



PARIS GRAIN CONFERENCE

26-27 January 2023

In-person: Le Méridien Etoile, Paris, France & Online Access



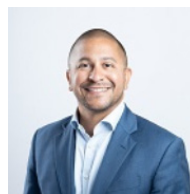
Pre-conference speaker interviews, with insights from:



Nikolay Gorbachev
President
Ukrainian Grain Association



Nicolas Ferenczi
Head of Economics and
International Affairs
AGBP



Mac Marshall
Vice-President,
Market Intelligence
United Soybean Board



David Carpintero
Director General
ePURE



Luiz Carlos Santos
Managing Director
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INTRODUCTION

Grain and oilseed markets entered uncharted territory in 2022, with food and feed prices hitting new highs. As the events in Ukraine have shaken the world, geopolitics has at times felt like a greater market driver than fundamentals.

Projecting mid-to-long term grain export capacity from the Black Sea – for the past couple of decades the world’s main engine for grain production growth – remains at the mercy of geopolitics. And the pace of winter grain planting in the region already tells us that the world’s production growth engine is – at least for now – broken.

But geopolitical developments have sometimes overshadowed factors that are equally crucial for the grain and oilseed outlook, and we must carefully consider these as we discuss the future of our markets. Before 2022, prices were already historically high as the world’s food and feed consumption followed a long-term upward trajectory. But history also shows that periods of high prices typically lead to a level of demand reduction. In 2022 and 2023, this effect could be compounded.

On the food and feed side, high prices, ongoing Covid restrictions in China and the shadow of recession looming over many of the world’s largest economies might mean that demand rationing is more pronounced than in previous spells of high prices. This is while another outlet for grain and oilseed – biofuels production – is facing the same kind of economic headwinds, underpinned by high energy prices and weak consumer demand.

Beyond geopolitical events and depressed demand, the past few years also remind us that weather remains one of the single biggest risks faced by our markets. The northern hemisphere has now seen two consecutive years of poor growing conditions, leading to damaged wheat crops in 2021 and decimated corn crops in 2022. And the 2022 southern hemisphere wheat crop has suffered from La Nina weather patterns, which have also affected planting prospects for the upcoming corn crop. All this comes as farmers face historically high fertilizer prices, which could have an impact on planting decisions.

Events on the political stage, macroeconomic developments and weather disruption will all be key as grain and oilseed markets brace for choppy waters ahead.

*Hear more from Argus experts and the industry’s leading stakeholders at the **Paris Grain Conference** on **26-27 January 2023**.*



Pre-conference speaker interviews



Nikolay Gorbachev

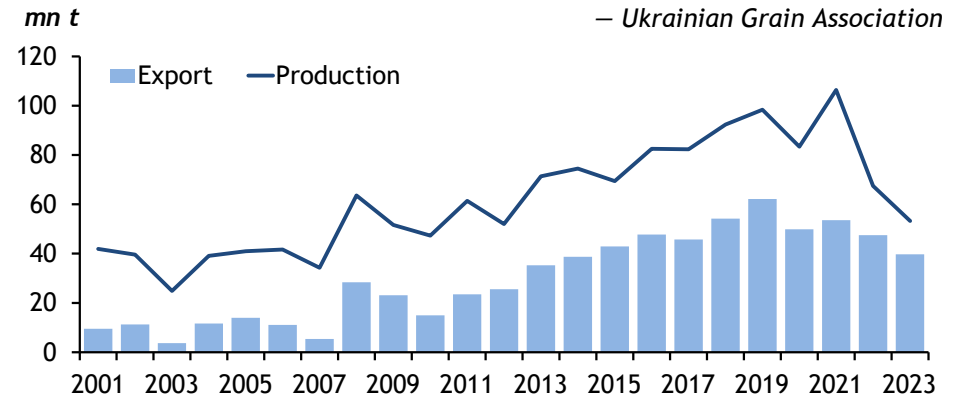
President, Ukrainian Grain Association

What have been the biggest challenges in the Black Sea grain market over the last 24 months?

Ukraine harvested a record crop of over 106mn t of grain and oilseed in 2021. Exports should have reached more than 70mn t. But Russia's invasion of Ukraine in late February 2022 and further blockade of Ukrainian ports drastically disrupted Ukrainian grain exports and caused a shock to the world food market. A huge amount of grain remained in storage – about 26mn t. Season-ending stocks in Ukraine have not tended to exceed 3.5mn-5.0mn t in previous years.

Ukrainian farmers face the problem of selling their crops, insufficient storage capacities for the new harvest, as well as damage caused by the fighting and Russian attacks. Alternative routes for exports through EU countries by rail and truck have not proved economically viable as the logistics are too expensive – producers could not survive as the price they receive for their crops is less than their costs. Ukrainian farmers could go bankrupt en masse. So a dangerous threat has emerged to food security in Ukraine and the world beyond.

The damage to Ukraine's agricultural sector from Russia's war, according to FAO estimates, stands at \$4bn-6bn. In addition to direct damage, the war has resulted in more than \$34bn of indirect losses for the agriculture sector, according to the KSE Institute and the Ministry of Agrarian Policy.



Where are the current bright spots in the market?

Renewed exports through Ukrainians ports under the aegis of the Black Sea Grain Initiative – put together in co-operation with the UN and Turkey – has given Ukrainian farmers hope for the future; hope that they can sell their crops, receive enough income to cover their costs and to go ahead with the sowing campaign for next year's crop.

Ukraine's exports of grain and oilseed in July-October reached 18mn t. And exports of grain and oilseed through the 'grain corridor' totalled almost 8.4mn t in August-October. Overall exports though the 'grain corridor', including oil and pulses, reached 9.7mn t.

What are some of the key challenges? How can we work together to overcome these?

Ukraine and the world need to extend the Black Sea Grain Initiative for all of next year to make exports of grain and oilseed predictable for Ukrainian farmers and consumers all over the world. We also need to expand safe Grain Corridor routes for ports in Ukraine's Mykolayiv region. This will increase grain and oilseed export transshipment capacities and reduce logistical costs.

Globally, Russian aggression must be stopped, and Russia should pay for the damage and destruction it has caused Ukraine. We welcome the decision of the UN General Assembly to make Russia accountable and force it to pay compensation. By stopping Russian aggression, we will solve a number of problems in the Black Sea and world grain markets.

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To prevent a decrease in grain production in Ukraine, the international community must find a mechanism to motivate Ukrainian farmers to increase the area under spring crops. It can be subsidies per hectare of planted area in spring. I would like to remind that Ukrainian farmer working without subsidies all past 30 years.

What are your expectations for Ukrainian grain production in the next marketing year?

Today you can see the extent of the destruction caused by Russia's war against Ukraine — the impossibility of carrying out a sowing campaign in the occupied territories, the disruption to logistics, the mining of fields... All of this jeopardises grain production in Ukraine for future periods. We estimate that grain and oilseed production will fall again next year because of the war.

*Hear more from **Nikolay Gorbachev**, President of the **Ukrainian Grain Association**, during the panel discussion, which will ask the question: **How have grain trade patterns changed as a result of the conflict, and how are global buyers now steering their grain procurement?***



Pre-conference speaker interviews



Nicolas Ferenczi

Head of Economics and International Affairs, AGBP

What have been the biggest challenges in the global fertilizer market over the last 24 months?

The last 24 months have been a time of unprecedented disruption in the global fertilizer market, and Europe was in the eye of the storm. As fertilizer users, we had to analyse what was going on and why — this is not the most transparent market — and then try to convince economic and political actors to react properly. We have seen a global demand shock in 2021-22, and operators had to figure out whether to wait and see or buy and manage price risks. In 2022-23, we are witnessing a supply shock because of the war in Ukraine, and the challenge in Europe was to secure alternative fertilizer import sources and logistical solutions.

Where are the current bright spots in the market?

Global gas, ammonia and nitrogen prices — although still very high — have been on a downward trend from the sky-high levels of last summer. However, the war in Ukraine is a highly unpredictable driver affecting not only global supply, but also fertilizer delivery routes and trading patterns.

What will be the consequences of increased prices on fertilizer demand and productivity?

There are many consequences, as farmers have been reacting to high prices and the risk of fertilizer shortages by adjusting crop rotations, fertilizer types and application rates. Demand destruction has already occurred in Europe, with lower use of N, P and K nutrients in spring 2022, and this is likely to get worse next spring. Depending on the

weather conditions, this could negatively impact qualities and volumes of the European harvest in 2023. In the medium term, this will hopefully help speed up development and adoption of technology that allows a more efficient use of mineral fertilizers. This involves agronomy — for example, cover crops and fertilizer use (decision support tools, precision spreading, inhibitors, organic sources — as well as improved crop genetics.

Hear more from **Nicolas Ferenczi**, Head of Economics and International Affairs, **AGPB**, on the panel discussion: **Fertilizers: Managing cost and efficiency as prices rise and regulations tighten**



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Mac Marshall

Vice President, Market Intelligence,
United Soybean Board

How are crop outcomes and policies in key exporters across the EU, the Americas and Asia likely to influence the vegetable oil market in 2023-24?

As we look ahead to the 2023-24 marketing year, we first need to understand what 2022-23 balance sheets will look like. In the near term, the biggest question is how large the 2022-23 Brazilian soybean crop will be as it rebounds from a challenging 2021-22 campaign. The size of the Brazilian crop will be critical to the price environment US farmers will be facing as they make their cropping decisions for the 2023 planting season. Of course, US farmers don't just take prices into consideration, they also put a lot of weight on land stewardship and making sound agronomic decisions, including crop rotation. Looking further down the value chain, in the US we are seeing a wave of significant crushing capacity expansion, which will drive increased production of soybean oil and meal. The soybean market has evolved in the past couple of years and now there is a greater appreciation of the value of soybean oil, which is an incredibly versatile product with diverse applications across the food, energy and industrial spaces.

What have been the biggest challenges in oilseed markets over the last 24 months?

Looking across the four major oils — soy, sun, palm, and rapeseed/canola — the centres of production for each of these have seen major challenges in the past two years. There is, of course, the ongoing Russian invasion of Ukraine, which has disrupted availability of sunflower seed out of the Black Sea. In 2021, drought across the Canadian prairies severely impacted Canadian rapeseed production while a second consecutive year of La Nina hampered soybean production across South America. Meanwhile, Covid-related

labour shortages impacted the Malaysian palm harvest. And in the US, our farmers overcame drought pressure in 2022 to grow one of our largest crops on record — but that continued dryness reduced levels on the Mississippi river, severely impacting barge traffic on our nation's most critical agricultural waterway.

Can the world sustainably do without Ukrainian sunflower oil?

Global vegetable oil demand continues to grow, and the world felt the impact of reduced sunflower oil availability from Ukraine in 2022. We are fortunate to live in a world of global trade where there are multiple sources of vegetable oil — including soybean oil — so when supply and production disruption occurs, there are ways to backfill supplies, at least in the short term. But as we look beyond a single season, the fact remains that the world needs the full vegetable oil complex to meet cross-sector demand season after season.

Hear more from **Mac Marshall**, Vice-President for Market Intelligence, **United Soybean Board** on the panel discussion: **What are the impacts of demand destruction caused by high prices, and the impact of high energy prices on oilseed crushing, and what does this mean for consumption of vegetable oil?**



Pre-conference speaker interviews



David Carpintero

Director General, ePURE

Where are the current bright spots in the market?

With so much policy uncertainty at EU level in recent years, there haven't often been bright spots in the biofuels market, but developments in the last few months have given some refreshingly clear signposts to a promising road ahead for the European renewable ethanol industry. As policymakers hammer out the final details of the 'Fit for 55' climate and energy legislation package, there is at least general agreement that reducing emissions from transport requires an important role for sustainable biofuels. That's important, because biofuels such as renewable ethanol are the most immediate, affordable, sustainable and socially inclusive solution that the EU has to reduce emissions from the petrol and hybrid cars that will continue to predominate on Europe's roads for a long time. All of this was taken into account in September, when the European Parliament wisely rejected amendments that would have placed further restrictions on European crop-based biofuels, which are already capped at a maximum of 7pc of member states' road and rail energy and subject to strict sustainability criteria. Such restrictions would have made it harder for member states to reach their decarbonisation objectives and would have increased EU dependence on imported fossil fuel. Even with that 7pc cap still in place, there is room for the renewable ethanol market to grow in Europe, as not all countries have implemented E10 and many still struggle to meet GHG reduction targets.

Is there a correlation between biofuels policy and food inflation?

There's a lot of misinformation about this topic, and food prices are affected by so many other factors. Contrary to the misleading and discredited arguments about 'food vs

fuel' that were heard during the 'Fit for 55' debates on biofuels, EU ethanol production actually contributes to food security. The amount of grain used by EU renewable ethanol plants is only a small fraction of the total EU cereals balance — according to the latest European Commission estimates, ethanol production uses just 6.5pc of EU maize production and 1.9pc of EU wheat production — and it produces both energy and protein. In fact, in 2021 European renewable ethanol biorefineries produced more high-protein animal feed than fuel, helping ensure an important domestic supply. This was achieved with no deforestation or land grabs — ePURE members' ethanol production in 2021 required less than 1.8mn hectares of European arable land, equivalent to just 1.2pc of total arable land in the EU 27 and the UK, more than 3 times less than the current area of set-aside and fallow land in the EU 27. Land use for ethanol crops is even more negligible when you factor in the co-production of animal feed together with renewable ethanol. Out of the 1.8mn ha, only about 1.1mn ha is attributable to the sole production of ethanol, which is 1pc of the total arable land of the EU 27 and UK.

*Hear more from **David Carpintero**, Director General, **ePURE**, on the Keynote panel: **Food versus Fuel: would reducing crop-based biofuel production help to increase the production of food?***



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Luiz Carlos Santos

Managing Director, SA Commodities

What have been the biggest challenges in the Latin American market over the last 24 months?

Firstly, there was Covid 19 — something that affected all nations. As a result of the pandemic, we are all contending with problems caused by containers being held in Asia, as well as the impact of higher container freight rates on exports.

Poverty and inequality remain key concerns as well, given that the increase in inflation has an uneven impact on the population. The most vulnerable groups in the region are being hit hard by the increase in basic food and energy prices, while still struggling to recover from the economic impact of the pandemic.

Where are the bottlenecks in Brazil's grains and soybean supply chain, and how will logistical improvements in the region support its role in global trade?

The grains sector has achieved its best results ever since soybeans became Brazil's leading commodity export, despite the various challenges and disruptions to the global supply chain caused by the pandemic. Compared with the same period [Jan-Nov] of last year, corn exports have more than doubled to 31mn t from 15mn t, with wheat and rice exports rising to 3.4mn t from 1mn t over the same period.

Where are the bright spots in the market?

The increase in the planted area, and productivity in kg/hectare terms.

The last Conab report from September projects that Brazil's exports of soybean and grain will total 78.26mn t this year. January-October exports hit 74.83mn t, according to the economy ministry, leaving 3.44mn t to be exported in November-December.

In addition to a high level of soybean exports, exports of bran and soybean oil have increased. High international demand and prices, positive crushing margins, a reduction in the percentage of biodiesel blended with diesel and crop failure in Argentina have underpinned the strength in exports of these by-products.

*Hear more from **Luiz Santos**, Managing Director, **SA Commodities**, on the panel discussion: **How have grain trade patterns changed as a result of the Ukraine conflict, and how are global buyers now steering their grain procurement?***



Join a global audience from across the agricultural, fertilizer, biofuel and carbon markets



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Guy Hindley
Managing Director,
Dry Cargo Division
Howe Robinson
Partners



Marc Ostwald
Chief Economist and
Global Strategist
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Andrea Martelli
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