



Agricultural price trends and its impact to food security, world trade.

**7th Annual Indonesian palm oil conference & 2012 price outlook
Bali, Indonesia
1-2 December 2011**



Key messages

- Macro volatility will remain a dominant feature based on the “smaller” world model / hypothesis.
- Increased speed of price reaction and communication.
- World export trade is becoming more and more global – multiple origins both exporting and importing.
- Rebuilding US corn ending stocks on production alone is not likely to happen in one-crop cycle. Does it matter?
- Farmland, plantation (production side) will remain a viable asset as the world trend remains largely intact – consuming more than what is being produced.
- Spring weather in South America will be key to how the world meets grain and oilseed demand.



Growing, global economic uncertainty

- China lowers reverse requirements – first time since December 2008
- World central banks “come together” to provide liquidity as credit markets dry up. Lender of last resort – just how bad is it?
 - Throwing more good money after bad?
 - Achilles’ heel: deficits, spending and inability to make progress
- European financial crisis / Eurozone crisis – continues to reverberate and will likely continue in the months ahead
- US “super committee” – super fail.
- Potential housing bubble / economic growth / slow down concerns in both China and India.
- Risk aversion. Short term trade strategies. Cash is king.



Current state of play

- Macro – “any given day” but largely cautious / negative
- Wheat and soy complex make new 52-week lows towards end November
- MF Global bankruptcy
- Investment market – reducing exposure. Increased regulatory environment
- No “serious” weather threats (production) across the globe
- World supplies of grains, oilseeds, meal and veg oils interpreted as adequate / ample
- World crush margins remain poor / weak – strong oil leg does not help
- Market sentiment: shift to buyer’s market



Current state of play

- Demand continues to rise – but supply / origination globalizing with multiple origins and products being offered to world buyers.
- Galloping, emerging economies starting to look inward
 - China: 2 central pillars to food: food security. Rural incomes.
- Food security: export bans, licenses and taxes.
- Market moving to a net short position in S complex – S and BO (first time since mid-2010. SM shortest since 2006.
- Futures spreads / curve: market to move into carry / contango (bear spread / negative bias)
- Price outlook: continue to test key supports with overall question being: who is there to buy it?



Burden of proof lies with long, positive, bullish side of market

Crux of challenges to feed the world

- World population to increase by 2.6 billion persons over next 40 years.
 - 2 more Chinas to be fed than today by 2050
- Today – 1.4 billion of 7 billion live on less than \$1.25 per day
 - Another 925 million live at a level where they cannot afford basic human food requirement of 1800 calories / day
 - 2.6 billion live on less than \$2 / day – sustains life, not much more
- As incomes reach \$10 / day per capita – creates greater demand on agricultural / food commodities
- World food demand to increase by 50% by 2050 - but there is only 12 percent of the world land area that has potential for development of crop production.



Populations are expanding the fastest in regions where it is the most difficult to grow food, due to water scarcity and productive arable land.

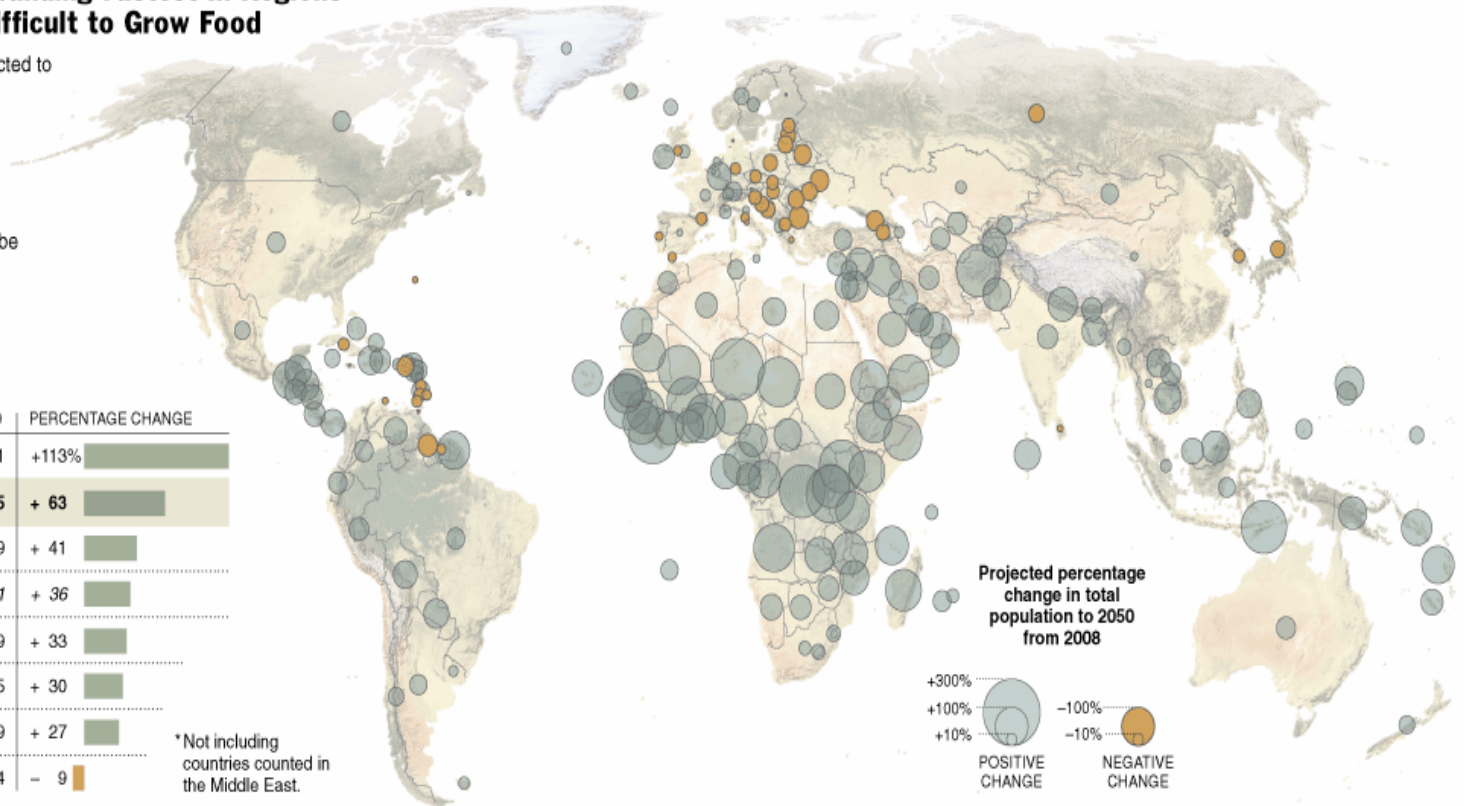
Populations Are Expanding Fastest In Regions Where it Is Most Difficult to Grow Food

The world's population is projected to grow to 9 billion before 2050. Proportionally, the countries in Northern Africa and the Middle East are among the fastest growing. But those are the world's driest regions, and by 2050, fresh water there will be twice as scarce.

Projected total population

IN MILLIONS	2008	2050	PERCENTAGE CHANGE
Sub-Saharan Africa	827	1,761	+113%
Middle East and Northern Africa	364	595	+ 63
Oceania	35	49	+ 41
World	6,750	9,191	+ 36
Latin America and the Caribbean	579	769	+ 33
Northern America	342	445	+ 30
Asia*	3,872	4,909	+ 27
Europe	731	664	- 9

*Not including countries counted in the Middle East.



Projected percentage change in total population to 2050 from 2008



Sources: United Nations, Department of Economic and Social Affairs, Population Division "World Population Prospects: The 2006 Revision"; "Natural Earth" base map by Tom Patterson



More than 40% of people today in these countries are younger than 15 years of age.

Global themes in 2011 and forward

- **Smaller world** – transportation, instant access to information and communication.
- **Volatility and instability** – will continue to be a critical trade / growth factor. Both policy and markets.
- **Everything is in a state of flux** – Stability is not necessarily the trend. Rather, greater volatility should be expected.
- **Infrastructure** – the world in general is struggling to live within the present infrastructure with both the world & technology moving so quickly

This will lead to faster “shifts” across the world



Soy complex

Short-term: South American weather. China import demand. Slow US export sales. Weak world SM demand. Numerous origins, classes of veg oil offered to world buyers. US biodiesel export tax credit expiration.

Long-term: South American export logistics. World crush margins. Chinese demand. World SM demand. World veg oil demand.

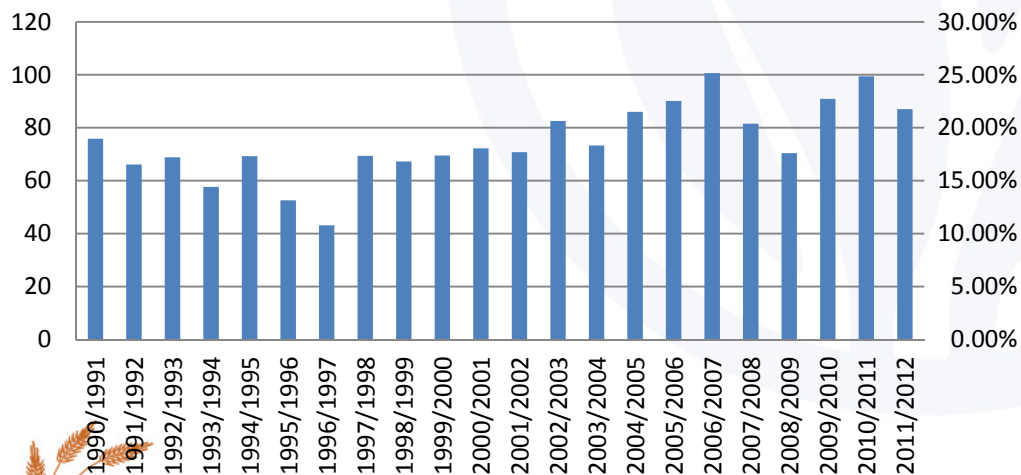


Global soy snapshot

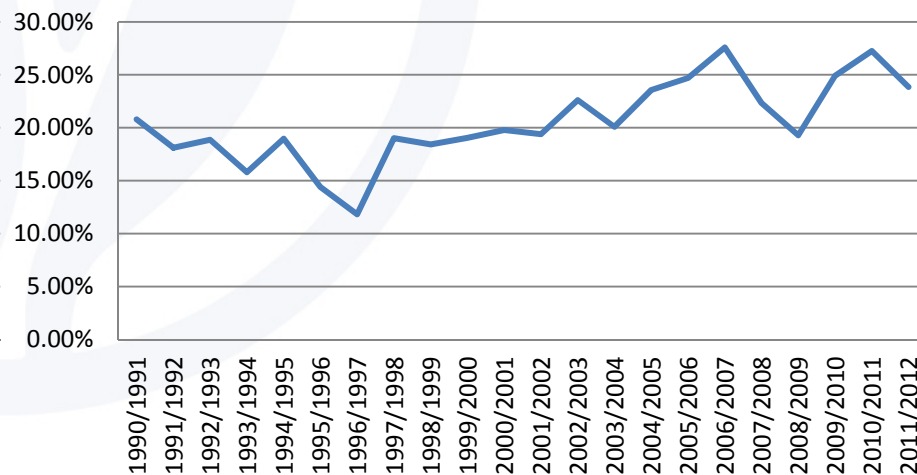
In November, USDA forecast world production = 258.9MMT. World demand = 261MMT. Ending stocks = 63.6MMT. Stocks-to-use = 24.3%. Supply cushion = 88.9 days.

- * US export bookings – down 34%. Quality concerns. South American competition
- * Focus is now on China. What volume will it import?
- * South America exports – growing dominance.
- * La Nina impact on South American production?

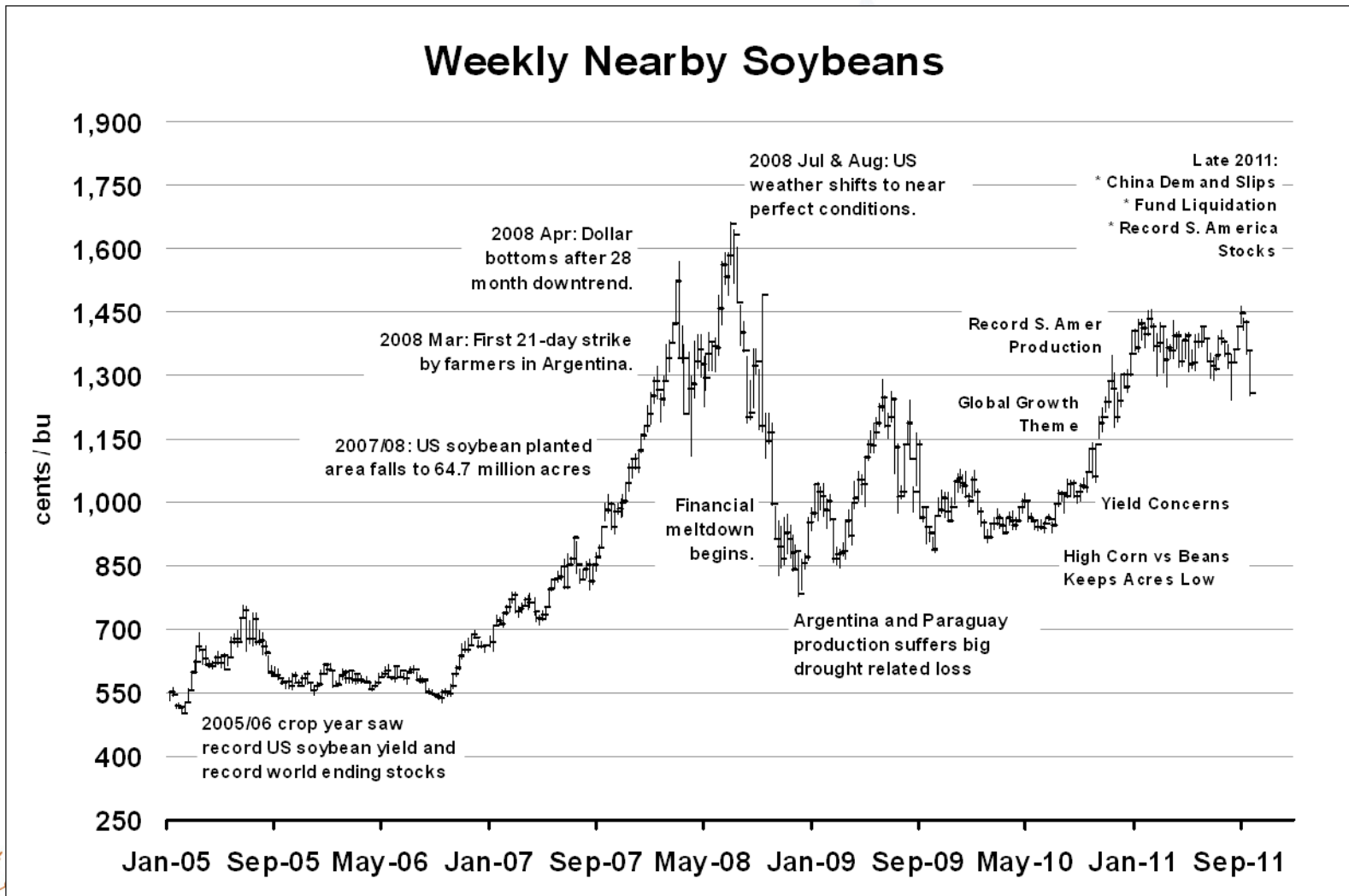
Global supply cushion (days)



Global soy stocks-to-use ratio



Historical look at soy prices



Corn

Short-term focus: critical component is the final US production followed by US export demand and does China execute a large import program?

Long-term focus: globalization of world corn and feed grain trade.

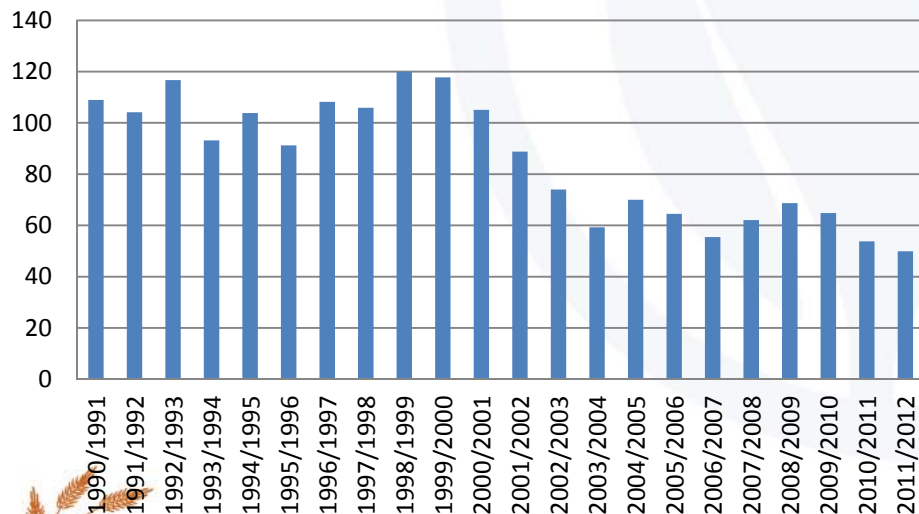


Global corn snapshot

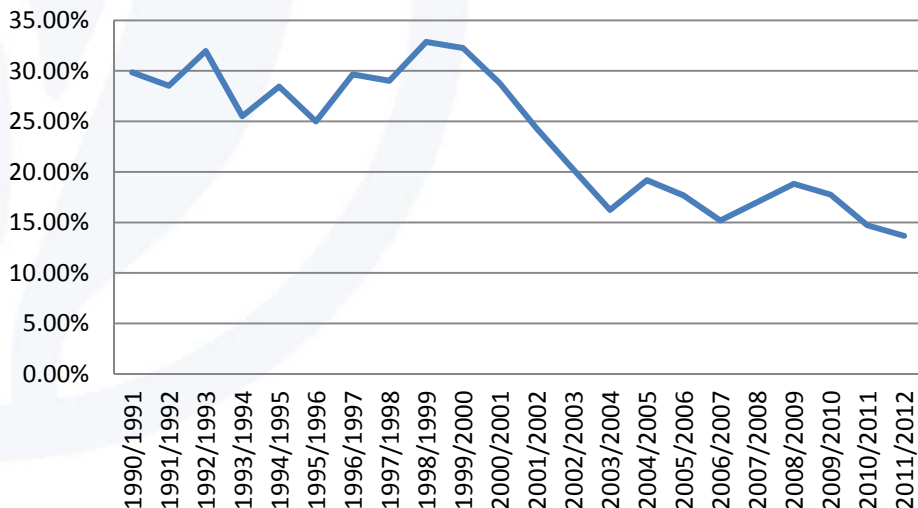
In its November WASDE, USDA forecasted world production = 859MMT with demand = 866.5MMT. Implied ending stocks = 121.6MMT. Stocks-to-use ratio = 14%. Supply cushion = 51.2days (now below the 55.5 days in 2006/07).

Market focus: Final US production. World export demand - globalization. China reserve buying. South American production.

Global corn supply cushion (days)



Global corn stocks-to-use ratio

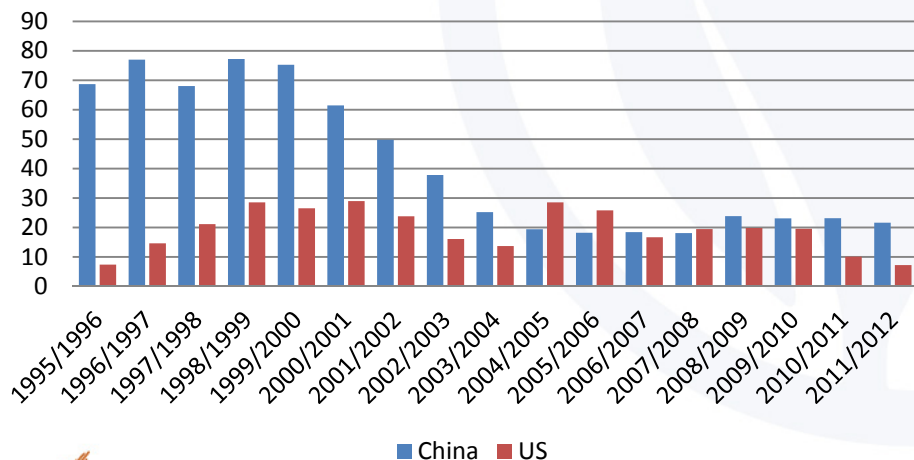


Global corn – who “holds”

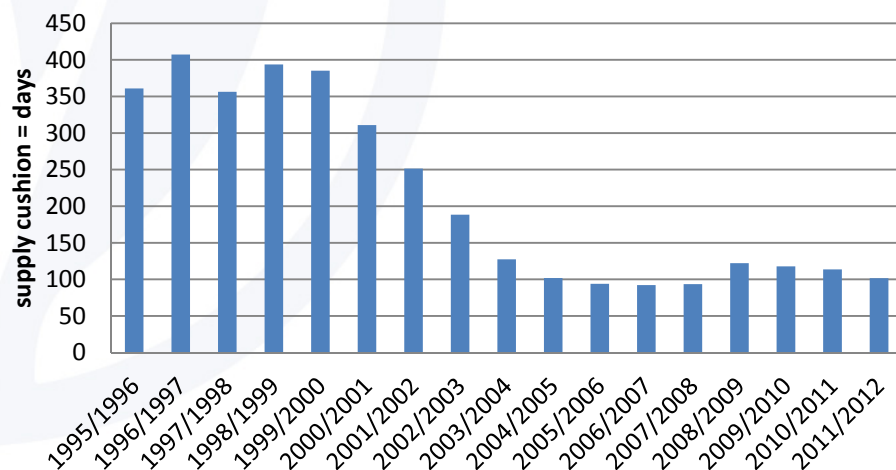
Given the lack of exports out of China – essentially controlled by its government - it is important to gauge who holds what. Based on November WASDE estimates, China holds 21.9 days of the day estimated 51.4 day supply cushion (42.6%). The US will hold 9 days (17.5%).

Another view is what China’s own domestic supply cushion is based on their daily consumption rate. Based on a daily rate = 518KMT (world = 2.36MMT / day), its supply cushion = ~100 days.

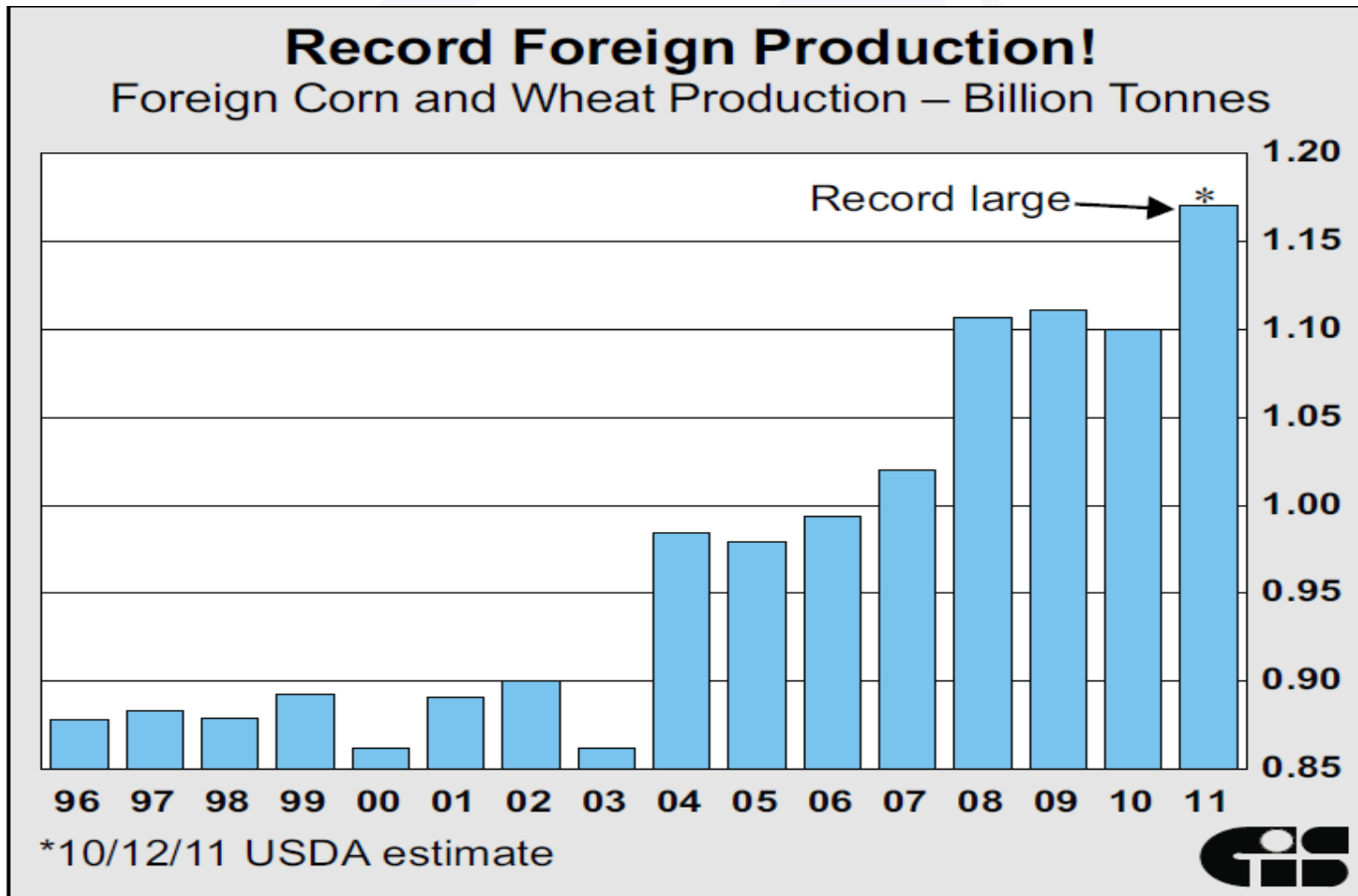
Who holds what - global corn supplies



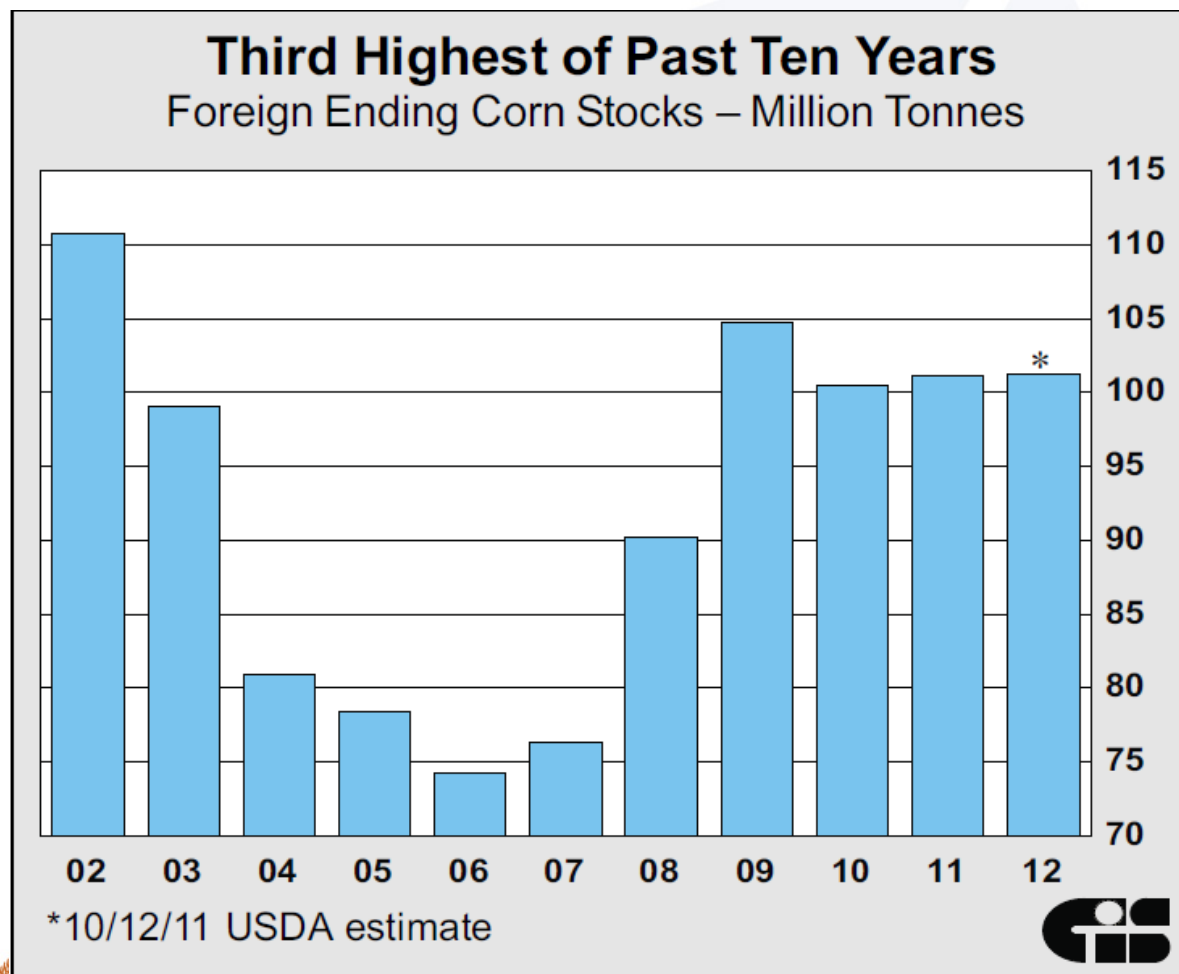
China's domestic corn supply cushion



Global corn and wheat – building foreign production and subsequently, global competition

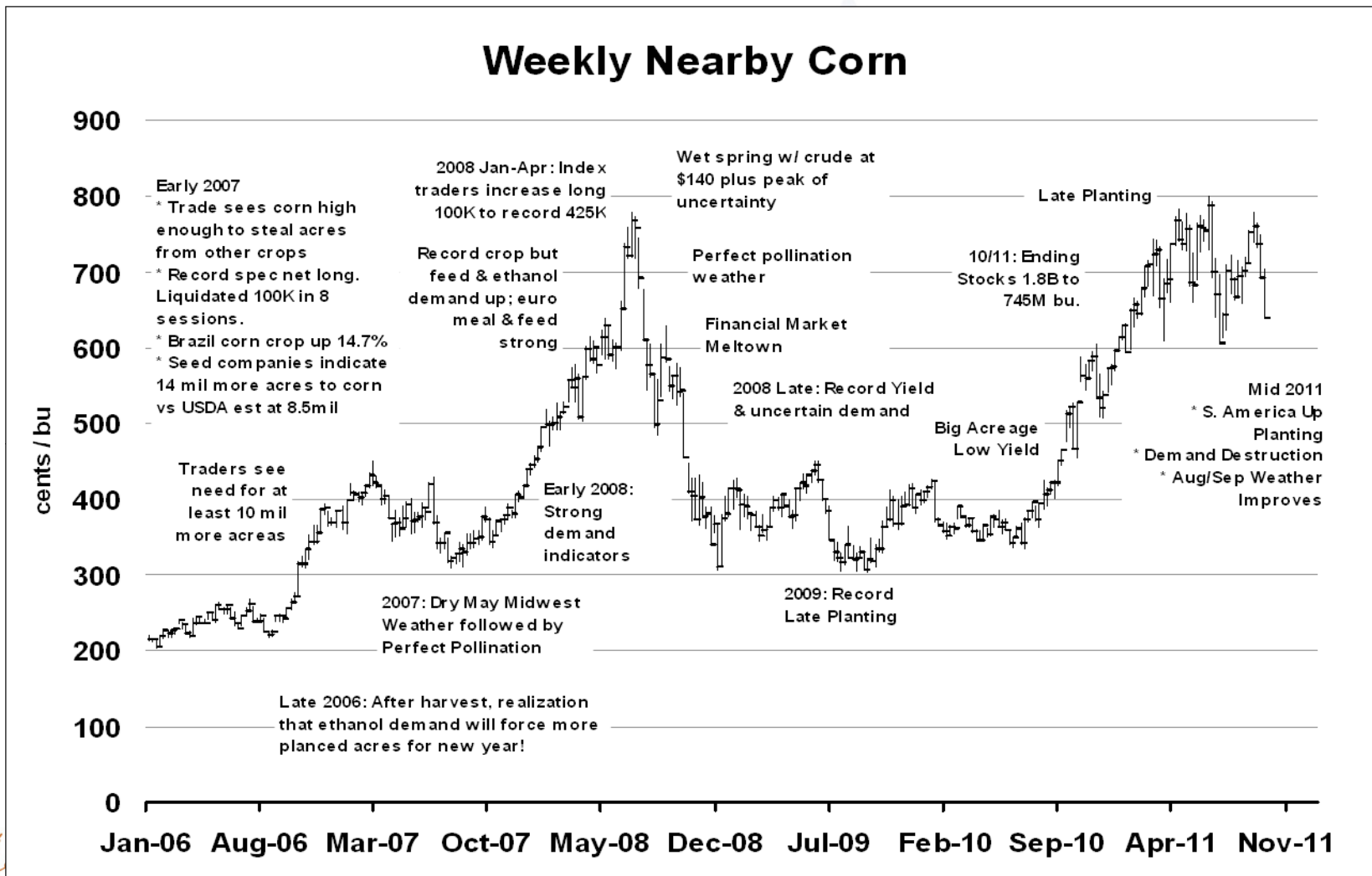


With foreign corn ending stocks 3rd highest since 2002



- US C export bookings – key difference is:
 - China (1.85MMT vs LY with another ~900KMT in unknown)
 - Mexico
 - Reduced demand from traditional market
- Globalization of world feed grain trade
 - Ukraine
 - Argentina
 - Brasil
 - India
 - Feed W

Historical look at corn prices



Wheat

Short-term focus: Argentina, Australia harvest. Continued exports ex Black Sea. World consumers buying spot. Continued challenge to buy feed demand.

Long-term focus: dry, drought conditions in Ukraine. Possible export controls ex Russia or Ukraine. India to come back as world exporter. World stocks / supplies remain adequate barring any weather issues.

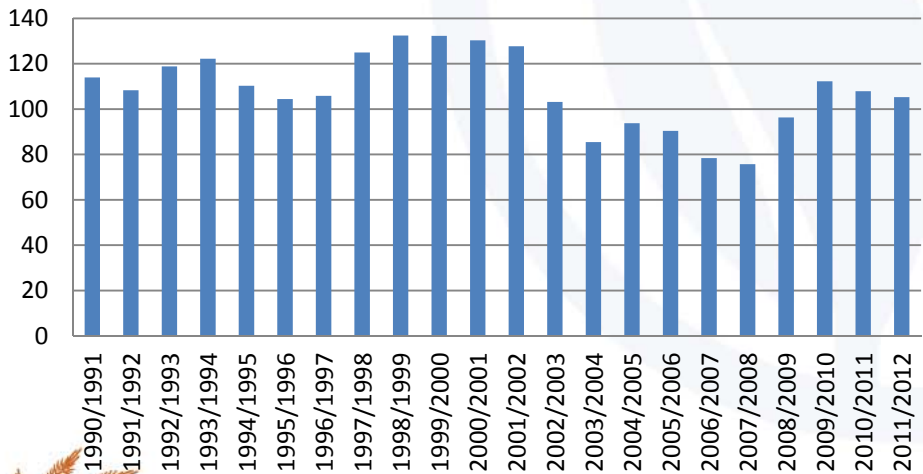


Global wheat snapshot

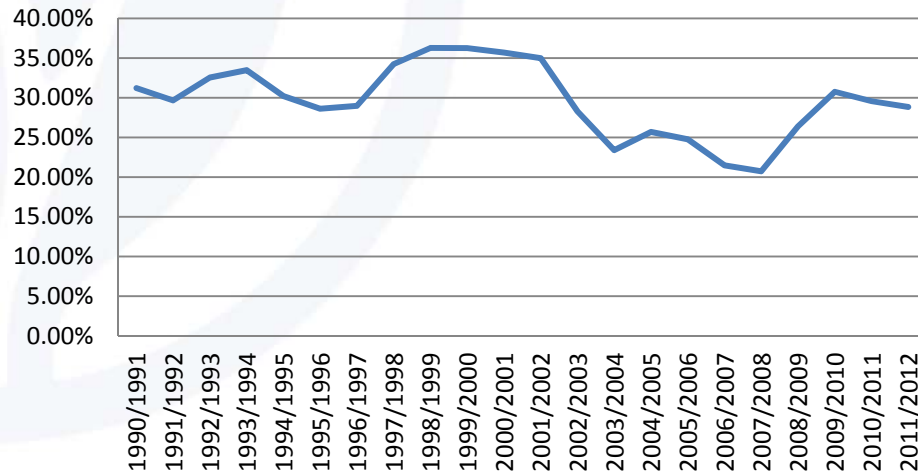
In November, USDA forecasted world production = 683.3MMT. Feed demand = 126.4MMT. Export trade = 137.3MMT. Implied ending stocks = 202.6MMT. Stocks-to-use ratio = 30%. Supply cushion = 109.3 days.

Bottom-line: world soft wheat stocks are viewed as comfortable / ample. Hi protein W remains the name of the game with its inelastic demand profile. Black Sea continues to set world values. India moving back into export market. Australia looks good. Argentina a touch dry but very regionalized trade. Follower of corn values.

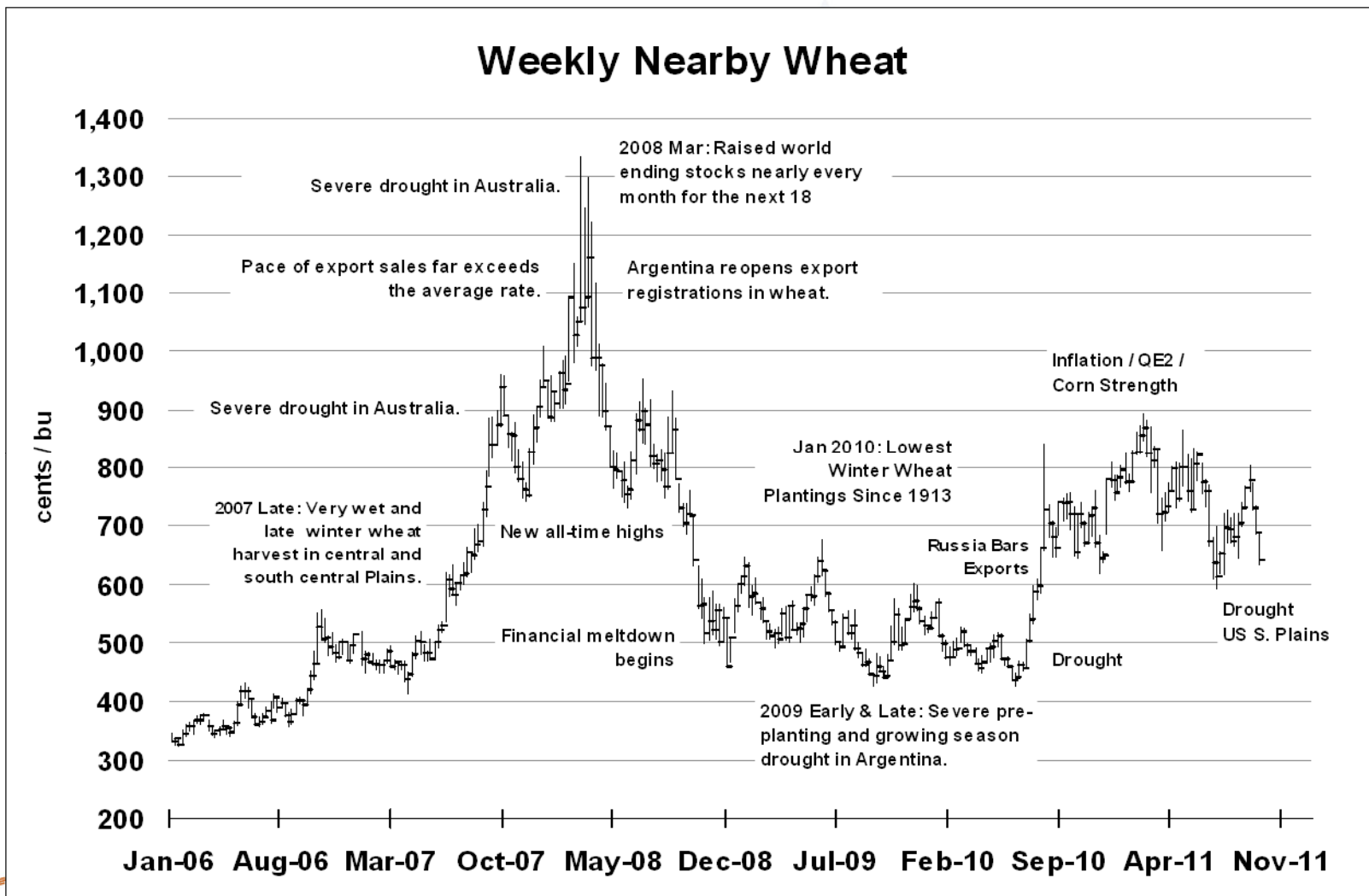
Global wheat supply cushion (days)



Global wheat stocks-to-use ratio



Historical look at wheat prices



About ConsiliAgra

ConsiliAgra is a global consulting and brokerage firm providing actionable advice and strategies to those operating and trading within the global grain and oilseeds markets.

The firm's services touch upon every part of the increasingly-complex agricultural markets, presenting a platform through which clients are able to gain a keen understanding of the integrated global agriculture industry; and to act upon this knowledge.

We provide:

- Coordinated risk management (hedge structures and brokerage / clearing services)
- Active advising services
- Dynamic trading strategies (proprietary speculative structures)
- "Right people" introductions
- Commodity execution services

In forming ConsiliAgra in January 2009, Emily French aligned herself with Global Asset Advisors. Since its inception, ConsiliAgra clients now range from international & domestic commercials to hedge funds and investment banks as well as a private money portfolio.

Global Asset Advisors is an umbrella organization comprised of international agriculture speculators, hedgers, service providers and information sources.

Contact information:

Emily French
Managing Direction, ConsiliAgra
www.consiliagra.com
Office: +866-928-3320
Mobile: +208-610-4593