



Agritel International Report

02/09/2019



Macroeconomy & Energy

- ECONOMIC BACKGROUND -

The world trade is slowing down further

Last week, the last report from OECD about G-20 countries' trade exchanges for the second quarter showed another decline. Exports have dropped by -1.9% while imports decreased by -0.9%. It must be noted that Chinese exports retreated by -5.3% while US sales just decreased by -1.1%. Not directly involved in the current trade war, the exports from EU dropped by -1.7%, mainly driven by the fall of exports in Germany (-3%). In UK, the devaluation of the pound has provoked a sharp decline of imports (-7.1%). Russia, very dependent of the crude oil demand has seen its sales outside the country tumbling by -7.4% in the period. Even if the atmosphere has improved a bit last week with a more conciliatory tone from China and the perspectives to see negotiations resuming very soon, the outlook for the second part of the year is not really optimistic.

In Europe, Italy will avoid general elections thanks to a new coalition putting aside the far-right leader Matteo Salvini who missed its manoeuvre to reinforce himself through a new poll. In UK, the new Prime Minister Boris Johnson has taken a huge risk in suspending the Parliament for five long weeks at a crucial moment before the deadline of the Brexit. It means that if the current government is not outvoted in coming days and before the closure of Parliament, the government will have its hands free and have more power to try to renegotiate the conditions of the divorce with EU.

OUR OPINION

A fragile calm was back last week as the trade conflict between USA and China eased a bit. However, the outlook of the global economy still looks gloomy. In Europe, the severe political crisis in UK must be monitored as Brexit conditions will highly depend of the upcoming events.



- Conciliatory tone from China about trade
- Rebound of stock markets



- World trade is severely hit by the Sino-American conflict
- Tough economic context in Germany
- Political turmoil in Europe

EUR/USD (daily)



- CRUDE OIL -

Improved context

As stock markets, crude oil prices rebounded during a good part of last week before giving back a good part of the gains on Friday afternoon. This late trend reversal is a further evidence of the market's current fragility. The damages on the global growth caused by the trade war are more and more visible and the smoother tone between the protagonists and the outlook to see the negotiations resuming are only bringing a limited relief implied by a limited readjustment in traders' positions.

During the week, the perspective to see the dangerous hurricane Dorian heading toward the South of USA raised fears that offshore US producers could be pushed to limit the output. This could lift US prices. Still in USA, the EIA data showed a 10 M barrels fall of US inventories last week, much larger than market's anticipations. Stocks are now at their lowest level from last October and this is mainly due to a slowdown of imports. Less bullish, the EIA also said that the US production rebounded to reach a record level of 12.5 M barrels/day suggesting that supplies will continue to remain ample in coming weeks.

In a survey made by Reuters, analysts have cut their prediction of prices' evolution for the rest of the year to 57.90 \$/b vs 59.29 \$/b seen in July. Most people asked are considering that the trade war and fears about global demand will offset Middle-East tensions OPEC efforts or the positive impact of easier monetary policies.

OUR OPINION

Despite of slight improvements in the relations between USA and China, the slowdown of global economies is maintaining fears of a lacklustre demand in coming months. Saudi Arabia and other producing partners will struggle to find a strategy able to boost prices in this context.



- Trade negotiations will resume
- US inventories at 10-months-low



- The trend remains bearish due to fears about global demand
- The US production has rebounded to a new record-high

> CURRENCIES

		Week.	Month.
€/ \$	1,1036	-0,3%	-0,6%
\$/ RUB	66,5232	+0,9%	+1,9%
\$/ UAH	25,0130	-0,9%	-2,0%
\$/ BRL	4,1572	+1,7%	+7,5%

> CRUDE OIL

		Week.	Month.
WTI (New York)	55,10 \$/B	+ 0,93	- 0,56
Brent (ICE London)	60,43 \$/B	+ 1,09	- 1,46

Wheat

Strong harvest pressure

Wheat prices on Euronext remain under the pressure of a large crop in France (the second one in history) and the challenge to be able to export more than 20 Mt, a target only reached three times in the past in France. For north hemisphere wheat producers, the level of competitiveness is crucial at this time of the year, not to miss the export battle. In this context, the sale of 60 000 t of French wheat at last week Egyptian tender has been interpreted as a positive sign. Morocco will also be a highly challenging market this year with a stiff competition between French and Ukrainian origins. Due to a poor harvest this year, Morocco will have to import about 4.8 Mt of all-wheat or +35% more than last year. This country should open its market from the 1st of November or even before. For European origins, the decline of the euro vs dollar is making a clear advantage in term of competitiveness. The single currency is currently dealing below 1.10, a lowest level since May 2017. However, this positive element is not fully considered by the traders and the bearish effects of the harvest pressure in France, Ukraine or USA remain dominant. The Russian production could be revised down again due to the negative effects of a persisting dryness in Siberia affecting spring crops. To monitor also on medium-term, the situation in Argentina, a good level of production added to a free fall of the peso could create the conditions of a good penetration of the Algerian market. In Australia, the dryness could cut again the wheat production below 20 Mt for the second year in a row.

OUR OPINION : Few hopes to see the market rebounding on short end considering a strong harvest pressure on both sides of the Atlantic and the necessity to export. Issues in the southern hemisphere, and especially in Australia, could underpin the market but more likely on medium term.



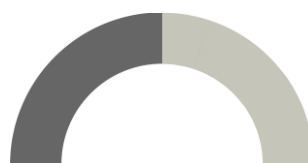
- Dry conditions in Australia
- A weak euro vs dollar is positive for the European market



- Ample supplies in France and Ukraine
- Stiff export competition

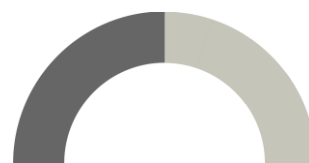
SHORT TERM INDICATORS

EURONEXT



Neutral

CME



Neutral

Euronext milling wheat December19 (€/t) weekly



> Wheat (Physical prices)

		Week.	Month.
FOB Rouen (spot)	186,43 \$/T	+ 0,06	- 6,22
FOB US Gulf (spot)	198,80 \$/T	- 10,70	- 14,60
FOB Odessa (spot)	183,00 \$/T	- 2,00	- 6,00
FOB Argentina (spot)	229,00 \$/T	- 3,00	- 15,00
FOB Russia (spot)	189,00 \$/T	- 2,00	- 6,00

> MILLING WHEAT EURONEXT			Week	Month	OI*
Dec-19	168,00	€/T	- 2,00	- 10,50	188 393
Mar-20	172,00	€/T	- 1,75	- 9,75	69 209

SOFT RED WHEAT CME

Dec-19	4,6250	\$/bu	- 0,15	- 0,29	204 386
Mar-20	4,7000	\$/bu	- 0,13	- 0,30	76 993

BS WHEAT CME

			Week	Month	OI*
Oct-19	191,75	\$/T	- 0,25	- 9,25	5 278
Nov-19	194,50	\$/T	+ 0,50	- 9,50	2 311

> Factors to watch

September 02nd: Chicago closed for Labor Day
 September 03rd: US crop rating
 September 06th: Stocks of Principal Crops (Statistics Canada)
 September 10th : MPOB report on palm oil
 September 10th : Australian Crop report by ABARES
 September 12th: WASDE (USDA)
 September 12th: ECB meeting

Corn

Prices continue to decline

The European corn is unable to rebound and have retreated by -2€/t on the November delivery of Euronext, matching last May levels and erasing three months of gains that was provoked by the issues at plantings' time and their consequences in USA. Remaining uncertainties in the US have been overshadowed by the high and unexpected production number released by the USDA of 350 Mt. However, a few weeks ahead of the beginning of harvests, the crops are still showing vegetative delays. One year ago, 60% of the US corn reached the dented stage in the Iowa, this year only 20% have reached this level. Lower temperatures in coming weeks could also slowdown the end of cycle. These elements have pushed traders to some cautiousness and prices' decline has been more moderate in USA these last few days. A positive element for the US corn could be Donald Trump's intentions to boost the US ethanol sector with a reinforcement of industrial structures in order to strengthen the use of the gasoline including 15% of ethanol (E15). A larger use of the corn to make ethanol could compensate the loss of the Chinese market. Scarce rains of last few weeks in France have been insufficient to significantly improve the situation of the crops. According FranceAgrimer, last week 61% of the French corn was considered in good to excellent conditions, one point lower than in the previous week.

OUR OPINION:

The corn on the European market remains depressed and cannot benefit from any support from other cereals. Only bad news coming from the US Corn Belt seem able to reverse the current trend.



- Uncertainties linked to delays in the vegetative development of US crops
- Poor harvest to come in France



- The trade war is upsetting world exchanges
- Bearishness of the cereals complex

SHORT TERM INDICATORS

EURONEXT



Neutral to bearish

CME



Neutral to bearish

Euronext Corn November 19 (€/t)

weekly



> CORN (PHYSICAL PRICES)

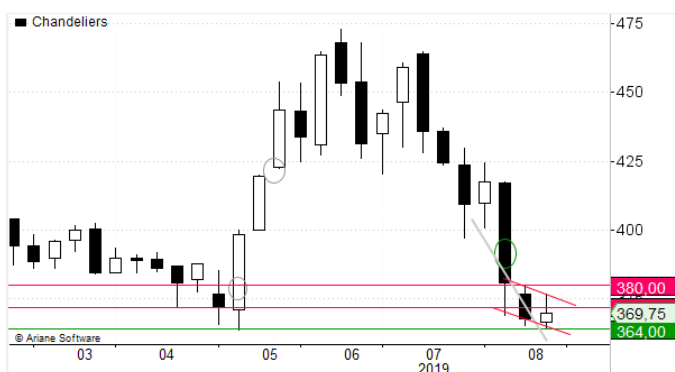
		Week.	Month.
FOB Bordeaux (spot)	182,46 \$/T	- 1,59	- 12,26
FOB US Gulf (spot)	159,83 \$/T	- 2,26	- 26,97
Brazil FOB Paranagua (spot)	154,60 \$/T	+ 1,20	- 14,50
FOB Argentina (spot)	143,41 \$/T	- 0,09	- 18,99
FOB Odessa (spot)	159,00 \$/T	- 3,00	- 14,00

> CORN FUTURES EURONEXT			Week	Month	OI*
Nov-19	163,00	€/T	- 1,50	- 9,00	12 671
Jan-20	167,75	€/T	- 1,00	- 7,00	2 919

> YELLOW CORN CME			Week	Month	
Dec-19	3,6975	\$/b	+ 0,02	- 0,40	907 269
Mar-20	3,8225	\$/b	+ 0,02	- 0,38	274 751
May-20	3,9000	\$/b	+ 0,01	- 0,37	91 292

> BS CORN CME			Week	Month	
Oct-19	159,00	\$/T	+ 0,00	- 14,25	1 040
Nov-19	160,00	\$/T	- 1,00	- 13,00	1 258

CME Corn December19 (c\$/bu) weekly



Barley

Waiting for buyers

Last week, feed barley prices were unchanged due to a lack of new elements about fundamentals. Traders are anxiously waiting for the return of international buyers. Currently, the French origin remains amazingly competitive and is benefitting from the weakness of the euro vs dollar at a lowest level since May 2017. The French barley is currently cheaper by -2 \$/t than the Ukrainian. The timing to see buyers back will be crucial as from November, Canada and Australia will join other sellers. In its last report, the International Grain Council (IGC) has shown some optimism about the production in these two countries with respectively 10 Mt and 9.2 Mt or +19% and +11% compared to last year. However, the weather in Australia must be monitored as dry conditions are threatening the cereals' crops. In Europe, the behaviour of British operators is upsetting the market. During last four years, in average, UK sold about 1 Mt of barley toward the EU, including 300 000 t of malting varieties. The deadline of the Brexit on the 31st of October, is pushing local exporters to ramp up the sales to anticipate on a no-deal scenario and then possible implementation of tariffs. The level of the GBP vs the euro is also favourable to British producers. In this context, other European producers are relying on a growing demand from third countries and especially from China.

OUR OPINION: Barley prices are stable but are also experiencing the bearish pressure from the wheat. Currently competitive, European or Ukrainian operators are waiting for a return from international buyers preferably before the arrival of new competitors by the end of autumn.



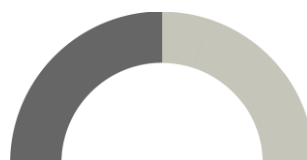
- Dryness in Australia could cut the next harvest
- Weakness of the Eurodollar



- Bearish pressure from the wheat
- Strong competition from UK before Brexit deadline

SHORT TERM INDICATORS

FEED



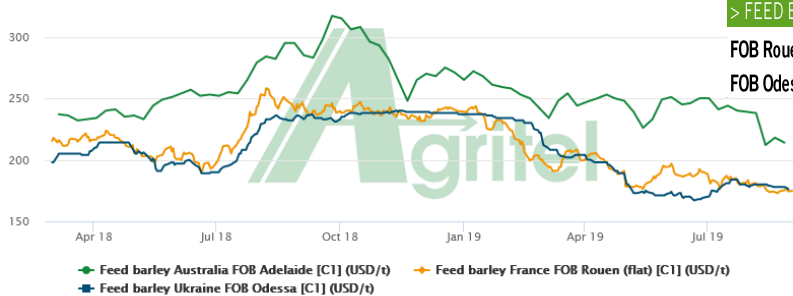
Neutral

MALTING



Neutral to bearish

Feed barley prices for the main exporters (\$/t)



> FEED BARLEY (Physical prices)

		Week.	Month.
FOB Rouen (spot)	174,29 \$/T	+ 0,10	- 5,59
FOB Odessa (spot)	176,00 \$/T	- 2,00	- 3,00

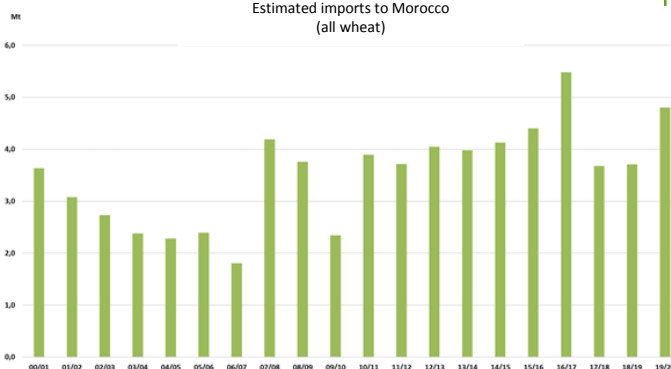
GRAIN FOCUS

Increase of Moroccan imports

The Moroccan wheat production decreased due to the drought during spring. That's why the all-wheat import needs of the country should amount this year to 4.8 Mt against 3.7 Mt on the previous campaign. This would be the 2nd highest volume of imports in the Moroccan history. This increase by 1.1 Mt is positive for France considering a very high production this year.

Morocco is a traditional market for France among others, by its proximity. The competition will be certainly stiff with Black Sea origins, but also with the US and Argentinian wheat. However, this outlet is much more accessible to French wheat than the distant Asian markets, only achievable with an ultra-discounted price. The competition will be particularly fierce between France and Ukraine, but the two countries will have opportunities to export, as the Moroccan market is open from November 1 to April 30, and sometimes earlier.

Estimated imports to Morocco (all wheat)



Oilseed complex

Rapeseed prices above 380 €/t level

Rapeseed prices came back to test the resistance level of 380 €/t at the end of last week and managed to breach this level. Indeed, the fundamentals are very tight in Europe with a harvest expected at 16.9 Mt according to IGC, which is significantly lower than the average at 21 Mt. France and Germany are the most responsible for this fall of production. This shortfall will have to be compensated by more imports, particularly from Ukraine, but also from Canada and Australia. In Ukraine, exports are very busy at the moment and supplies will not be sufficient to cover all European needs. In Canada, the Statcan low figures published last week did not surprise the market, as August estimates are often undervalued. Finally, in Australia, the situation becomes critical due to low precipitations level. The Australian weather will have to be monitored in medium term.

If the rape oil is dealing at its highest level for almost 2 years in Rotterdam, the rape meal is close to a lowest point for last 2 years. The situation is the same for the soy meal. The soybean market could benefit from some risk premium with the perspectives of possible early frost in the Corn Belt or from the drought a few weeks before sowings in Brazil. However, soybean prices need more impetus to go higher and is still penalized by the trade war between the USA and China.

Last week was volatile for palm oil prices, which closed down on Friday by -2%. A weaker ringgit supported prices, but India's intention to introduce additional duties by +5% on the import of veg oils put a bearish pressure on palm oil.

OUR OPINION: The rapeseed dealing above 380 €/t is reflecting the tightness of European balance sheets. However, the market will need more supportive elements from the veg oil complex to break this level sustainably.



- Uncertainties concerning US yield
- Weather to monitor in South America



- Low demand for US soybeans

SHORT TERM INDICATORS

RAPESEED - EURONEXT



Neutral to bullish

SOYBEAN CME



Neutral to bullish

Rapeseed Euronext November19 (€/t) weekly



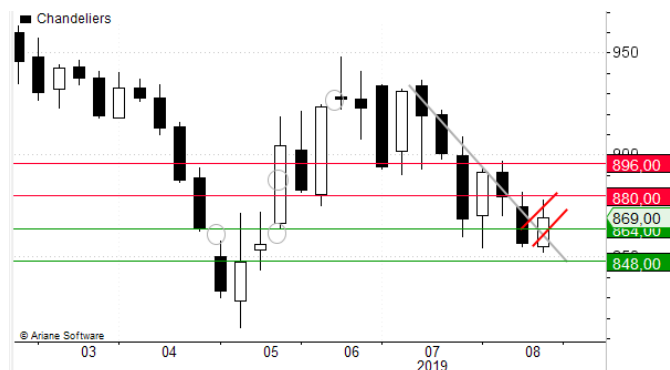
> RAPESEED (Physical prices)		Week.	Month.
FOB Moselle (spot)	379,00 \$/T	+ 1,00	+ 5,00
FOB Canada (spot)	337,60 \$/T	- 1,60	+ 0,50
FOB Odessa (spot)	415,00 \$/T	- 1,00	+ 10,00

> RAPESEED EURONEXT		Week	Month	OI*
Nov-19	381,50 €/T	+ 5,50	+ 7,00	52 830
Feb-20	382,25 €/T	+ 5,75	+ 7,75	24 868

> SOYBEANS (Physical prices)		Week.	Month.
FOB US Gulf	336,90 \$/T	+ 3,90	- 2,60
FOB Argentina	350,00 \$/T	+ 0,00	+ 18,00
FOB Paranagua	362,90 \$/T	- 2,00	+ 10,90

> SOYMEAL			
CBOT	289,30 \$/ST	- 0,60	- 3,10
FOB Argentina up river	297,40 \$/T	+ 2,09	- 6,28

Soybean November19 (c\$/bu) weekly



Sunflower complex

Harvest pressure

Harvests are beginning in Ukraine with already 5% of the total planted area (280 000 hectares) and yields displayed at 1.75 t/ha compared to 1.81 t/ha last year when 3% of the total area was cut. It is mainly the southern regions that are starting, with rather disappointing results because of the dry season. However, the outlook is better for other production areas, which will start cutting in about two weeks. On the Russian side, the first cuts also began with 100,000 ha harvested and a yield posted at 2.3 t/ha against 2.04 t/ha last year to date. This good level will be confirmed in the central regions and in Volga, where rains were abundant this summer. On the Romanian and Bulgarian sides, harvests are progressing, and yields are good in the Danube, with some exceptions getting closer to the Black Sea because of the dryness. Production outlook is positive in the Black Sea basin and harvest pressure should draw prices down. On the oil side, if palm and rape oil still find support, this is not the case of sun oil that is suffering from the harvest pressure in Black Sea. In France, harvests are expected to begin in the next two weeks and yield prospects are rather low due to a too dry weather this summer. Finally, in Argentina, plantings are progressing and are advanced to 20.4% according the Bolsa de Buenos Aires on the 1.65 million hectares planned in total. It is mainly the northern and Santa Fe regions which are the most advanced in the works.

OUR OPINION: The price seasonality is bearish every year in September before observing a rebound at the end of the year for the sunflower seed. The harvest pressure to come should lead to a decrease in sunflower seeds prices.



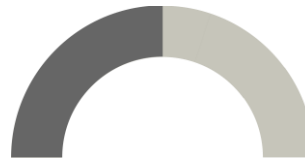
- Increase in palm and rape oils



- Harvest pressure in Black Sea basin
- Sun oil decrease

SHORT TERM INDICATORS

SUNOIL ROTTERDAM



Neutral

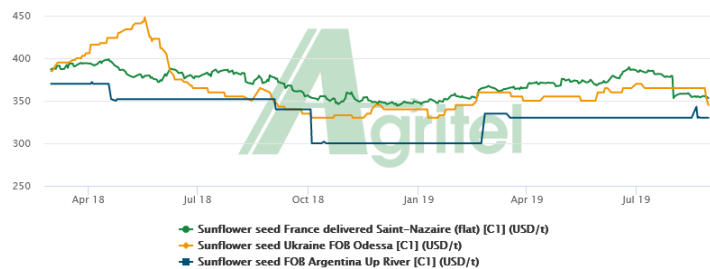
PALMOIL



Neutral to bullish

> VEGOILS (Physical prices)				Week.	Month.	
Soyoil		0,29 \$/lbs		+ 0,00	+ 0,00	
Palm oil (Bursa Malaysia)		2155,00 MYR/T		- 46,00	+ 140,00	
> SUNFLOWER OIL (Physical prices)						
Sunflower oil (ExTank Rotterdam)		750,00 \$/T		- 5,00	- 5,00	
Sunflower oil Ukraine FOB Odessa		738,00 \$/T		- 5,00	- 23,00	
> CRUDE PALM OIL				Week	Month	OI*
Oct-19	2 197,00	Myr/T	- 43,00	+ 133,00	12 977	
Nov-19	2 221,00	Myr/T	- 35,00	+ 125,00	35 315	

World Sunflower seed prices (\$/T)



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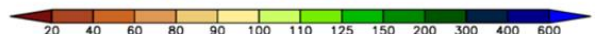
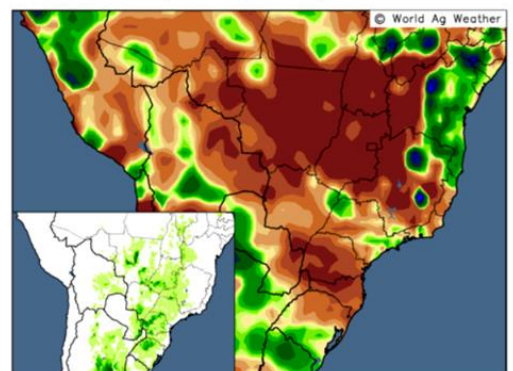
OILSEED FOCUS

Drought in Brazil to monitor

Brazil has become a major player in the global soybean production, doubling its production in 10 years. For the next campaign, this country is expected to be the world's largest producer with 123 Mt according USDA. It would represent 36% of global production and more than 50% of world exports. But this year a drought of more than two months in Brazil, could have a negative impact on the soil moisture reserves. The current situation could become even worse as no rainfall is forecasted for the next 15 days. The main area affected by this drought is Mato Grosso, representing 37% of the national production. Soybean plantings usually start in early October there. If dry weather persists until then, the soybean yields in Brazil could be weakened. So the weather in the region will be a crucial driver, especially in the context of the trade war between USA and China.

Observed Precipitation (percent of normal)

Soybeans Production Shown Inset
60 days ending 31 August 2019



Fertilizers

Recovery of urea prices

The urea market appears to have bottomed out and is on the rise again with the major exporters. In Egypt, prices are displayed at 259 \$/t FOB, which is +9 \$/t more than last week and in the United States, prices have risen by +6.5 \$/t over a week as well. Buyers are returning to these low points after the usual summer break, especially in North and South America. India is also expected in a new tender very soon, which should continue to support prices in the fourth quarter of the year. On the nitrogen solution side, the buyers are not very active, prices are declining in Western Europe. Finally, in ammonium nitrate, the main producers have not changed prices in recent weeks. Nitrate prices still seem expensive compared to the urea or to the nitrogen solution, despite the rebound of urea prices. Finally, the euro / dollar parity at lowest since May 2017 supports prices of imported products.



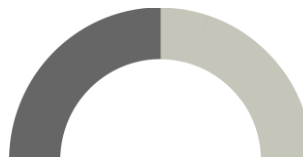
- Fall of the euro
- Urea buyers wake up



- Lower gas in London
- Low demand for nitrogen solution

SHORT TERM INDICATORS

AN WEST EU



Neutral

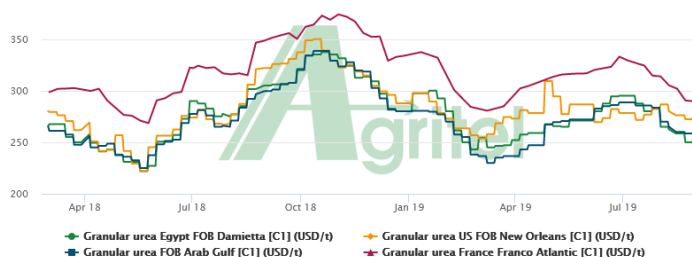
UREA EGYPT



Neutral to bullish

OUR OPINION: Buyers will be able to take advantage of current prices to advance in urea and nitrogen solution in a bull market context. In ammonium nitrate, prices should remain neutral in the short term.

World Urea prices (\$/t)



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> UREA		Week.	Month.
FOB Egypt	259,00 \$/T	+ 9,00	- 6,00
FOB Bl. Sea	237,50 \$/T	+ 0,00	- 16,50
FOB Nola	279,44 \$/sT	+ 7,17	- 7,16
FCA France	262,50 €/T	+ 0,00	- 20,00

> UAN		Week.	Month.
FOT Rouen	173,00 €/T	- 1,50	- 4,50
FOB Nola	169,21 \$/sT	+ 0,56	+ 5,52
Gaz London	33,03 GPB/gmh	+ 3,19	+ 0,31

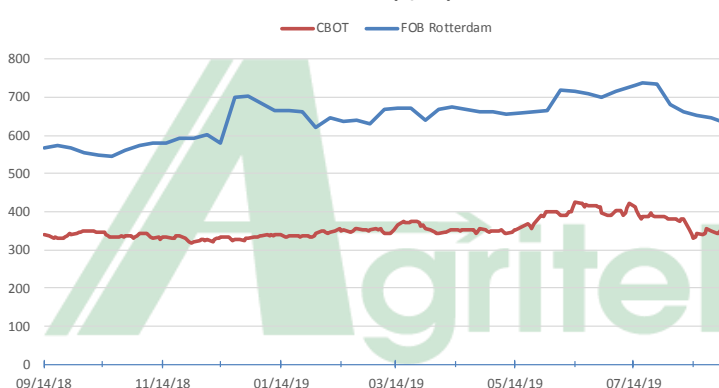
Ethanol

Donald Trump wants to boost US ethanol demand

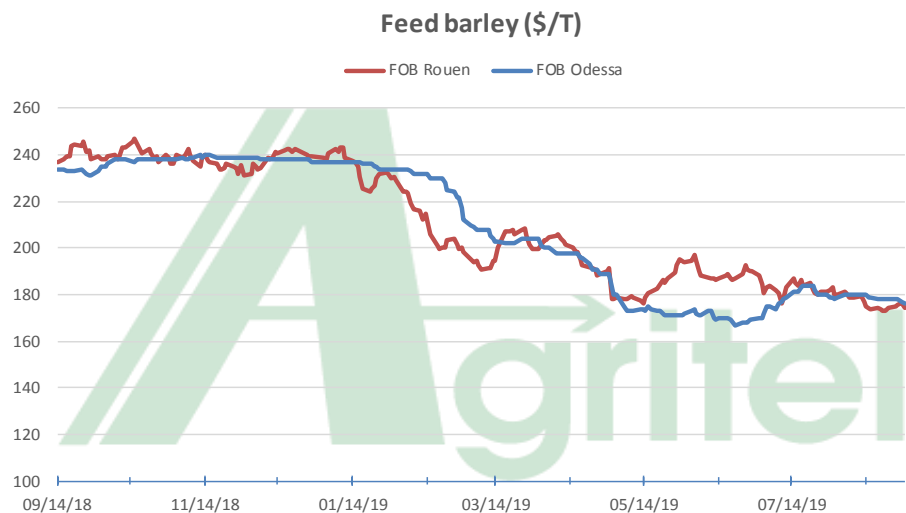
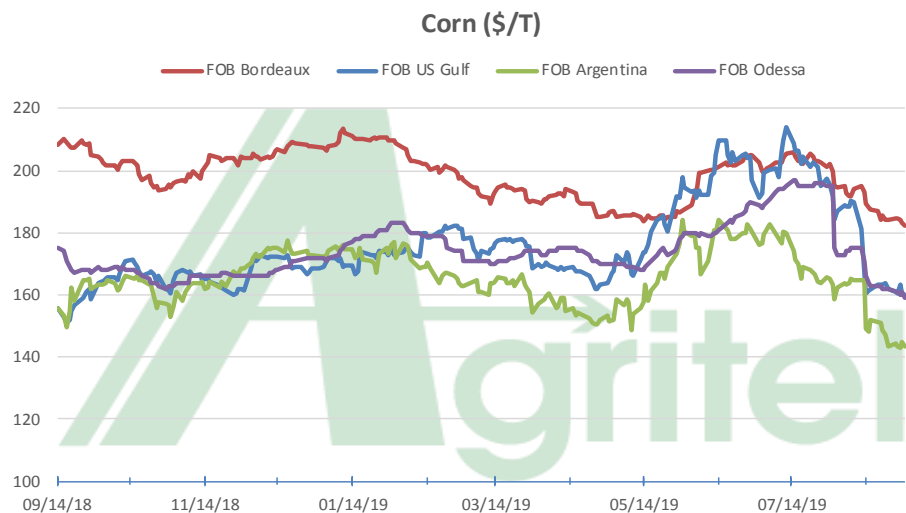
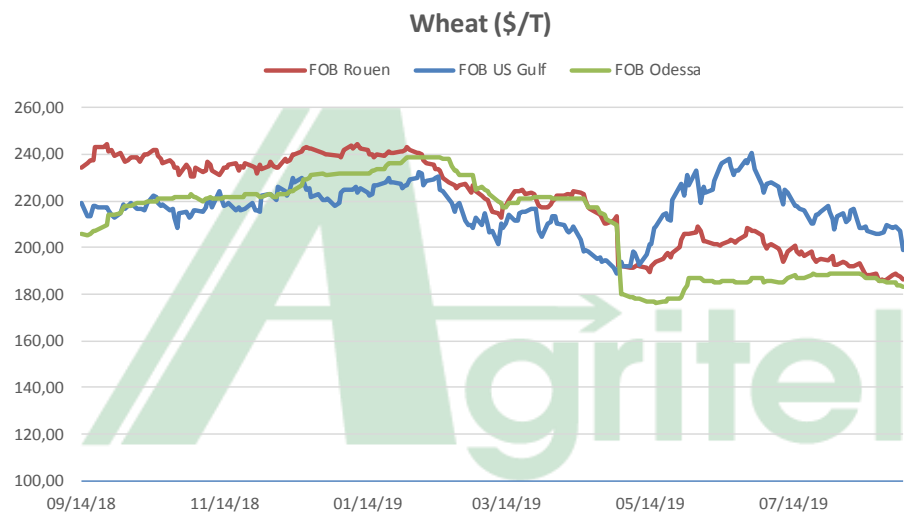
US weekly ethanol stocks have slightly decreased by -385 000 to 22.982 M barrels whereas US weekly production has increased a bit by + 15 000 to reach 1.038 million of barrels produced per day. In USA, Donald Trump is willing to boost ethanol demand in order to satisfy US corn farmers. The sector is disturbed as 31 refineries have been granted waivers by the EPA and some operators believe the biofuel demand would then be undermined. Moreover, the country is trying to look at market opportunities and an agreement has been recently signed with Japan. Indeed, the ongoing trade war with China has curbed the US ethanol demand. The country is aiming to reach 10 % blend of ethanol to all gasoline used in the country by 2020. Ethanol imports should then increase in coming months and Brazil will try to catch some market shares for its own ethanol. However, the Chinese government will likely try to switch a part of ethanol imports with local production.

> ETHANOL		Week.	Month.
Ethanol FOB Rotterdam	575,02 €/m3	- 8,15	- 37,56
Ethanol CBOT (spot)	1,34 \$/gal	+ 0,02	- 0,11

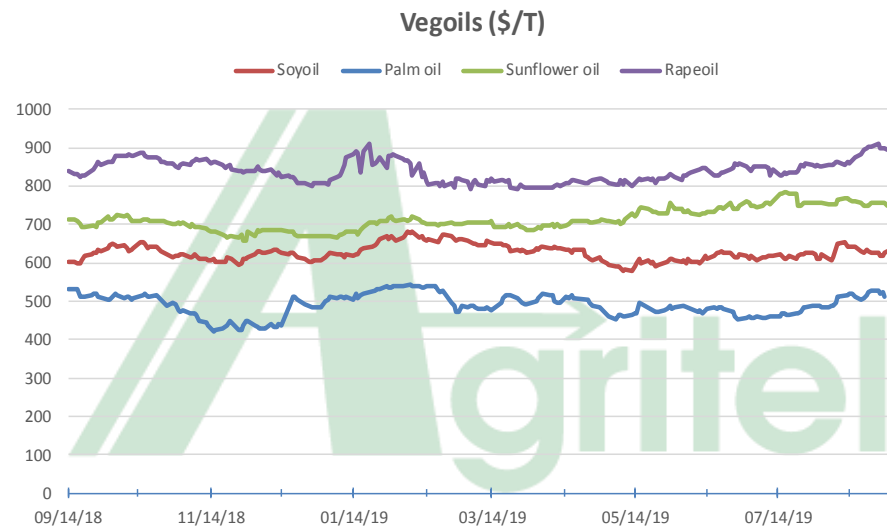
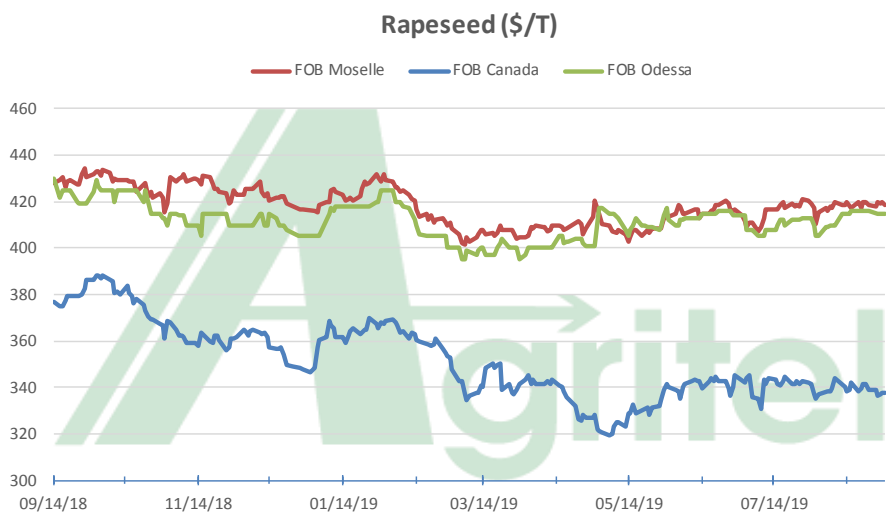
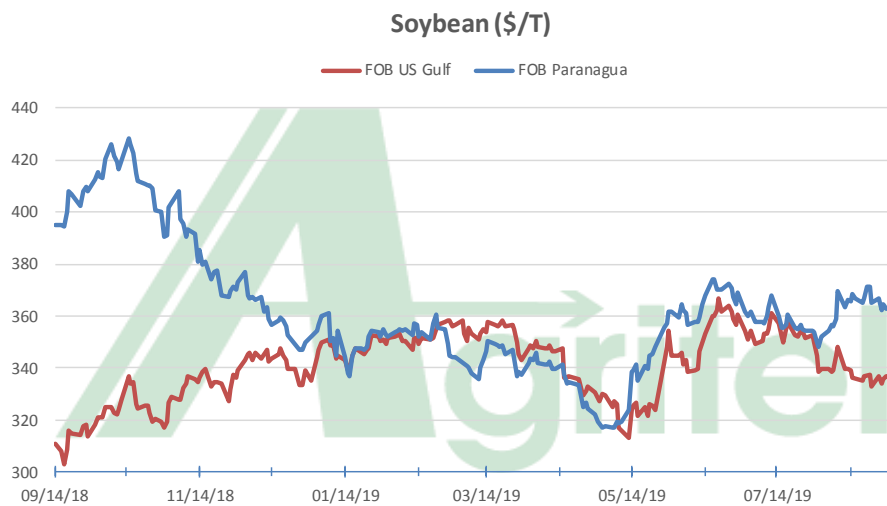
Ethanol (\$/m³)



Graphs



Graphs





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