoiding unforced errors is one of our biggest goals
- Worries we could see a repeat of 2020's market
 - The market did not provide pricing opportunities last year until late August

How We Approach Markets Like These

- We focus on protecting our point of profitability
 - Knowing a grower's costs is key to building out a marketing plan
- Scale selling using an incremental approach
 - Break the crop up into smaller, manageable chunks with standing orders in place
- Recognizing opportunities may be short lived
 - 5-10% rallies in bear markets are sometimes all you get
- Marketing keeping non-negotiables in mind
 - Space, quality and cash flow needs—they are at the heart of our marketing plan
 - Time is an important factor, the date on the calendar can influence our decision making





Ways To Help

- Support policies that help support domestic demand
 - Renewable fuels help support our markets by keeping bushels here
- Stay consistent and united in ag policy
- Infrastructure spending
 - We have some of the highest quality grain in the world, let's ensure its ability to be shipped quickly as well
- Continue to communicate USDA procedures with farmers
 - Improve the return rate of farmer surveys
- Learn more about what folks are dealing with at the farm level each day, communicate with farmers and their representatives—not just industry groups



C O N S U S

Thank you!

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