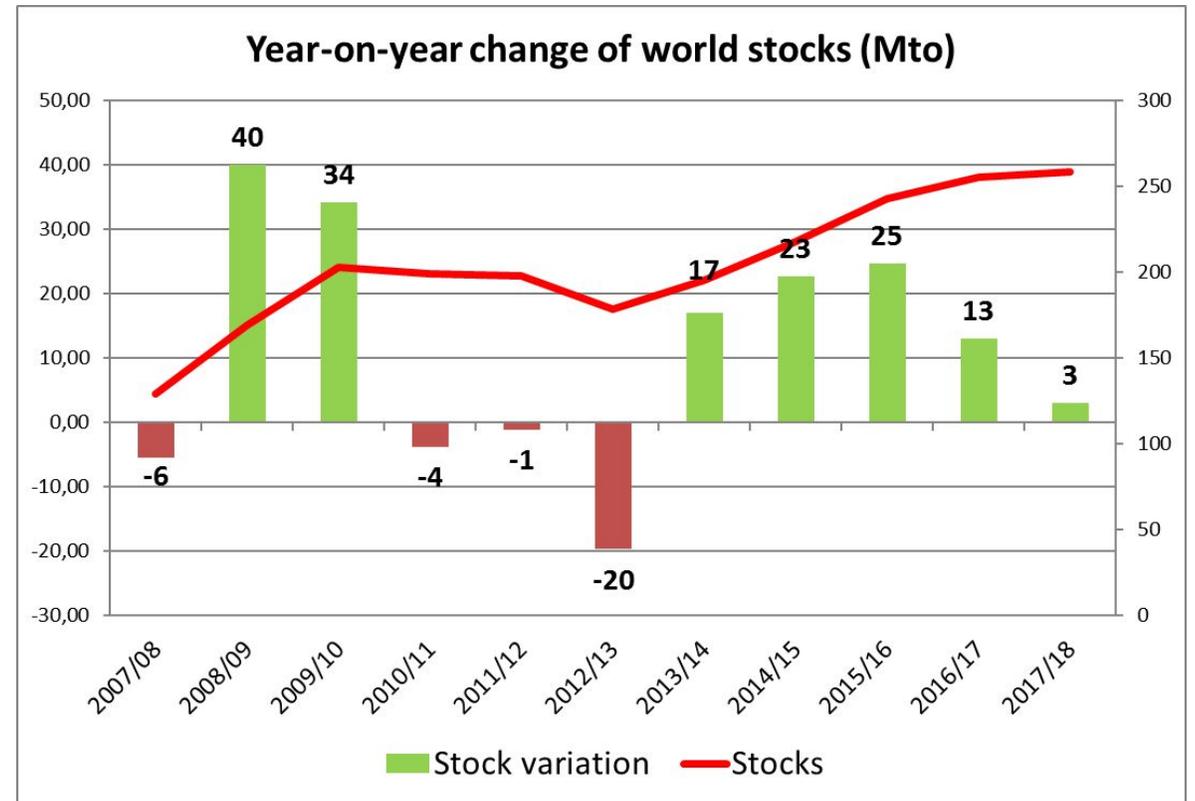
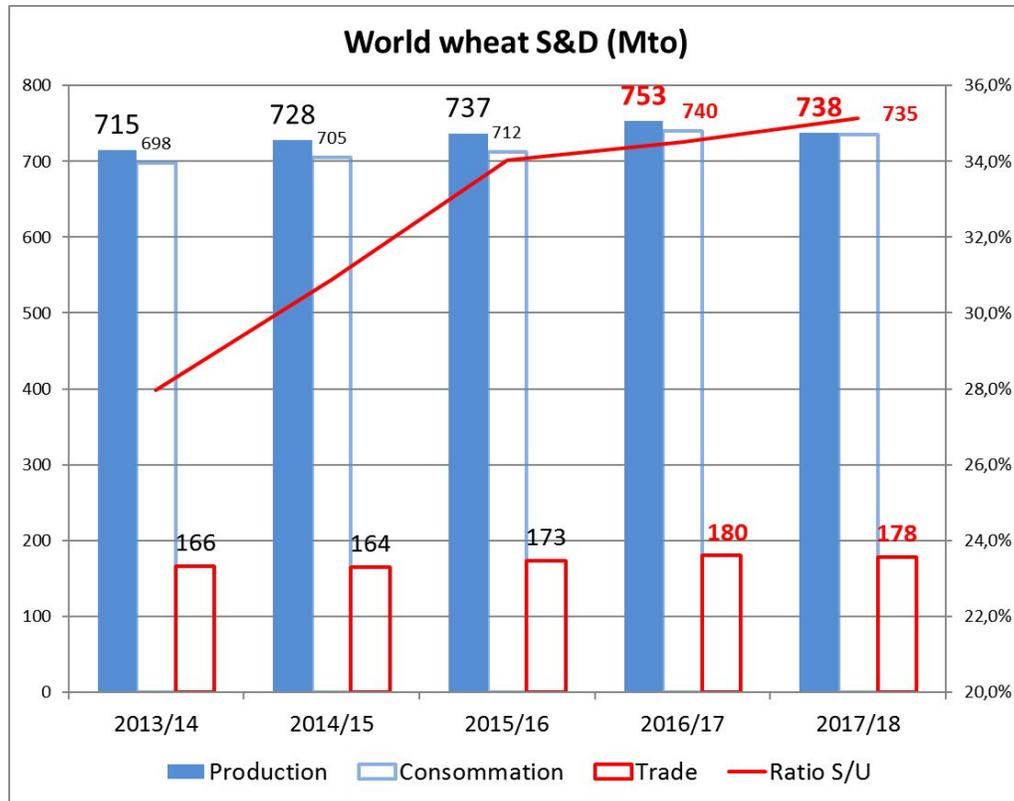




◆ May 2017

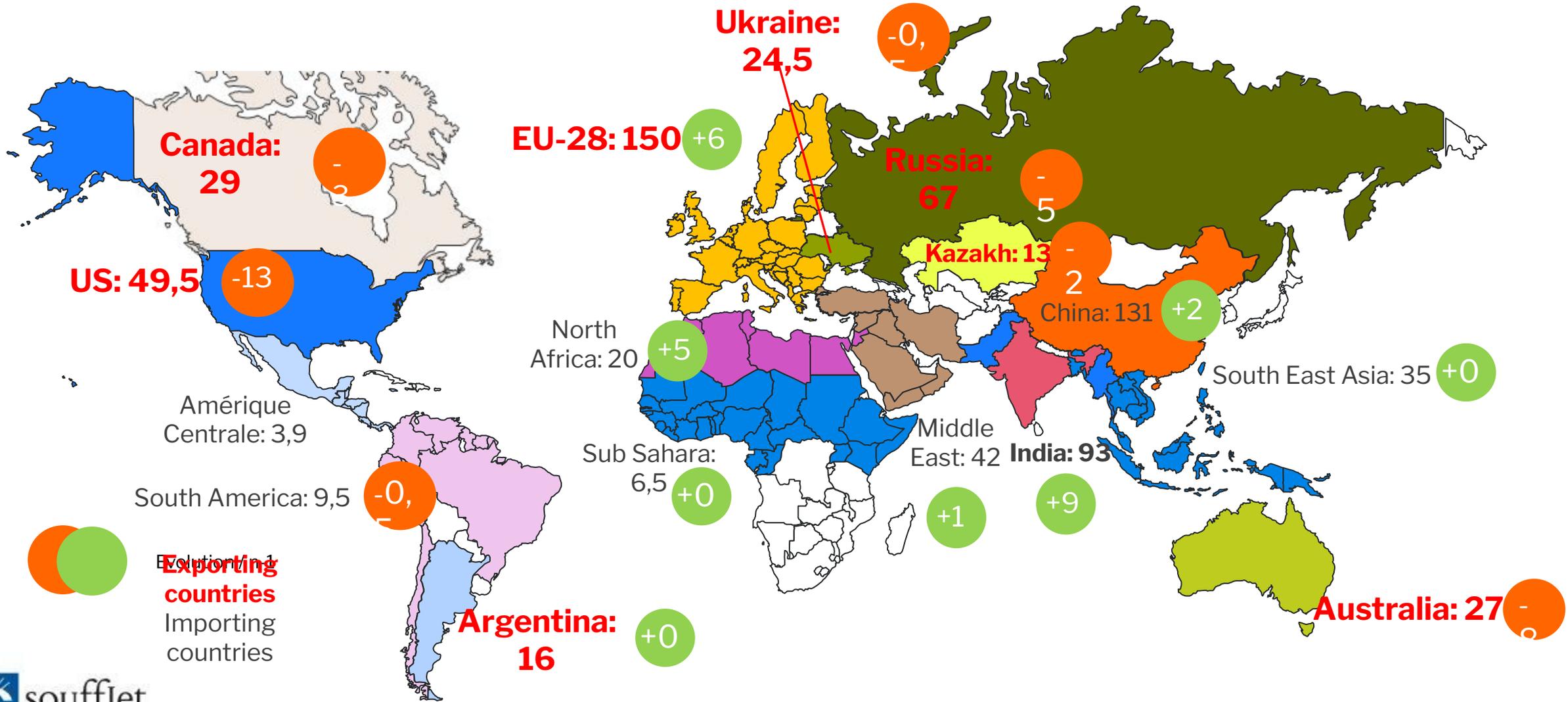
Prospects for grain markets

NO MAJOR THREAT FOR WHEAT SUPPLY IN THE WORLD DESPITE A LOWER CROP

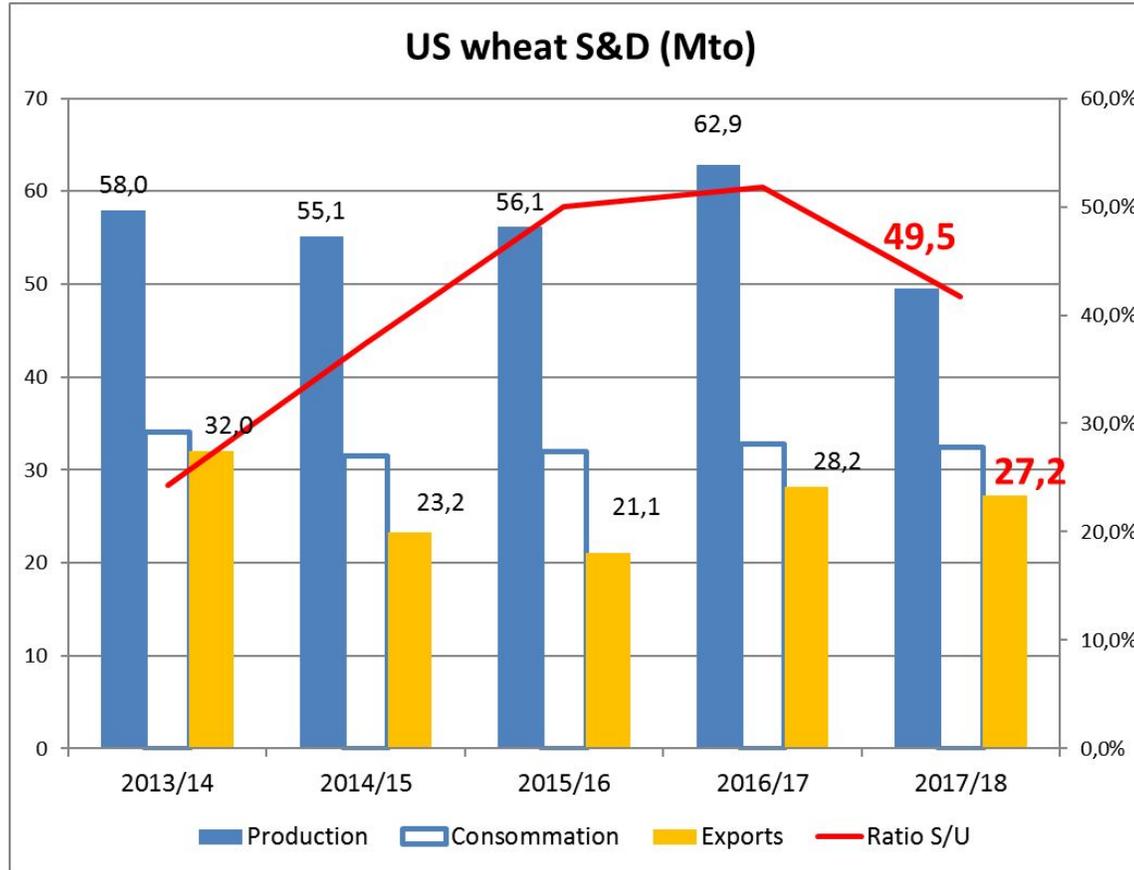


- ✓ World wheat crop down by 15 Mto, mainly due to a lower crop (-13 Mto)
- ✓ World wheat stocks continue to grow but this increase is only due to larger chinese stocks (+18 Mto in 2017/18 to 128 Mto, or 50% of world stocks...)
- ✓ Excluding chinese S&D, stocks among exporting countries are expected to decrease in 2017/18.

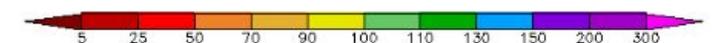
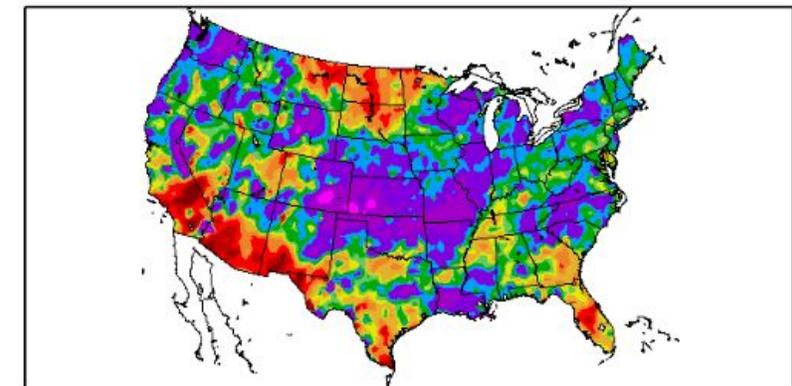
LOWER CROPS AMONG MAIN EXPORTING COUNTRIES, EXCEPT IN EUROPE



A LOWER US CROP BUT NOT A TIGHT S&D



Percent of Normal Precipitation (%)
3/24/2017 - 5/22/2017

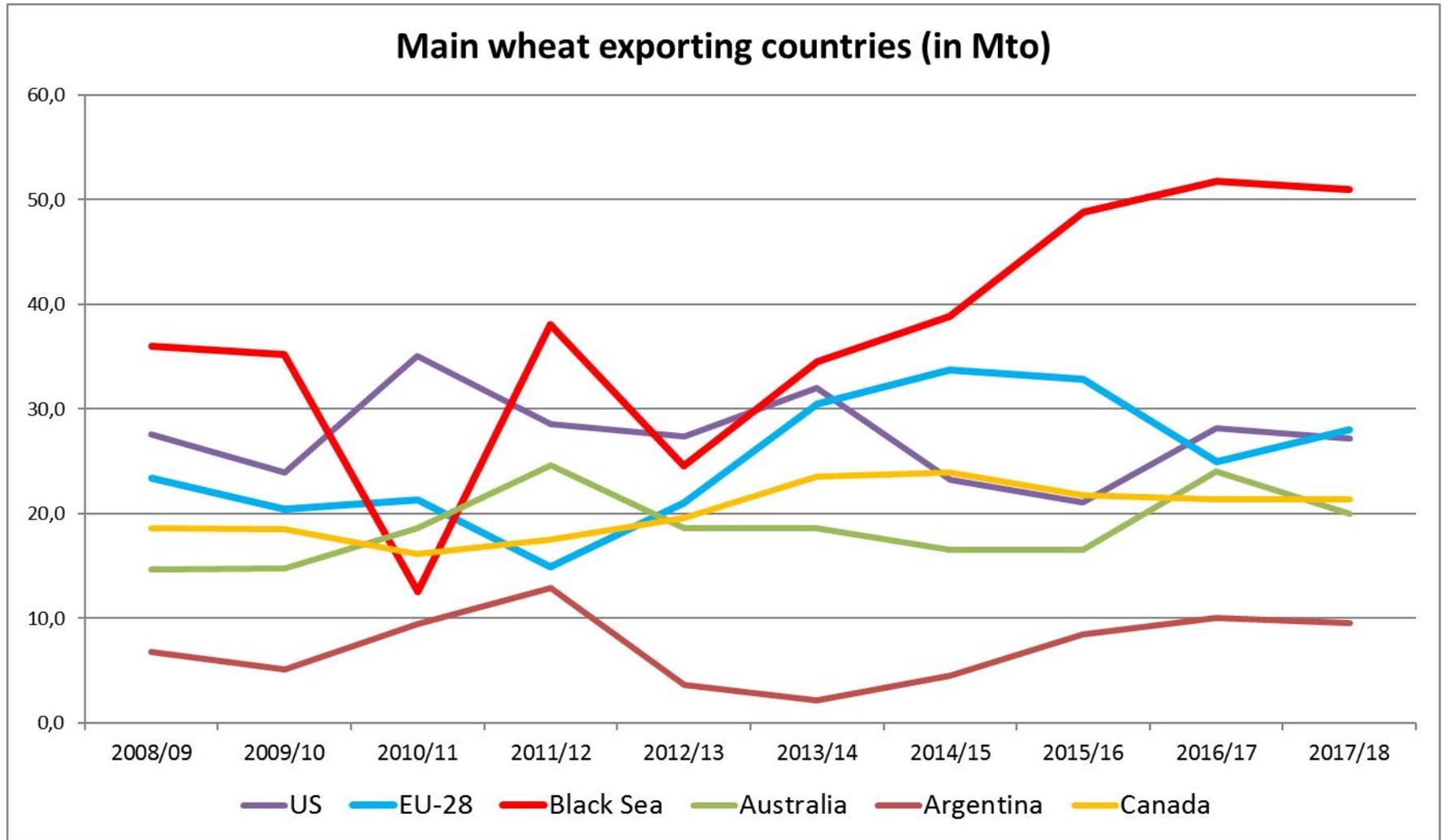


Generated 5/23/2017 at HPRCC using provisional data.

Regional Climate Centers

- ✓ A sharp drop in wheat production as US farmers planted the lowest wheat acreage since 1909
- ✓ A very wet growing season, which could alter the quality
- ✓ HRW plains experienced a severe snow storms early May, with uncertain damages

BLACK SEA COUNTRIES STRENGTHEN THEIR LEADERSHIP ON WHEAT TRADE



**Black Sea:
51 Mto**

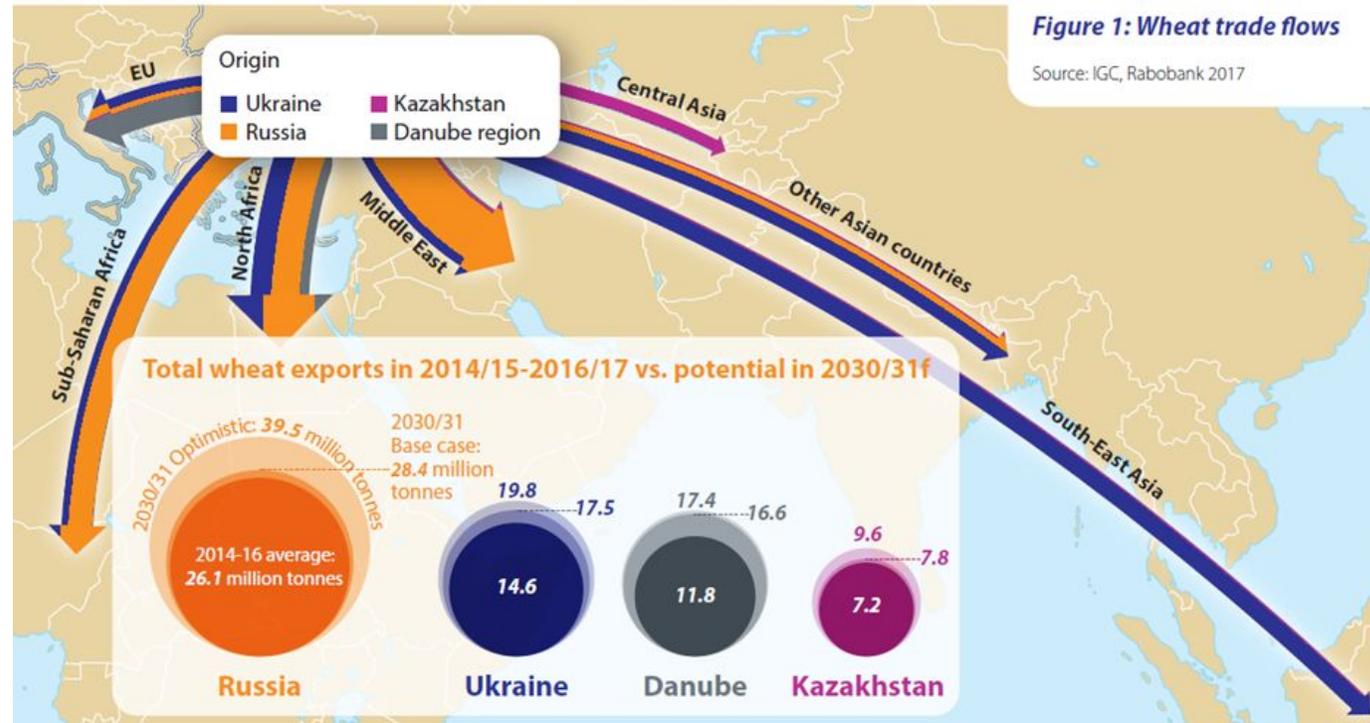
**EU: 28 Mto
US: 27**

Canada: 21

**Australia: 20
Mto**

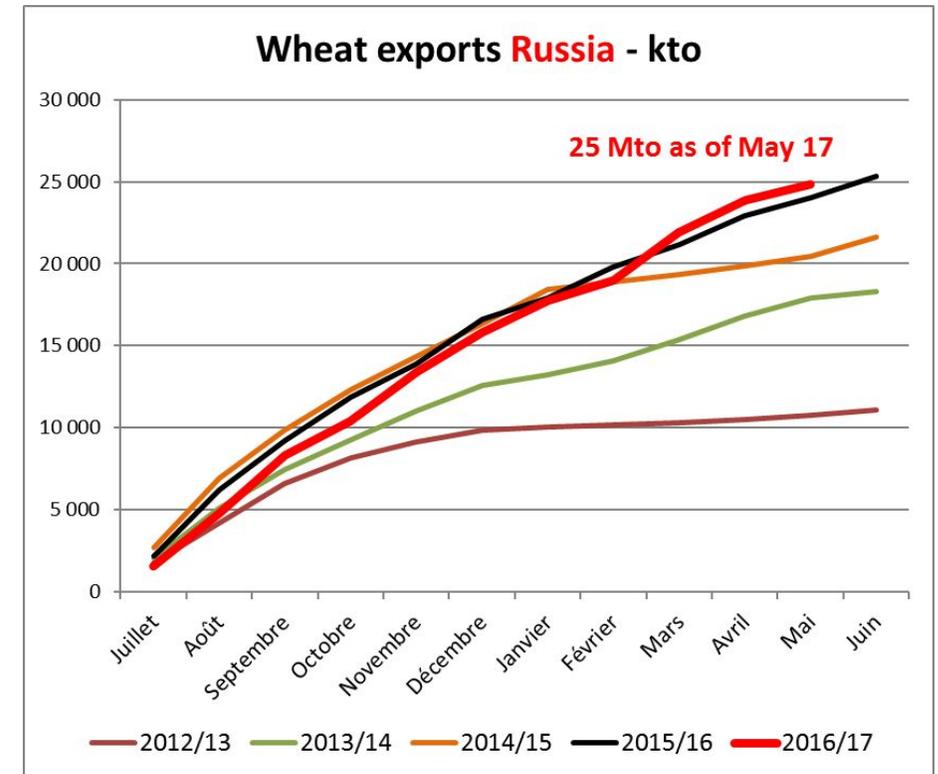
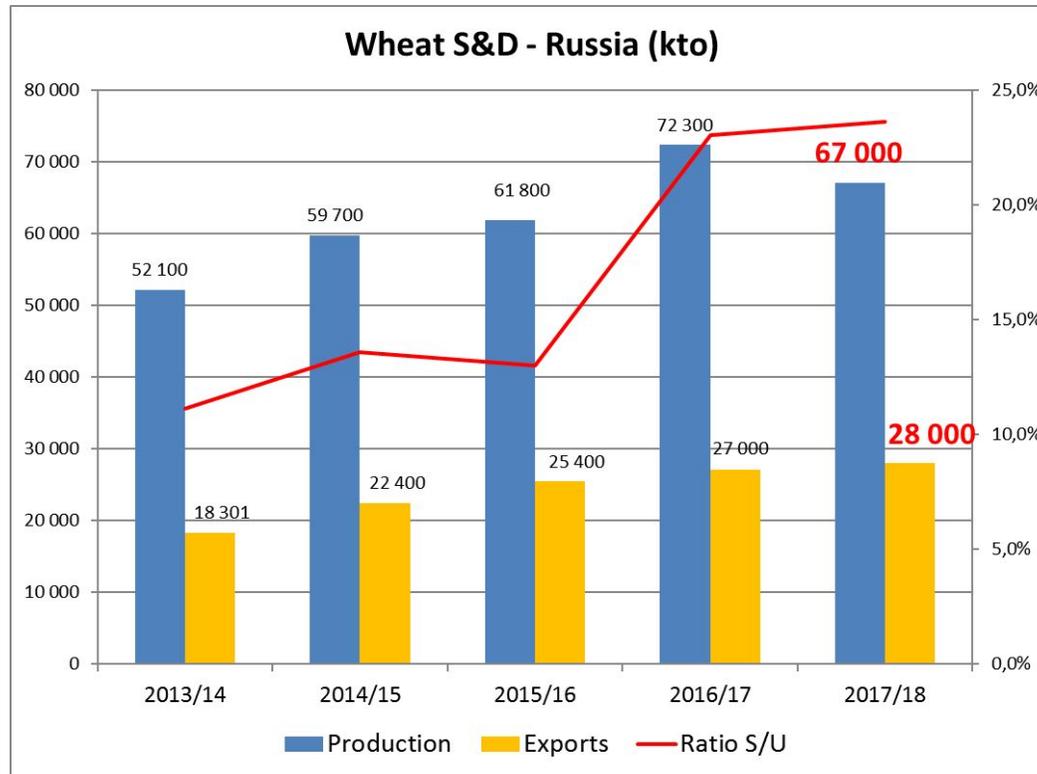
**Argentina: 9,5
Mto**

A FAVORABLE LOCATION TO EXPORT TO MAIN CONSUMER COUNTRIES



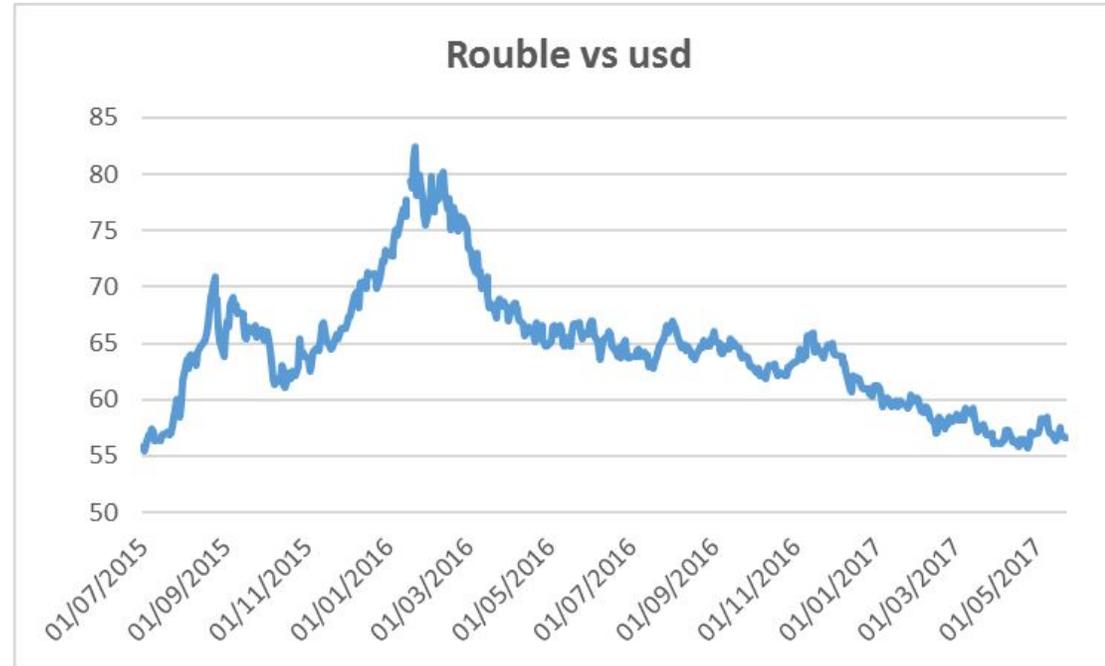
- ✓ A growing demand from the Middle East and Asia is benefiting to Black Sea origins as freight is cheaper than out of Europe
- ✓ Extension of port capacities in the recent years

RUSSIA: STILL A IMPRESSIVE EXPORT POTENTIAL DESPITE A LOWER CROP



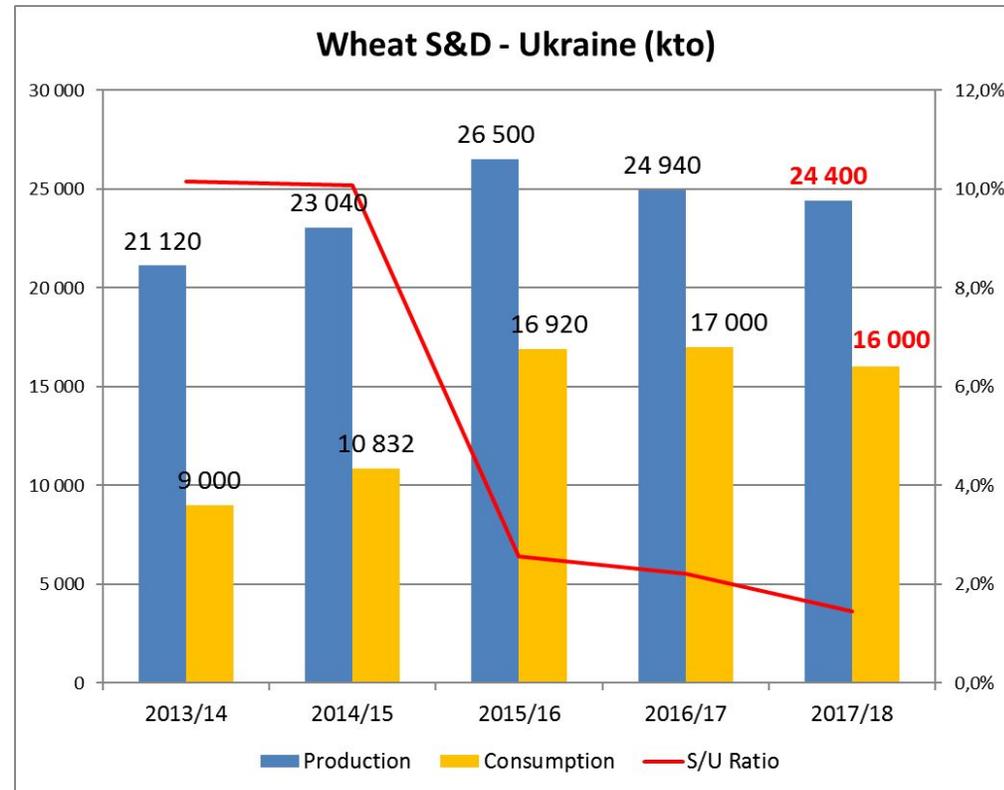
- ✓ Higher winter wheat acreage in Russia for the new crop but we expect a return to normal yield after record yields in 2016
- ✓ Low winterkill during the past winter and good weather conditions so far despite cooler than normal

FACTORS TO MONITOR IN RUSSIA



- ✓ Rouble has appreciated by more than 10% vs US dollar since the 1st of July 2016
- ✓ Trade relationships of Russia with importing countries like Turkey
- ✓ Which procurement policy next season regarding intervention stocks?

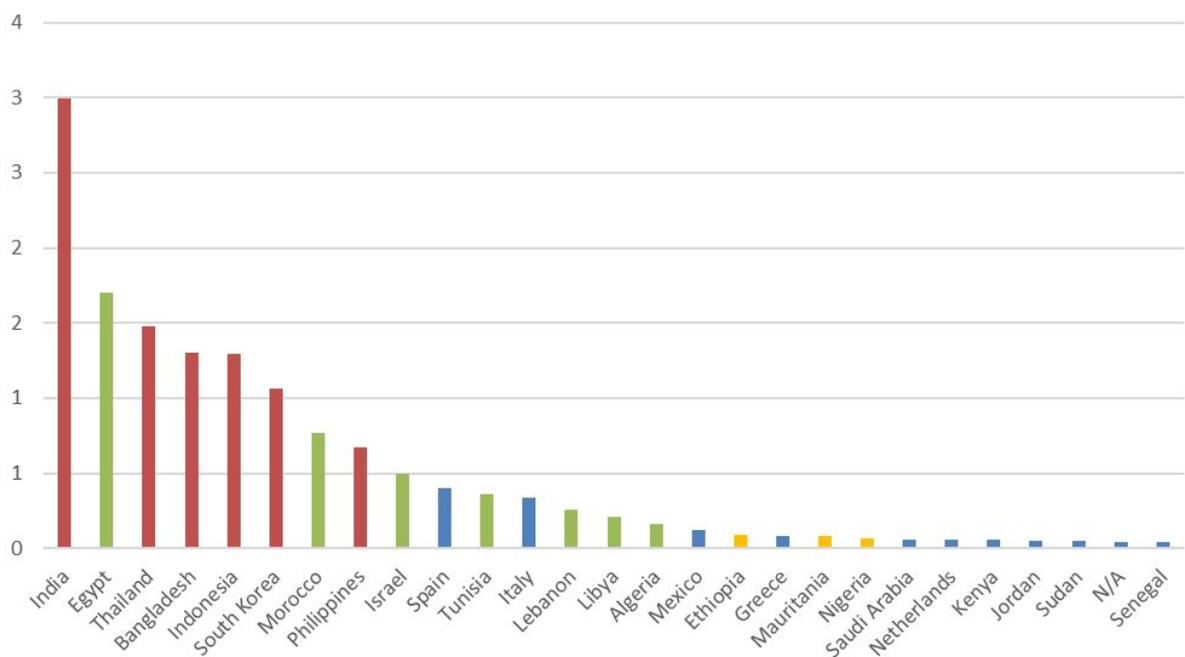
UKRAINE: GOOD PROSPECTS FOR THE NEW CROP



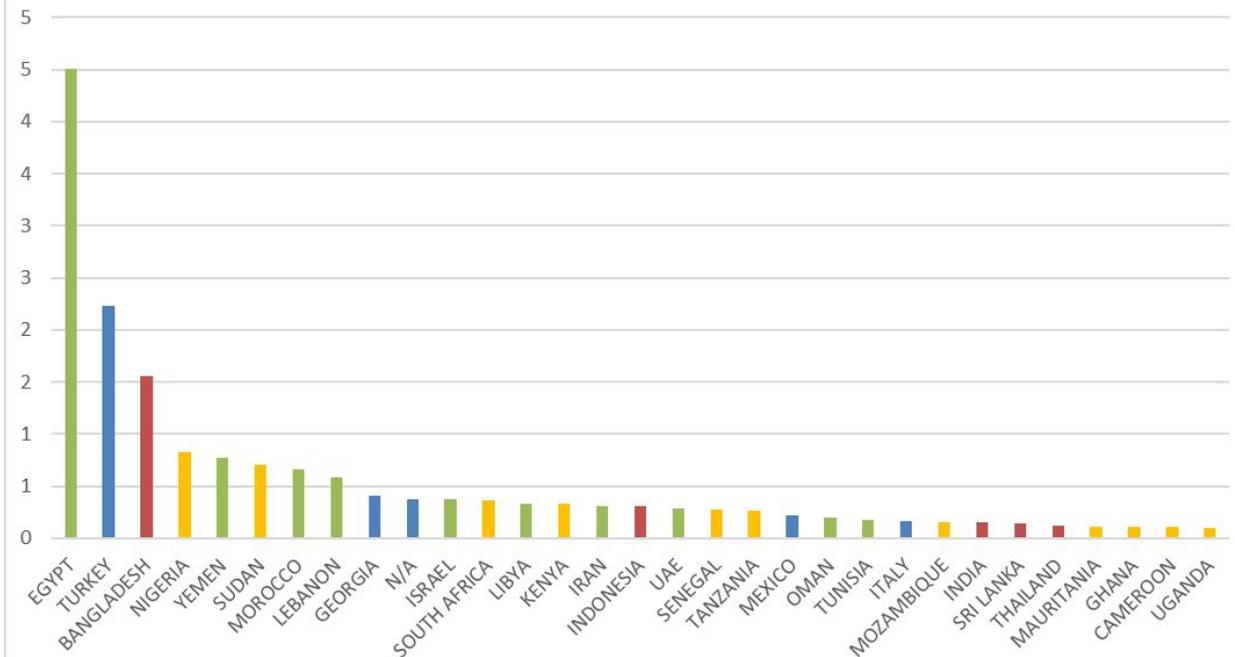
- ✓ Strong export demand this season to Asia, mainly India
- ✓ Wheat quality from Ukraine is more and more appreciated by millers at destinations
- ✓ Which quality for the harvest 2017?

MAIN DESTINATIONS OF UKRAINIAN AND RUSSIAN WHEAT

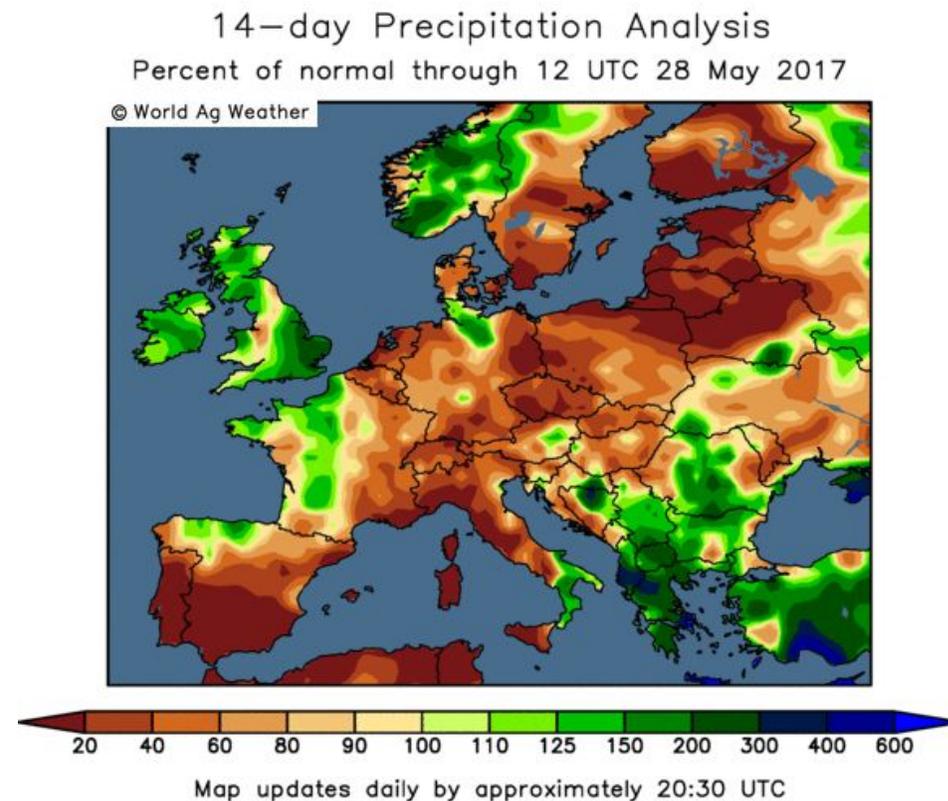
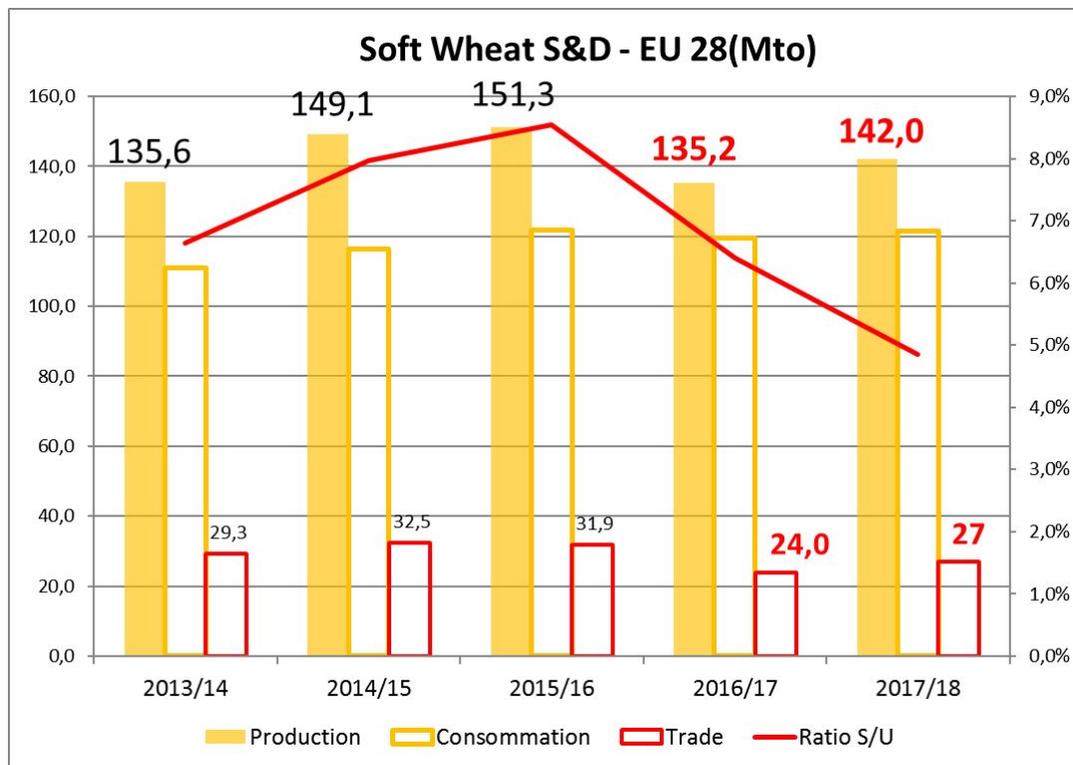
Principales destinations du blé ukrainien à mi mars (Mto)



Principales destinations du blé russe à mi mars (Mto)

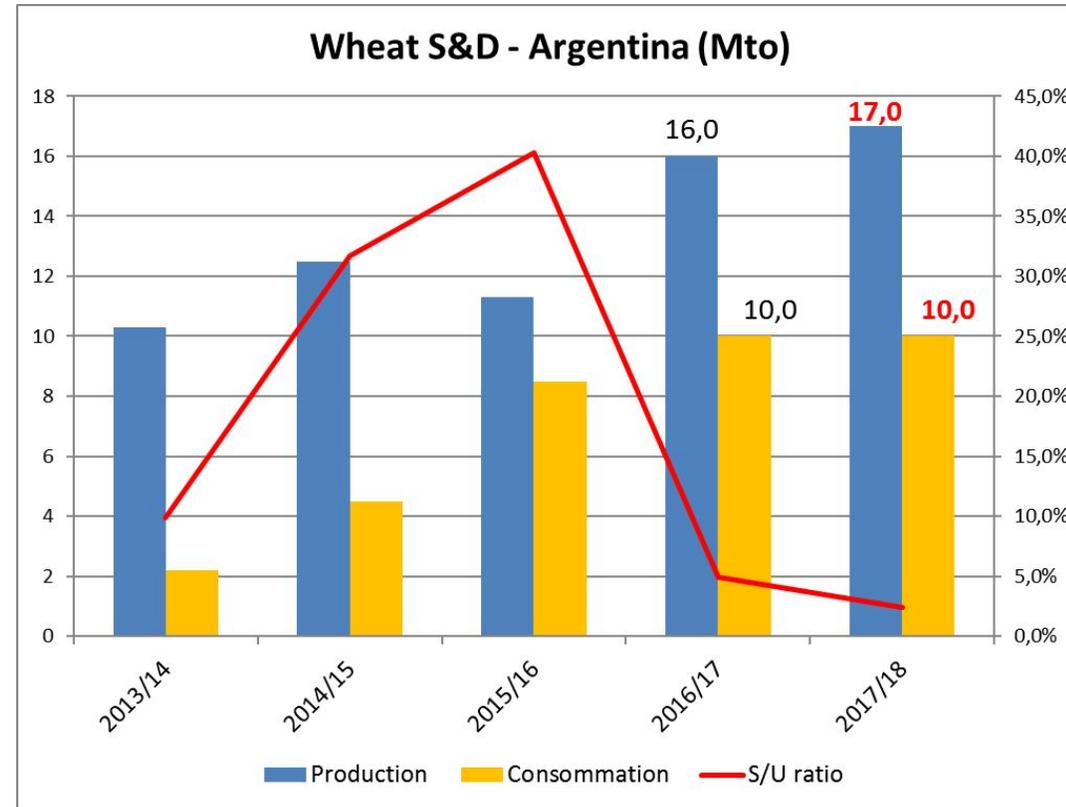


AFTER A SMALL CROP IN 2016, EU WHEAT S&D IS MORE BALANCED FOR 2017/18



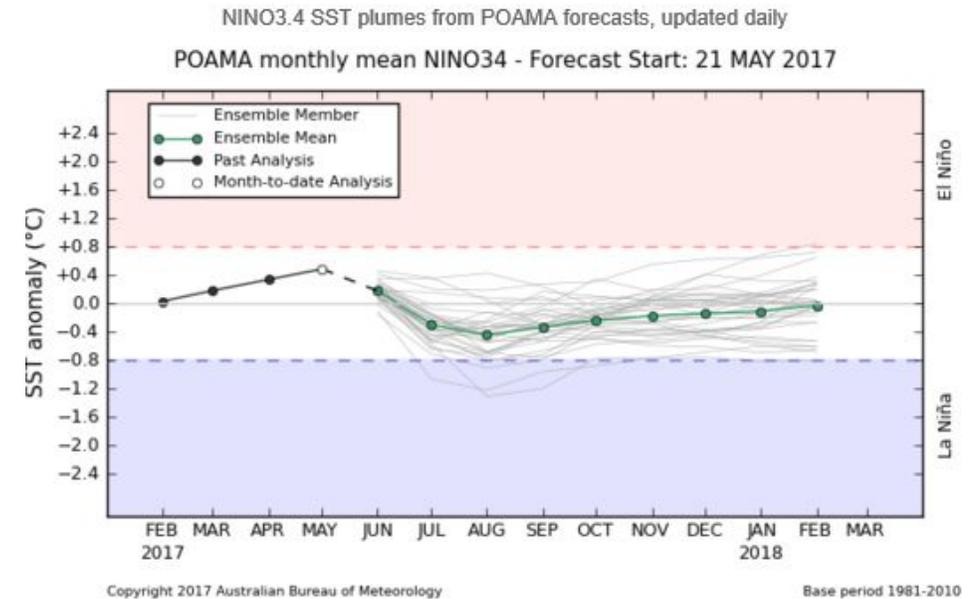
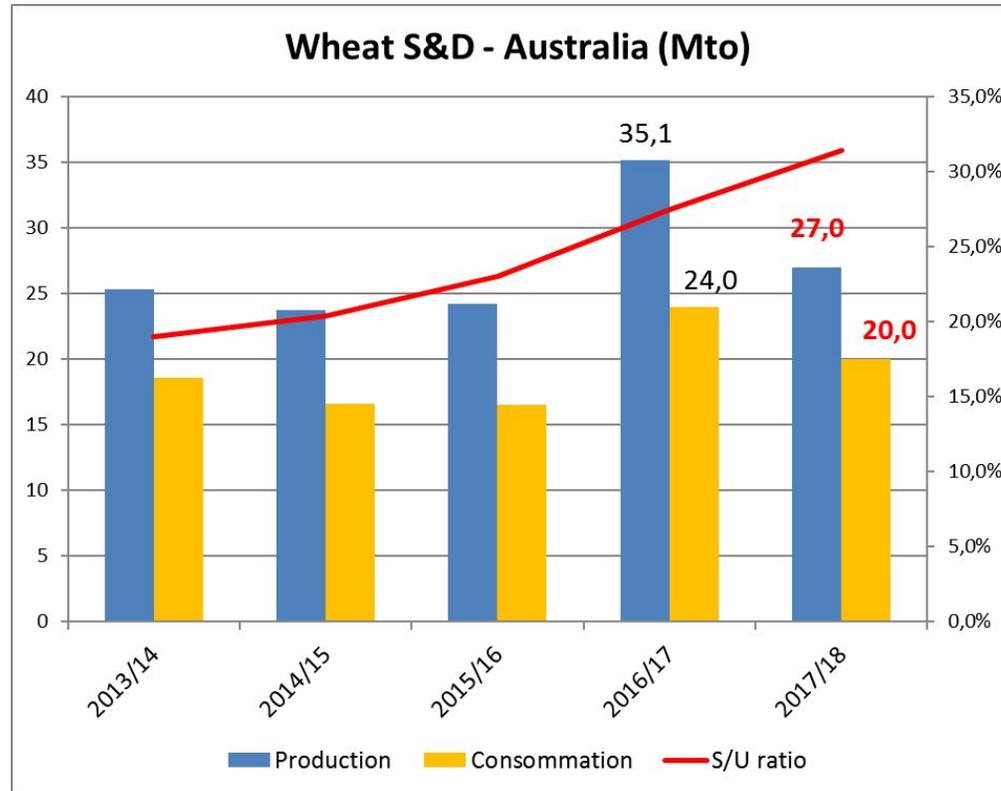
- ✓ After the disastrous french crop in 2016, french yields should return to normal levels
- ✓ Export potential will increase by at least 2 Mto in 2017/18
- ✓ Weather has been particularly dry in northeastern France and Spain for a while

WHEAT AREAS CONTINUE TO EXPAND IN ARGENTINA



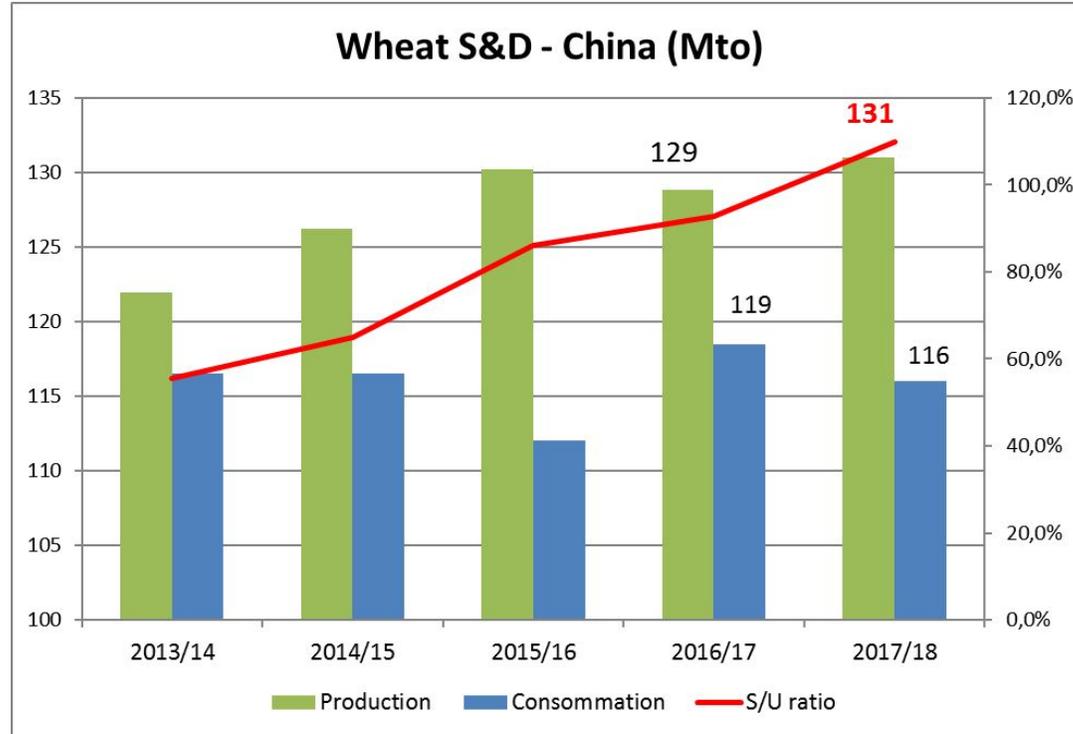
- ✓ Since President Macri's reform (removal of export tax) in December 2015, wheat areas surged by 50%
- ✓ Argentina is increasing its market share from January until April on the export market

RECORD EXPORT POTENTIAL IN 2016/17 – RETURN TO NORMAL CROP IN 2017/18



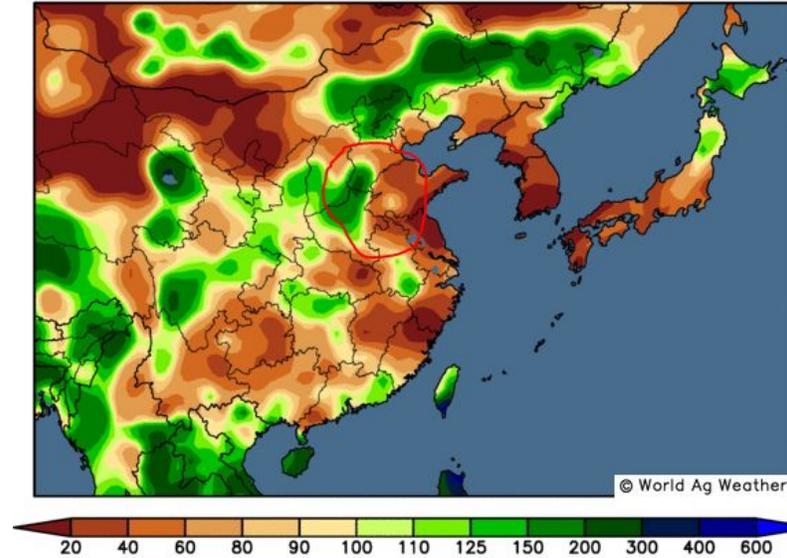
- ✓ Port logistic runs at full capacity currently due to large barley shipments to China
- ✓ After a record crop in 2016, wheat yields should return to normal levels
- ✓ Diminishing risk of El Nino end of 2017 calendar year, which is rather favorable for wheat.

NOT A PERFECT WEATHER OVER WHEAT AREAS IN CHINA

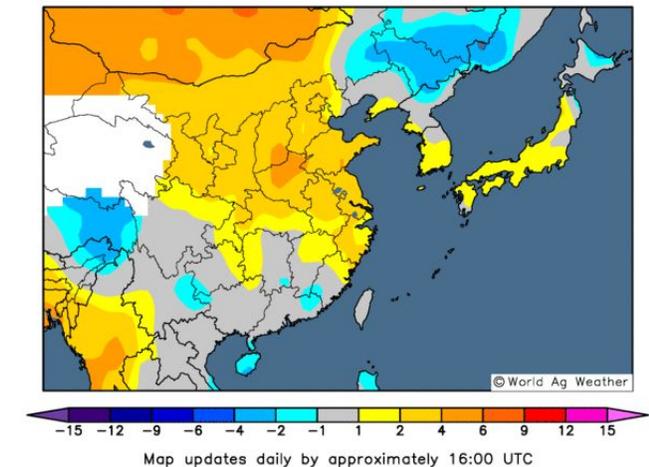


- ✓ A record crop is forecast this year but there are some areas of concerns as wheat areas experienced dry and hot spells over the last two weeks.
- ✓ Wheat stocks are forecasts to peak at 130 Mto but can we rely on this figure?

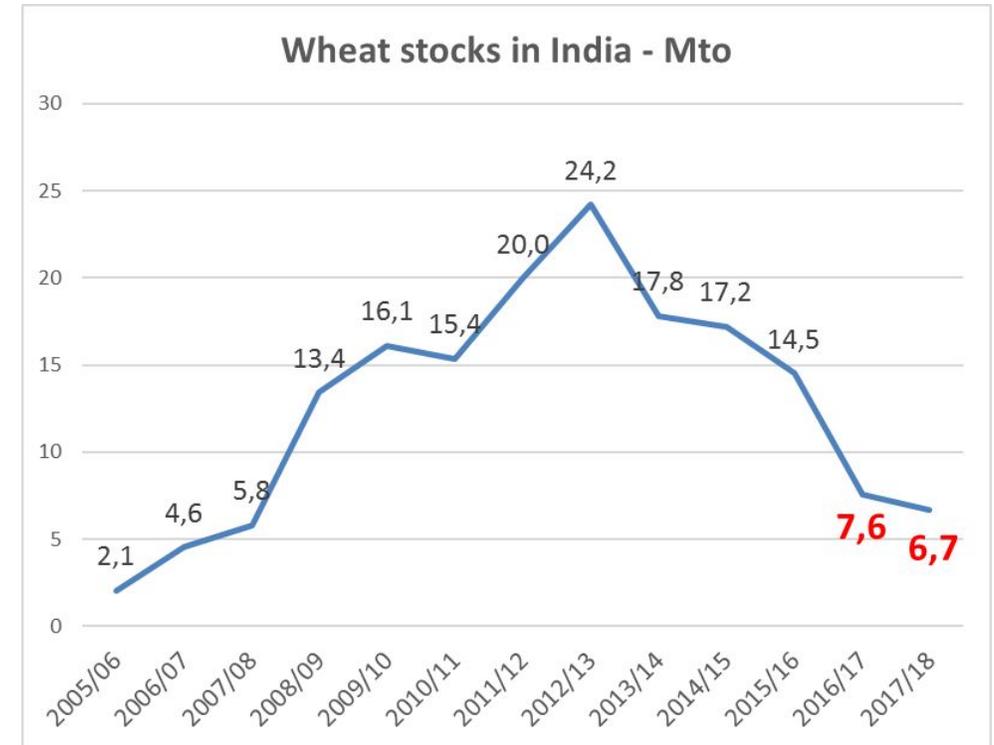
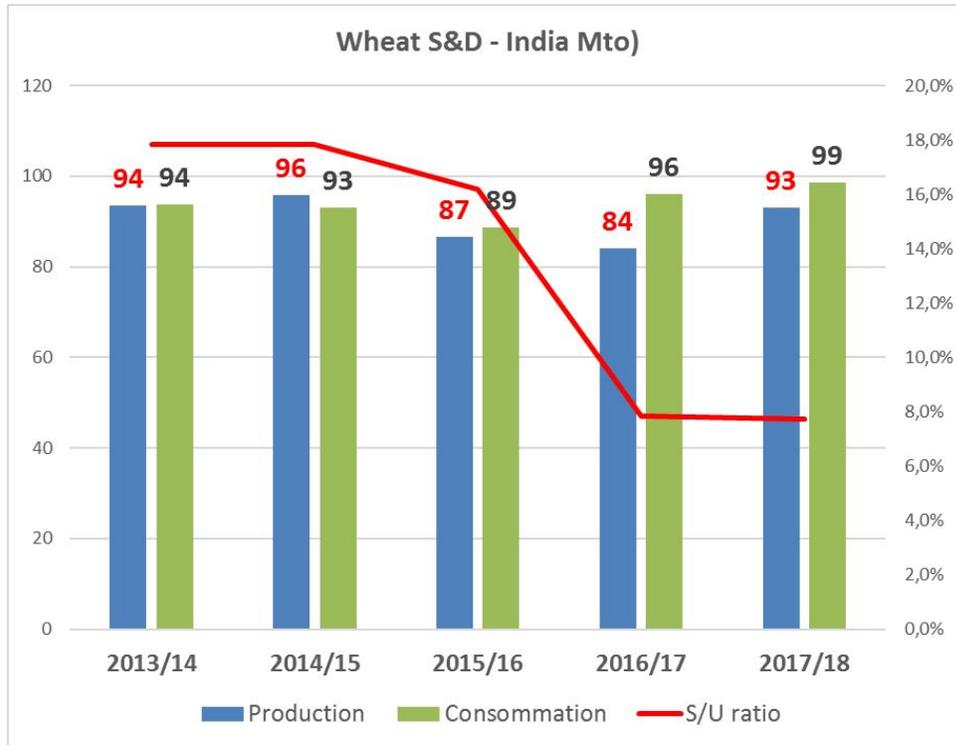
14-day Precipitation Analysis
Percent of normal through 12 UTC 28 May 2017



Maximum Temperature Departure from Normal (°C)
7 days ending 28 May 2017



INDIA WILL HAVE TO IMPORT 5 MTO FROM JULY ONWARDS



- ✓ Despite a better crop in 2017, demand keeps on rising rapidly in India and stocks are at a minimum level
- ✓ After having imported almost 6 Mto this marketing year, India will have to import 5 Mto in the next marketing year to meet its growing demand.

CONCLUSION

Bearish factors:

- ✓ Record stocks in the world but half of them are located in China...
- ✓ Good prospects for Black Sea crops
- ✓ Expansion of wheat areas in Argentina
- ✓ Very low farmer sales in Europe and Black Sea at this time of the year
- ✓ Macro (debt in China, Trump politics, geopolitics) and currencies moves (US dollar, Russian Ruble, Brazilian Real, Argentinian Peso, etc.)

Bullish factors:

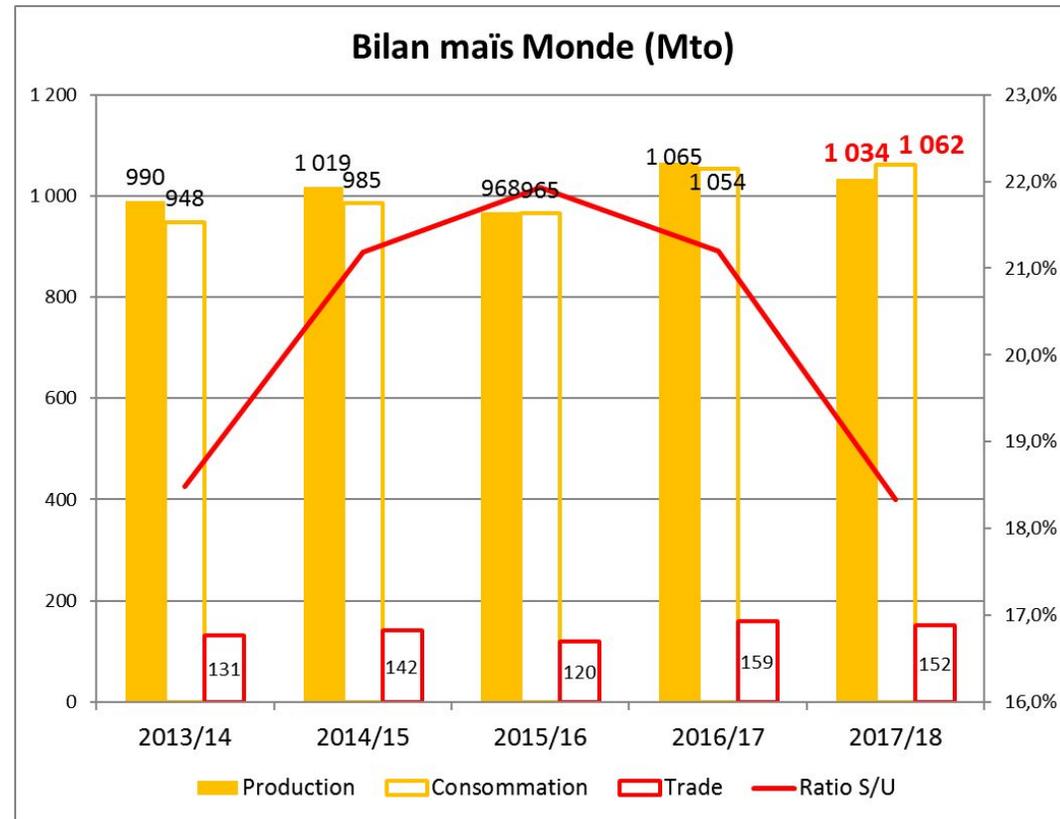
- ✓ Wheat stocks among the main exporting countries are forecast to decrease by Mto in 2017/18
- ✓ Lower wheat crops in the US, in Russia and in Australia
- ✓ Demand from India will still exist in 2017/18
- ✓ Storage capacities are growing around the world and farmers can be reluctant to sell at low prices



◆ May 2017

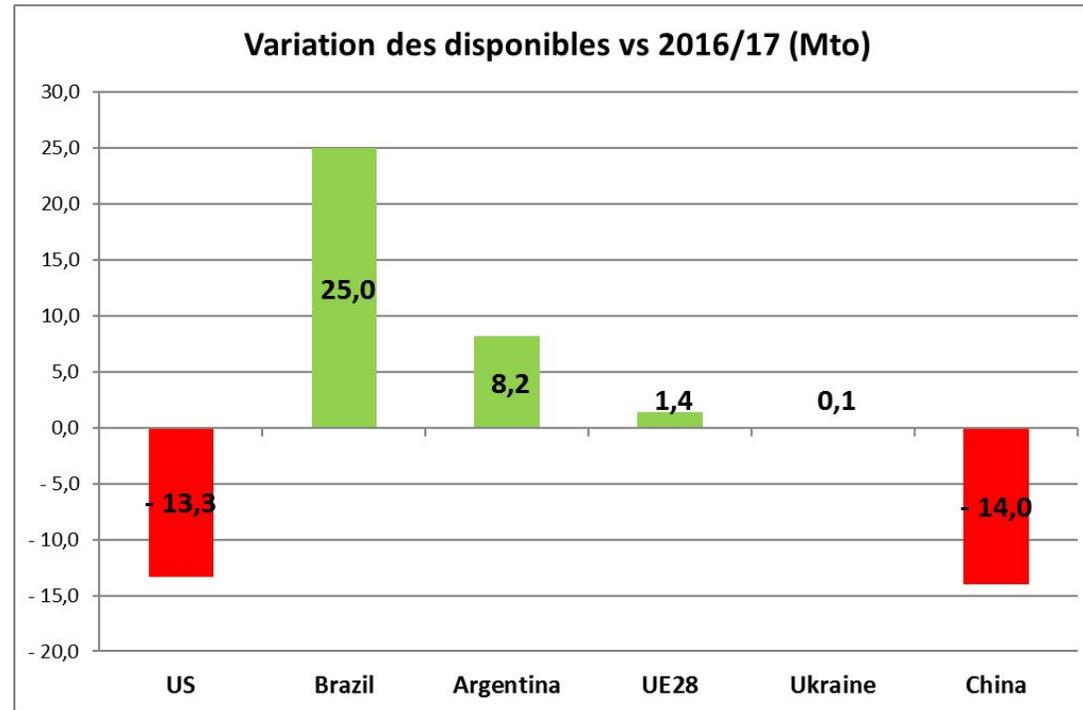
Prospects for corn market

WORLD CORN S&D APPEARS TIGHTER BUT STILL A LOT OF STOCKS



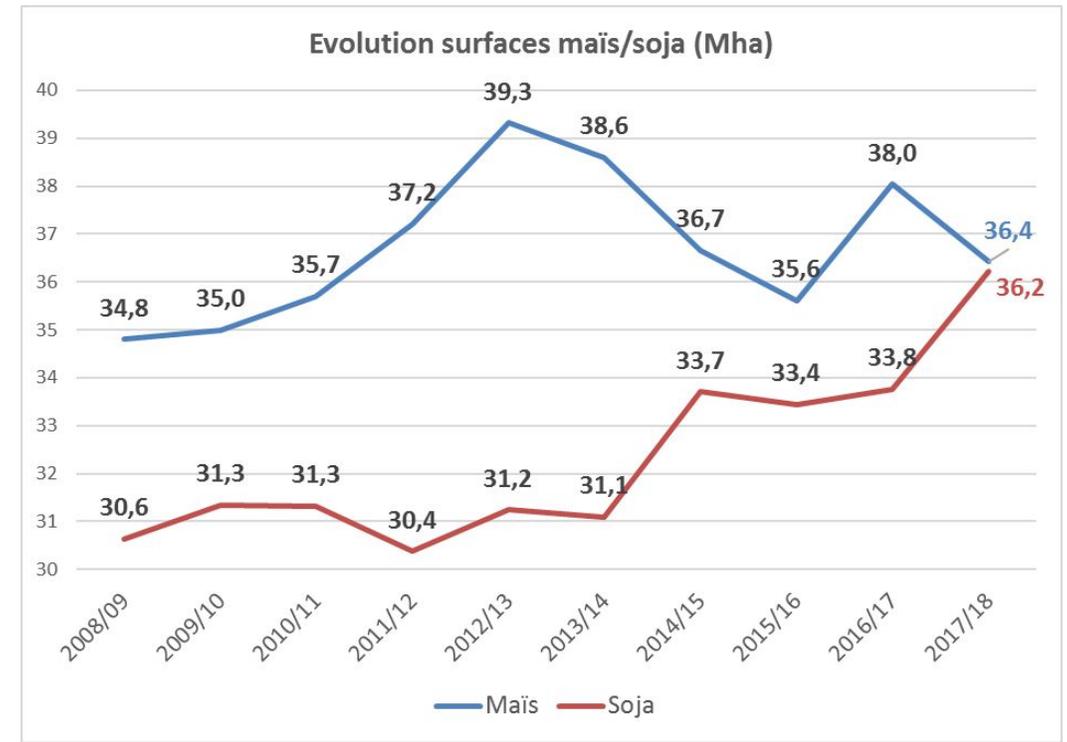
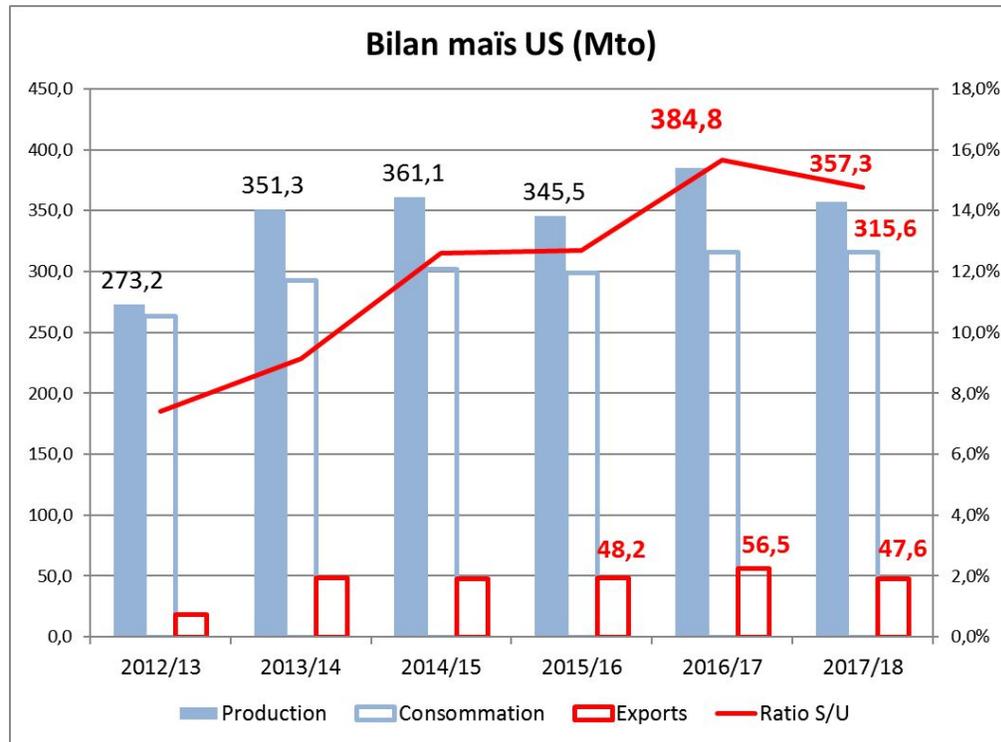
- ✓ World production decreases after the record of 2016 but consumption increases (new record).
- ✓ But the decline in world stocks by 29 Mto needs to be put into perspective given the decrease by -20 Mto in China.
- ✓ Stocks still large for the main exporters.

SHARP INCREASE IN SOUTH AMERICAN AVAILABILITIES



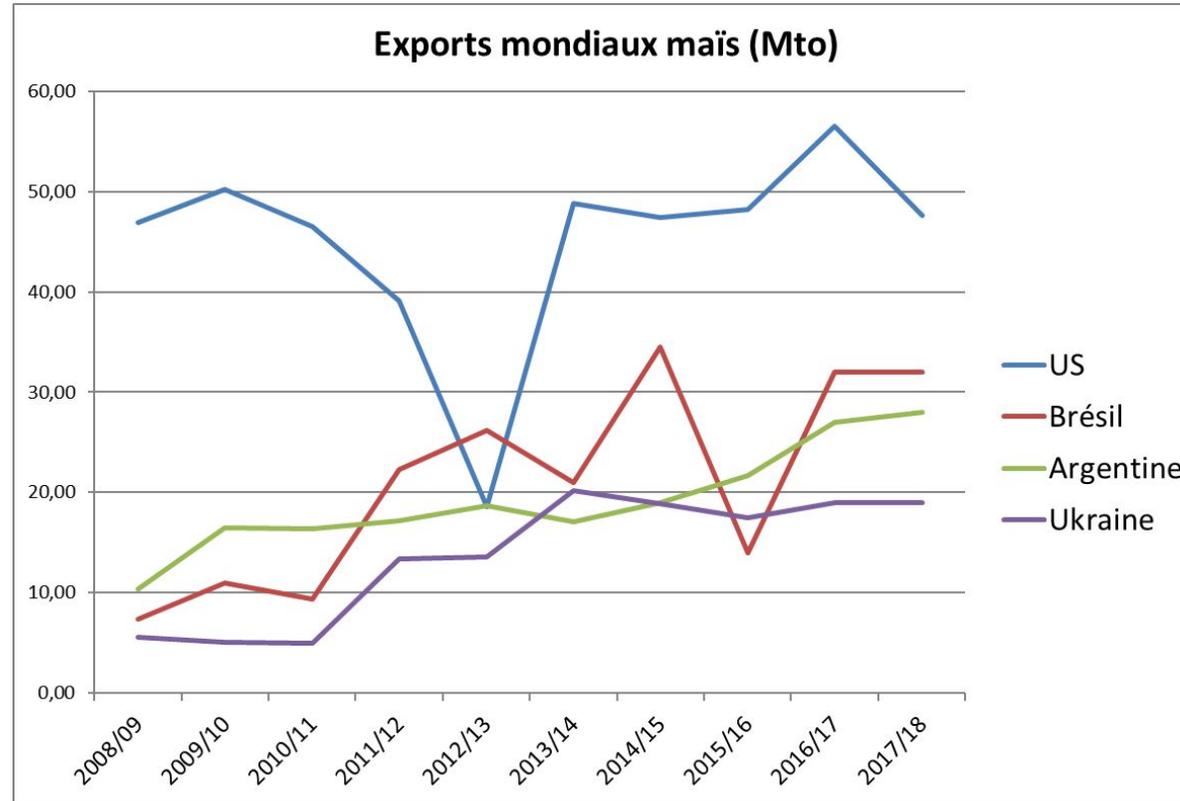
- ✓ Despite the drop of production by 27 Mto in the US, the availability will remain large given beginning stock record at 58 Mto.
- ✓ South America outlooks remain very positive => export potential increases by +23 Mto (+18 Mto in Brazil and +5 Mto in Argentina)
- ✓ Stock cut policy implementation in China => decrease of stocks on « paper »

A LOWER CROP BUT STILL A COMFORTABLE S&D



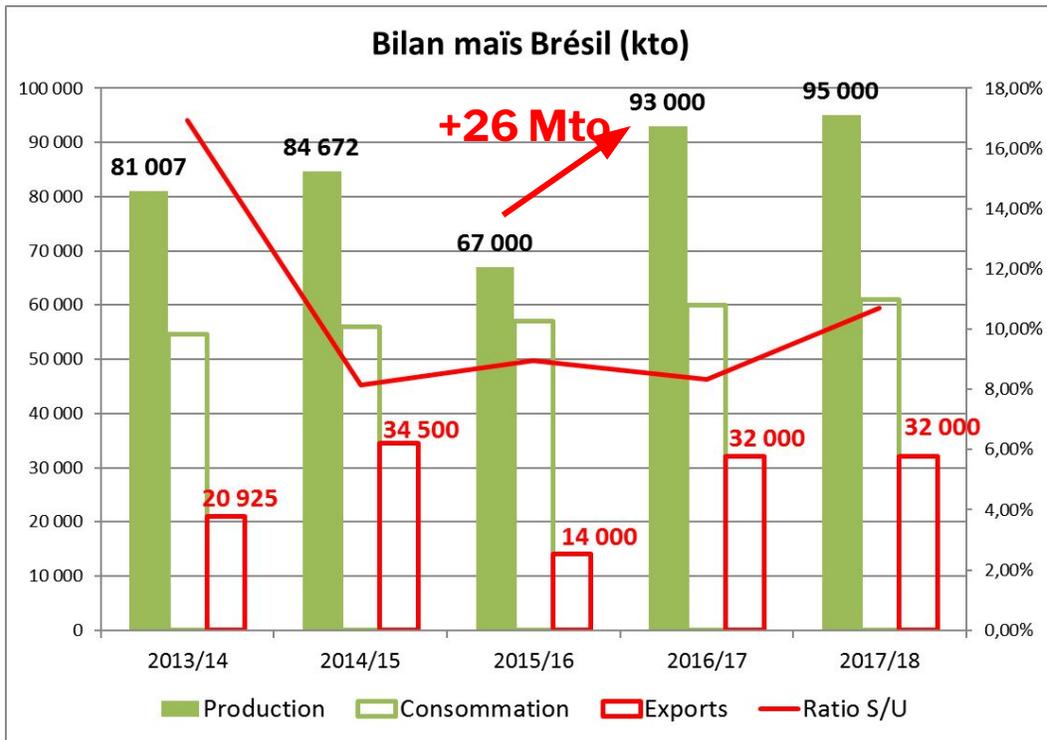
- ✓ Growth of soybean areas in the US => drop by 4% of corn areas this year
- ✓ Seeding progress in the normal pace after difficult early plantings
- ✓ Ethanol demand remains dynamic
- ✓ Exports should fall due to South American competition
- ✓ US carry-over stock 2017/18 remains heavy

STRONG COME BACK OF SOUTH AMERICA IN 2017/18



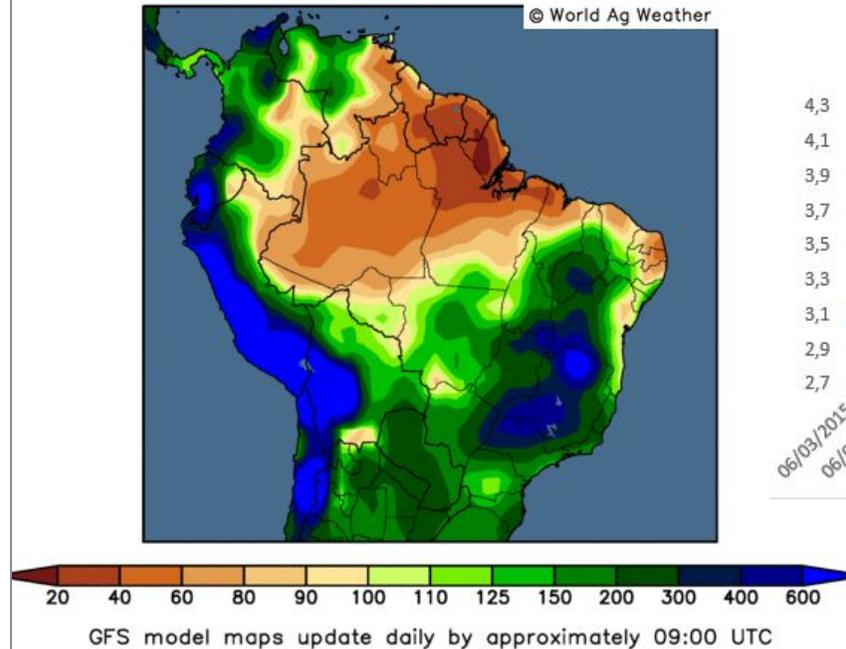
- ✓ Argentina and Brazil FOB prices very competitives from July/August 2017

BRAZIL: SAFRINHA EXPECTED TO RISE BY 21/22 MTO



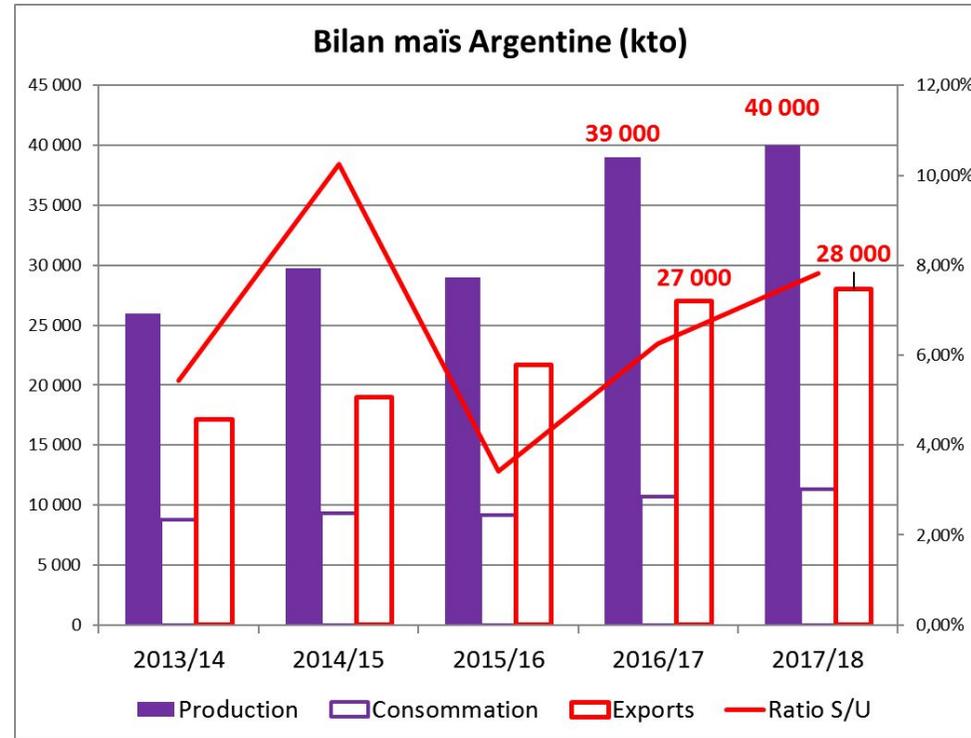
Forecast Precipitation (pct of normal, GFS model)

17 May 2017 – 1 Jun 2017



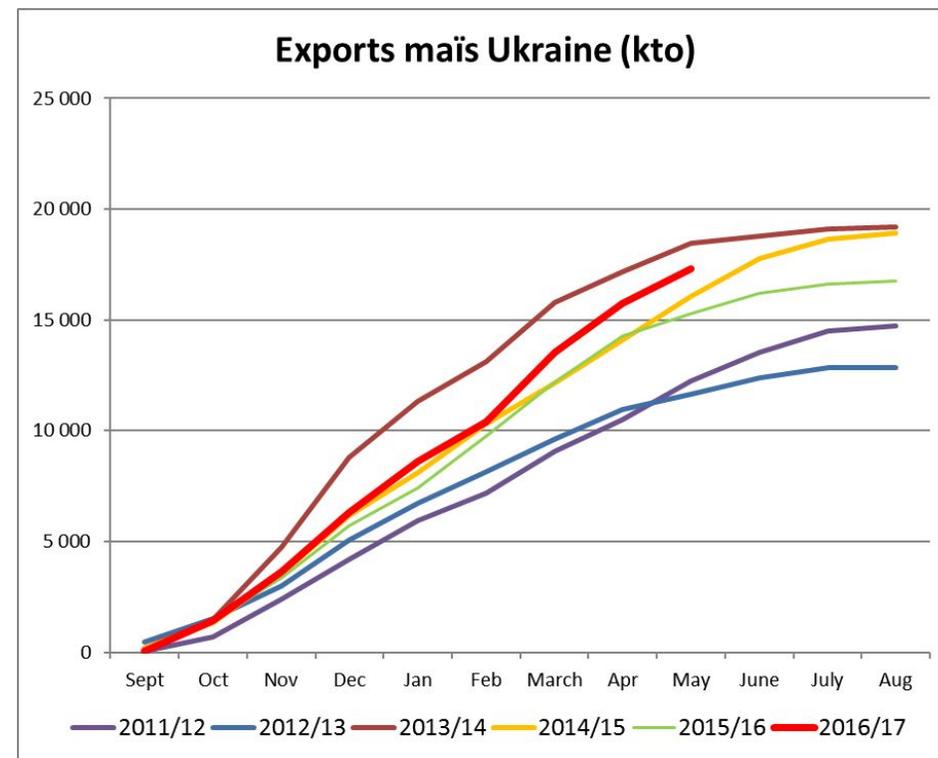
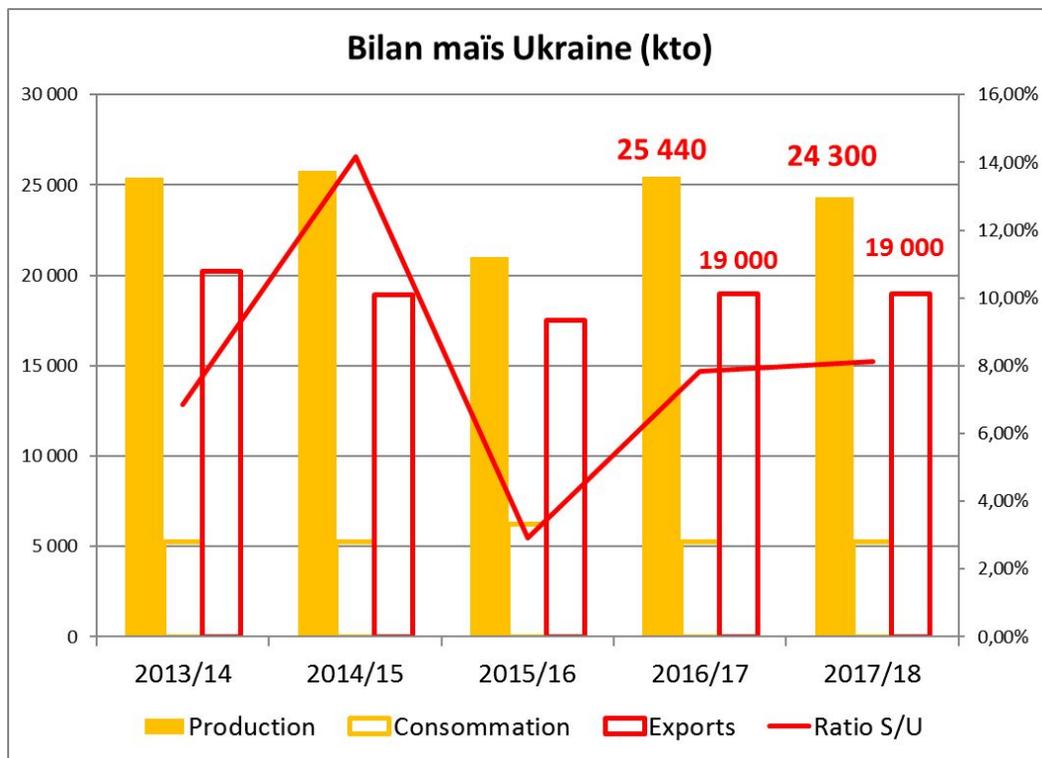
- ✓ After the last year dryness, Brazil benefits from an almost ideal weather for the moment.
- ✓ In addition, there is an upward trend of areas due to soaring domestic prices in the previous year.
- ✓ But with the Brazilian Real rising, domestic prices fall and farmers are not sellers.
- ✓ Political uncertainties could impact Brazilian Real evolution.

ARGENTINA: RECORD HARVEST WHICH SHOULD WEIGH ON PRICES



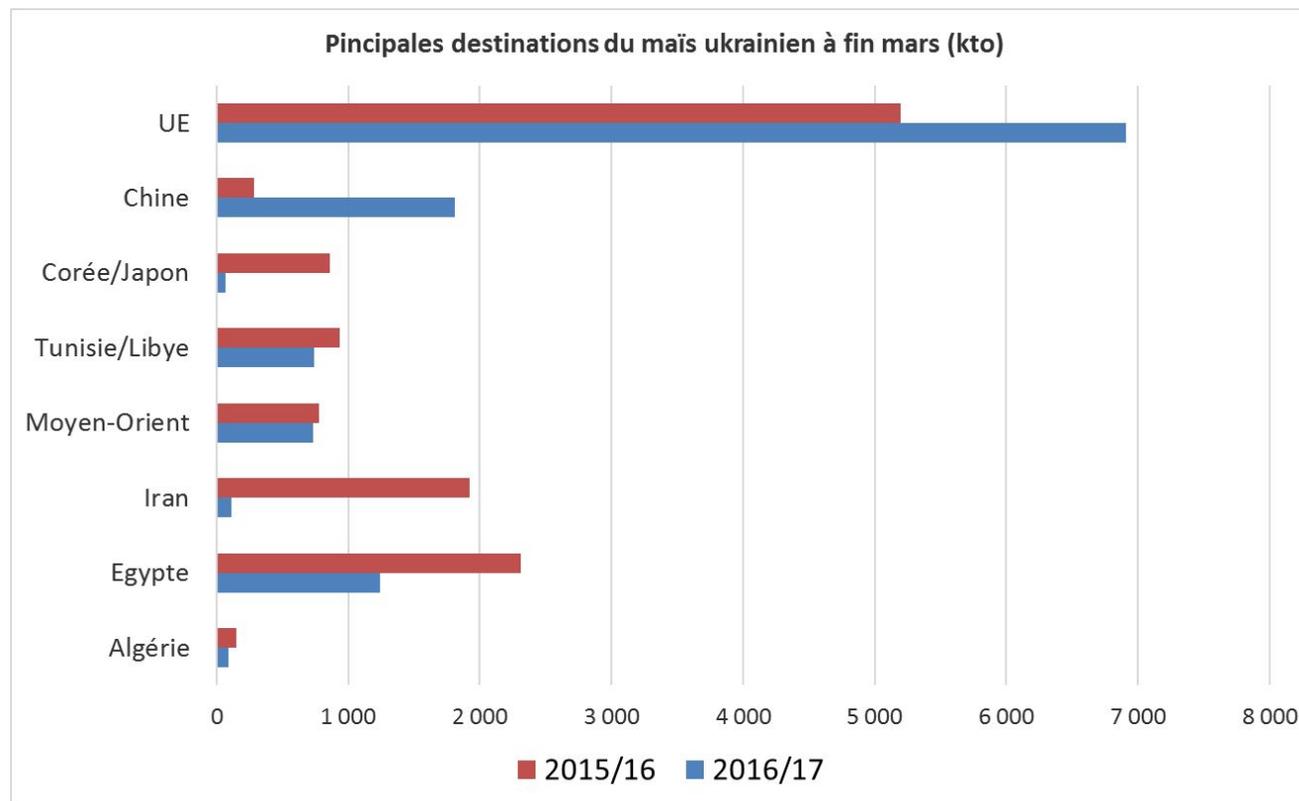
- ✓ Despite very rainy weather on some areas, corns were relatively spared.
- ✓ Areas rising around 50% due to decision to remove export tax.
- ✓ Interland and port supply-chains are complicated

UKRAINE: GOOD EXPORT DYNAMIC // GOOD NEW CROP OUTLOOKS

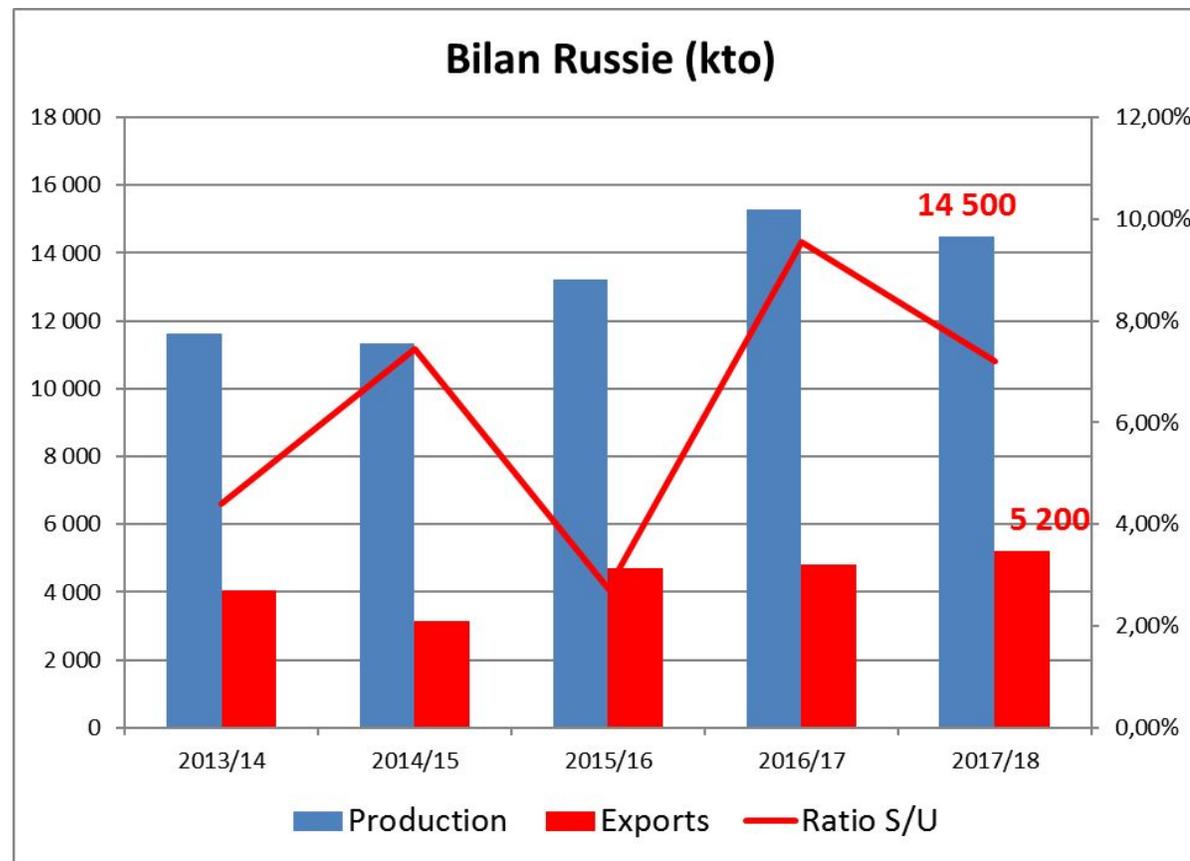


- ✓ Regularity of export flows at high levels for 5 years (17/19 Mto)
- ✓ Corn areas expected to rise slightly to the detriment of barley

EU REMAINS THE MAIN DESTINATION OF UKRAINIAN CORN

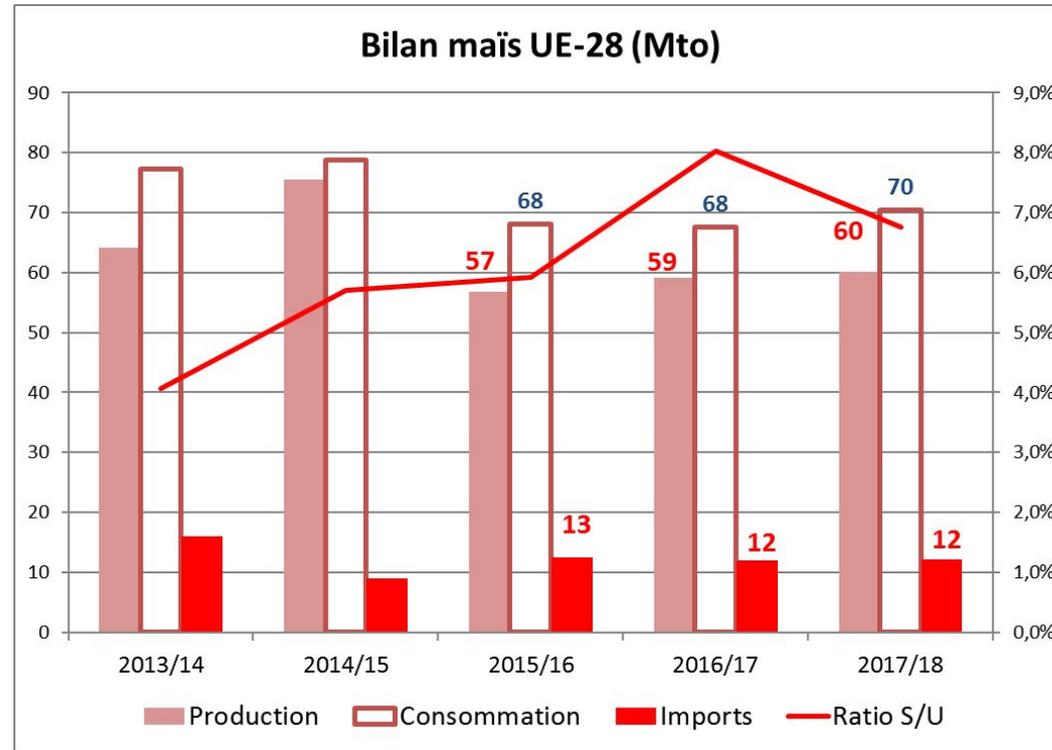


RUSSIA BECOMES AN EXPORTER ON WHICH WE MUST COUNT ON



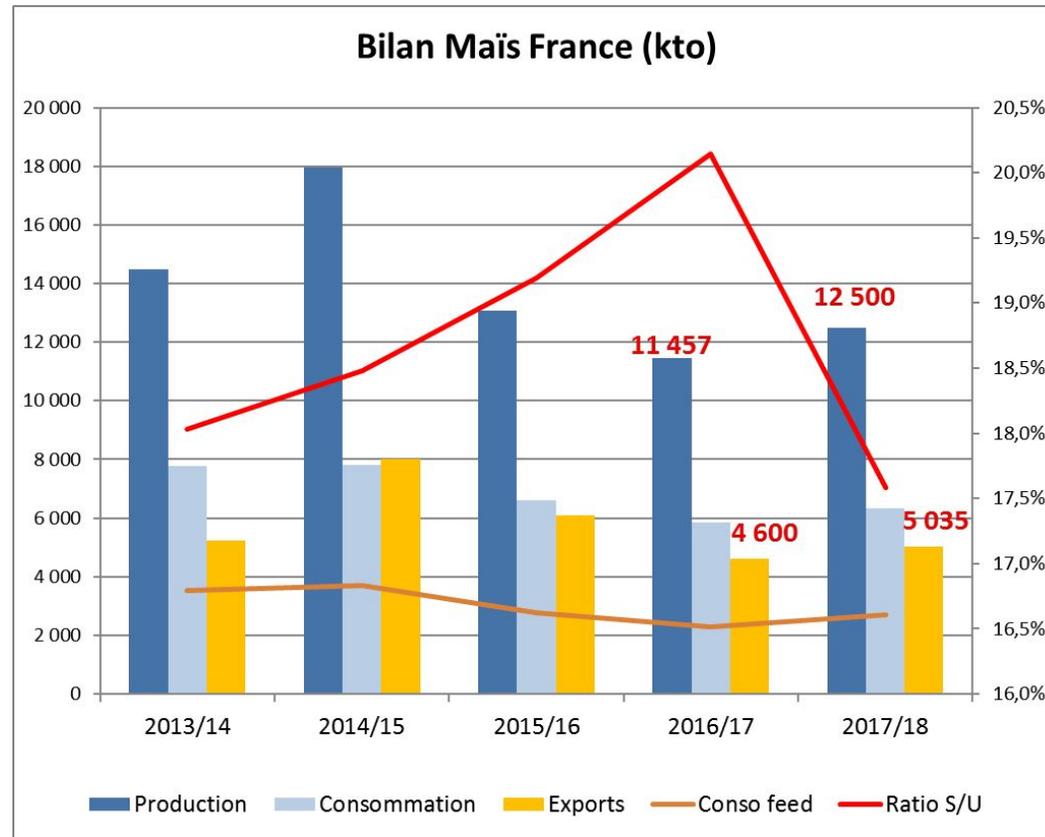
- ✓ Slight decline in plantings expected in the south of the country but also an increase in Central black soils in 2017.

A SLIGHT INCREASE IN EU CORN CROP IN 2017



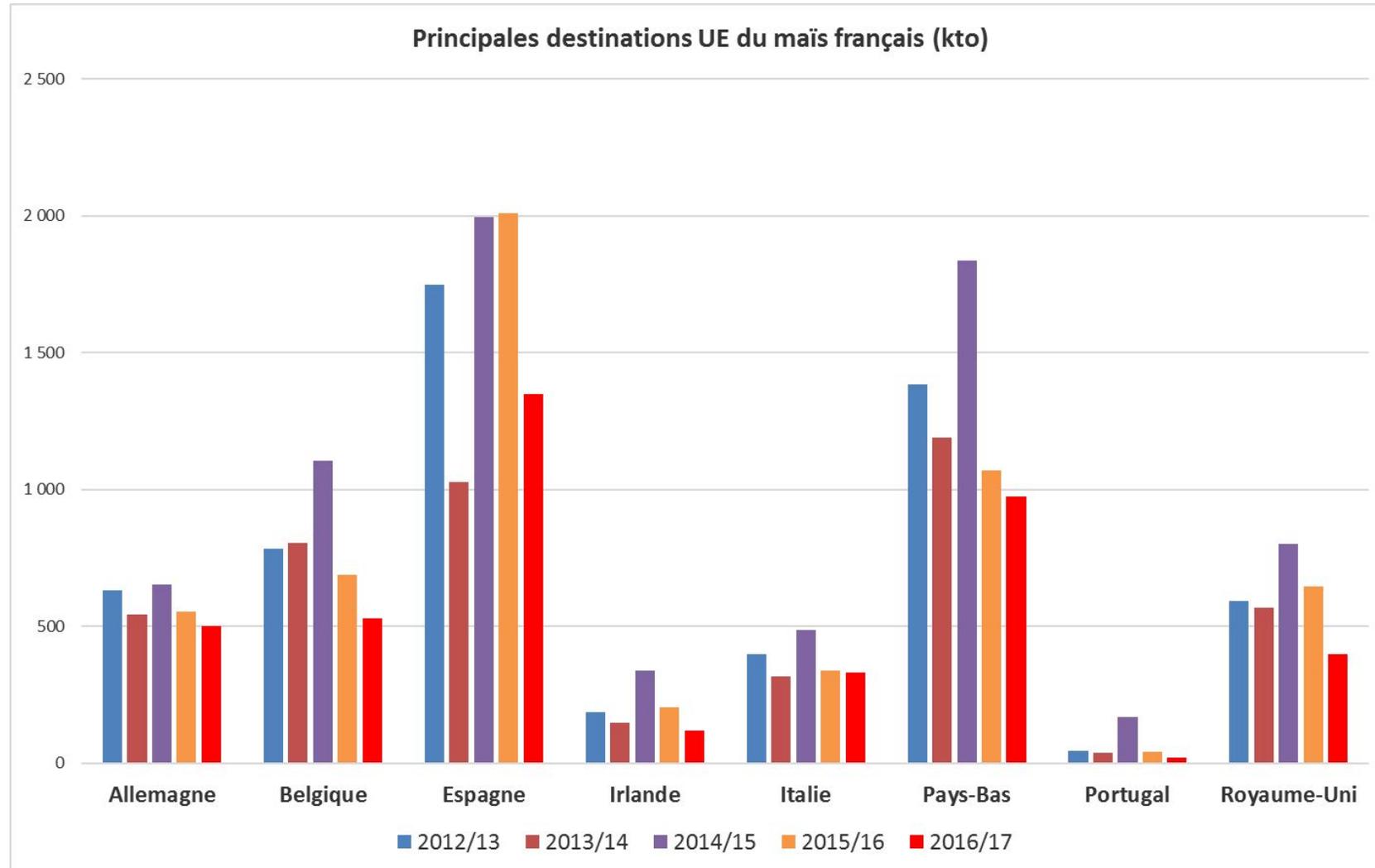
- ✓ Slight increase of the french production can be forecast.
- ✓ Decline of yields expected in central Europe, after the 2016 record.
- ✓ Need of imports around of 12/13 Mto.

DOWNWARD TREND OF PRODUCTION IN FRANCE

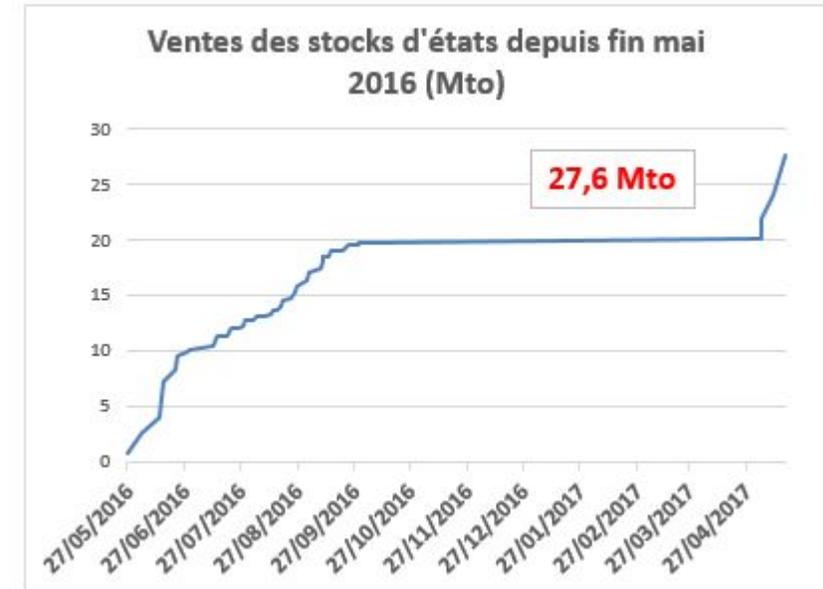
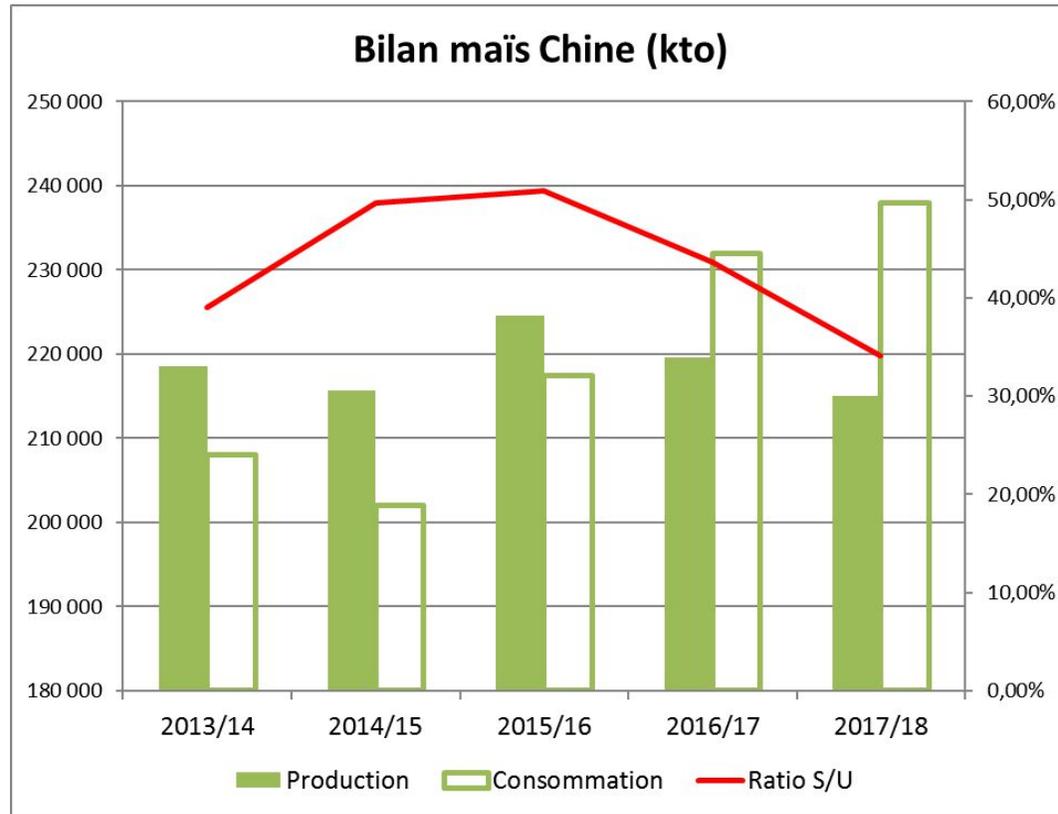


- ✓ Downward trend of corn areas in France
- ✓ French corn not very competitive for export=> Loss of export market share.

FRENCH EXPORTS IN DECLINE



THEORETICAL DROP OF CHINESE STOCKS



- ✓ Stocks down by 20 Mto according to USDA (production down by 5 Mto and consumption up by +6 Mto).
- ✓ Implementation of stocks cuts policy since May 2016.
- ✓ Decrease in corn area in 2017 as announced by the government.

CONCLUSION

Bearish factors:

- ✓ Record crops in South America and good prospects in North America,
- ✓ Large stocks in the US, still 30 % to sell in the farms,
- ✓ South American currencies moves helping the origination

Bullish factors:

- ✓ Record demand in the world for corn,
- ✓ Weather market in front of us in Northern Hemisphere,
- ✓ China's stocks decreasing,
- ✓ European S&D



NOUS VALORISONS les potentiels de la terre