

Market Driving Factors – Soybean and Soymeal



NCML – A brief



| Company **Profile**

NCML is India's leading integrated post & pre-harvest solution provider in the commodity space.

Through PAN India presence, NCML provides commodity handling and risk management services to clients across the country.

Promoter

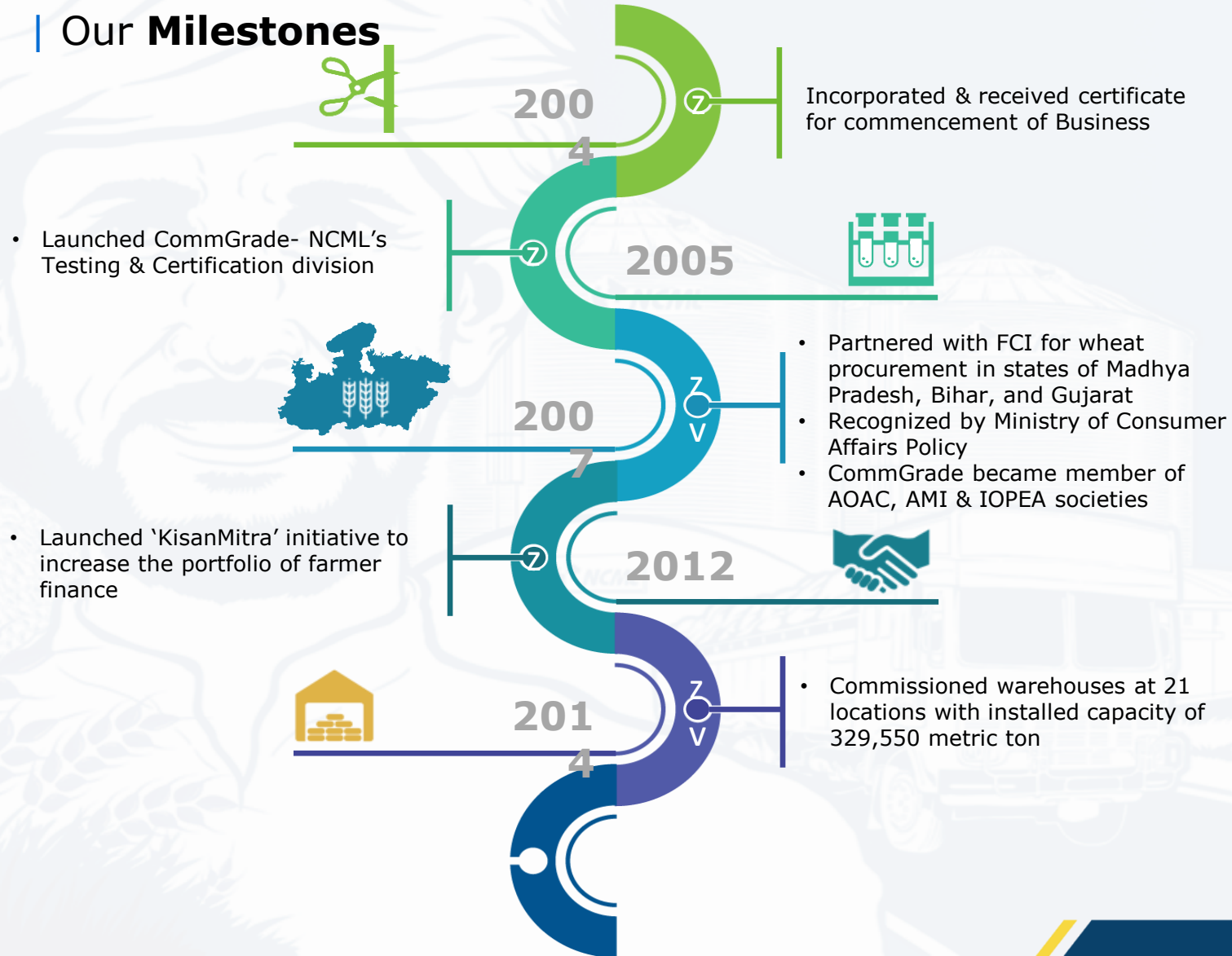
Fairfax India has majority ownership, interest & management control in NCML

Shareholders

PNB, Corporation Bank, Bank of India, Indian Bank & Hafed continue to be the shareholders

NCML Journey & Milestones

Our Milestones



- Fairfax acquired 88% stake in the company at a valuation of 1000 crore
- NCML changed business status to NCML Limited

2015

FAIRFAX



2016

- Installed our first silo project at Purina and cold storage at Guntur
- NCML launched NCML Finance (nFin), RBI registered NBFC
- Successfully won the FCI bid to install Silos at 11 location under DBFOO basis at a total capacity of 550000 MT

- Launched NCML Mktyard.com, an e-marketplace for farmers
- Commissioned warehouses at 38 new locations with installed capacity of 655000 MT
- Successfully won FCI bid to install silos at 2 location under DBFOT basis at a total capacity of 100000 MT

2017



AGCON

2018

- Launched NCML- AGCON, a new subsidiary offering remote sensing-based service for crop monitoring
- Installed 4 regional labs, 7 area labs and 4 Agro-test centers with state-of-the-art facilities
- Successfully won FCI bid to install silos at 3 location under DBFOO basis at a total capacity of 150000 MT

VISION

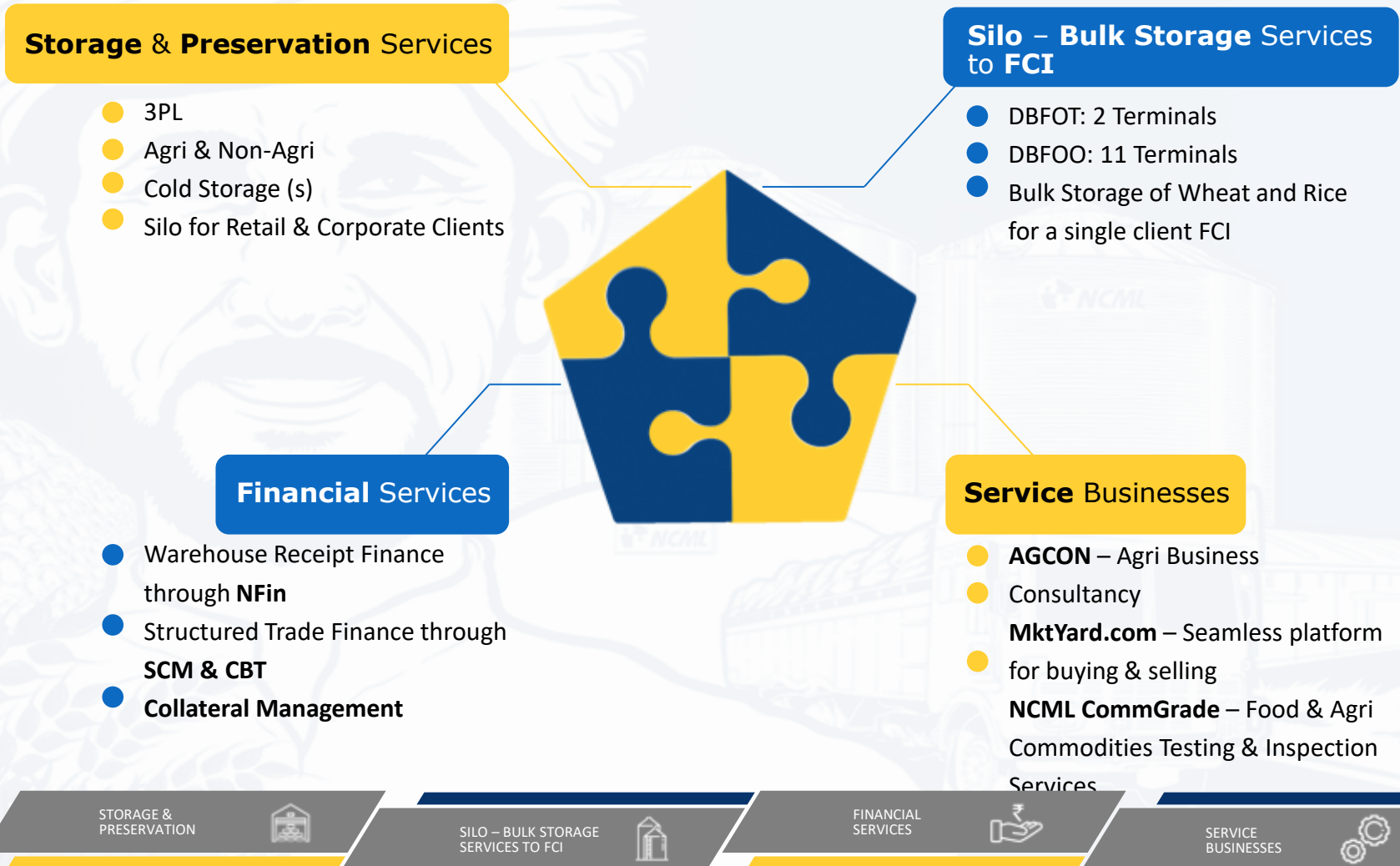
Be the trusted solution provider for stakeholders in the value chain of 'Agriculture-to-Food' through services; fostering innovation and efficiency.



MISSION

Leverage our nationwide footprint and experience of commodities to partner with the stakeholders in transforming the agriculture - food supply chain through delivering profitable and sustainable solutions in market access including digital platforms, storage and preservation, testing, collateral management, logistics and other value-added services.

NCML – Business Verticals



Market Driving Factors – Soybean



Global Scenario

Market Driving Factors – Global Soybean

Bullish Factors

- La-Nina Concerns threatening South American Soybean Production
- Global Soybean and Soymeal demand to increase amidst recovery in Global Economy

Bearish Factors

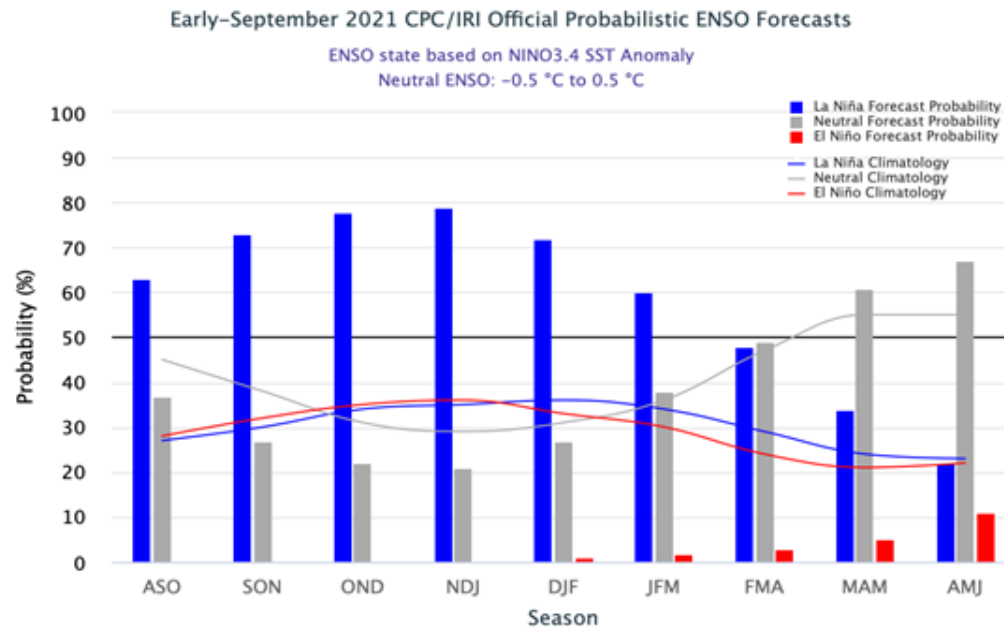
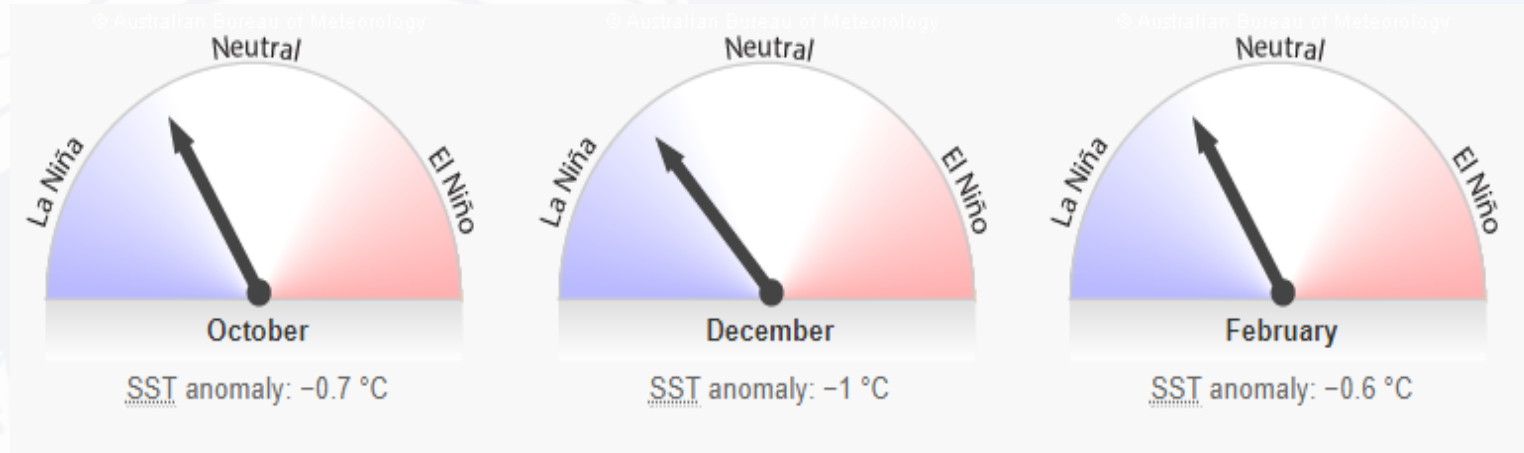
- Supply tightness to ease in 2021--2
- Concerns over Chinese Soybean demand amidst emerging real estate crisis
- Easing Edible Oil prices to impact Oil seed prices

Will La-Nina resurface in 2021-22??

| Year | DJF | JFM | FMA | MAM | AMJ | MJJ | JJA | JAS | ASO | SON | OND | NDJ |
|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 2010 | 1.5 | 1.2 | 0.8 | 0.4 | -0.2 | -0.7 | -1 | -1.3 | -1.6 | -1.6 | -1.6 | -1.6 |
| 2011 | -1.4 | -1.2 | -0.9 | -0.7 | -0.6 | -0.4 | -0.5 | -0.6 | -0.8 | -1 | -1.1 | -1 |
| 2012 | -0.9 | -0.7 | -0.6 | -0.5 | -0.3 | 0 | 0.2 | 0.4 | 0.4 | 0.3 | 0.1 | -0.2 |
| 2013 | -0.4 | -0.4 | -0.3 | -0.3 | -0.4 | -0.4 | -0.4 | -0.3 | -0.3 | -0.2 | -0.2 | -0.3 |
| 2014 | -0.4 | -0.5 | -0.3 | 0 | 0.2 | 0.2 | 0 | 0.1 | 0.2 | 0.5 | 0.6 | 0.7 |
| 2015 | 0.5 | 0.5 | 0.5 | 0.7 | 0.9 | 1.2 | 1.5 | 1.9 | 2.2 | 2.4 | 2.6 | 2.6 |
| 2016 | 2.5 | 2.1 | 1.6 | 0.9 | 0.4 | -0.1 | -0.4 | -0.5 | -0.6 | -0.7 | -0.7 | -0.6 |
| 2017 | -0.3 | -0.2 | 0.1 | 0.2 | 0.3 | 0.3 | 0.1 | -0.1 | -0.4 | -0.7 | -0.8 | -1 |
| 2018 | -0.9 | -0.9 | -0.7 | -0.5 | -0.2 | 0 | 0.1 | 0.2 | 0.5 | 0.8 | 0.9 | 0.8 |
| 2019 | 0.7 | 0.7 | 0.7 | 0.7 | 0.5 | 0.5 | 0.3 | 0.1 | 0.2 | 0.3 | 0.5 | 0.5 |
| 2020 | 0.5 | 0.5 | 0.4 | 0.2 | -0.1 | -0.3 | -0.4 | -0.6 | -0.9 | -1.2 | -1.3 | -1.2 |
| 2021 | -1 | -0.9 | -0.8 | -0.7 | -0.5 | -0.4 | -0.4 | ?? | ?? | ?? | ?? | ?? |

- La-Nina: Characterized by a negative ONI less than or equal to -0.5°C
- In the last 10 years, whenever La-Nina developed, it continued for 2 consecutive years
- 2020-21 is a La-Nina Year; Will it resurface in 2021-22??

La-Nina Forecast for 2021-22



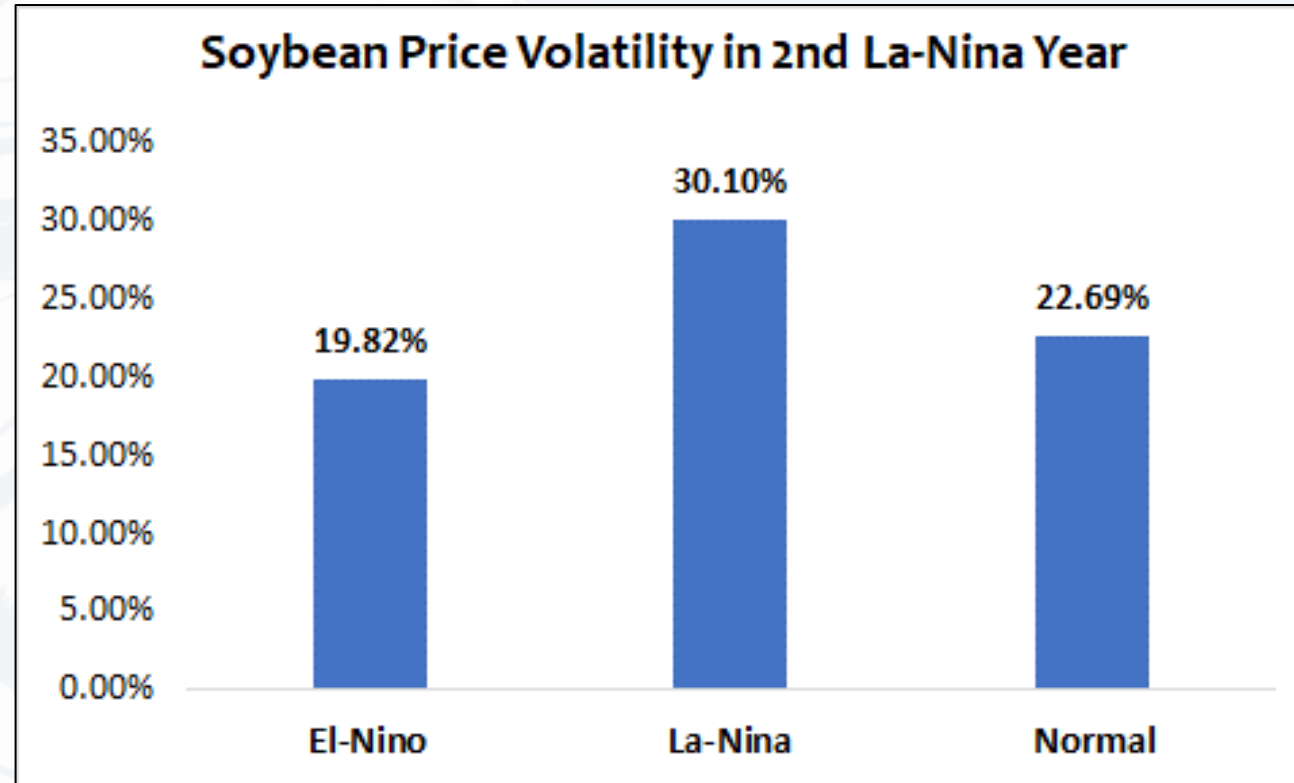
- La-Nina is favored in Northern Hemisphere fall and Winter 2021-22 (Oct – Feb)
- Occurrence of La-Nina (If at all happens) coincides with S. American Soybean crop time
 - Brazil soybean window: Sep/Oct to Dec/Jan
 - Argentina Soybean window: Dec/Jan to Jan/Apr

La-Nina and its impact on Soybean Production

| Soybean Production in La-Nina Years (in mn MT) | | | | |
|--|-------|--------|-----------|-------------------|
| Year | US | Brazil | Argentina | Global Production |
| 2010-11 | 90.6 | 75.3 | 49.0 | 264.7 |
| 2011-12 | 84.3 | 66.5 | 40.0 | 240.8 |
| 2016-17 | 116.9 | 114.9 | 55.0 | 350.2 |
| 2017-18 | 120.5 | 123.4 | 37.8 | 344.2 |
| 2020-21 | 112.5 | 137.0 | 46.0 | 363.3 |
| 2021-22 | 119.1 | 144.0 | 52.0 | 384.4 |

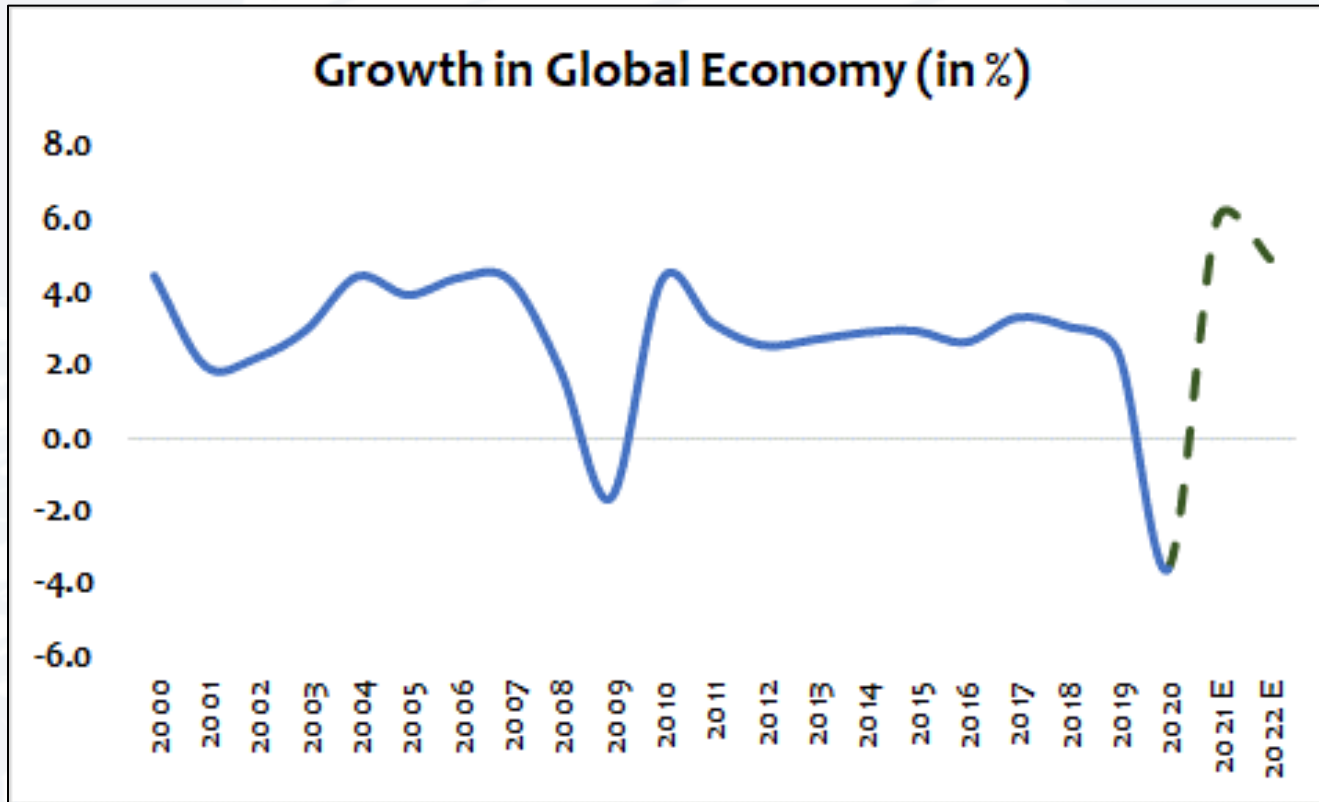
- Muted impact on US and Soybean production in 2nd La-Nina Year
- Argentina Soybean Production severely impacted in 2nd La-Nina Year
- Will History repeat in 2021-22??

Price Volatility in 2nd La-Nina Year



Higher Price Volatility witnessed in 2nd La-Nina Year

Growth in Global Economy



- Global economy poised to by 6% in 2021 and by 4.2% in 2022
- Growth in economy leads to higher consumption
- Higher protein requirement to be witnessed and in turn higher demand for Soybean meal

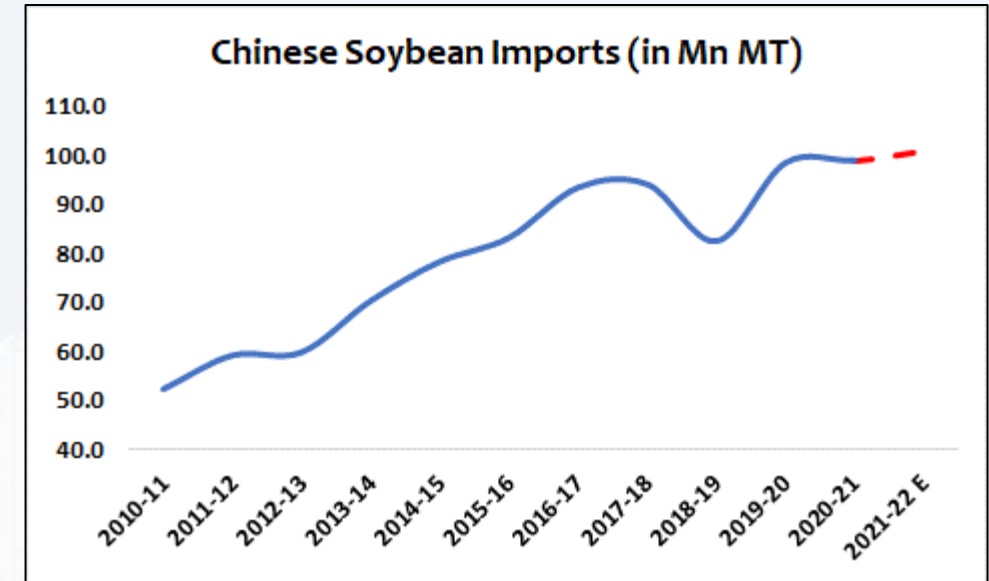
Supply Tightness to ease Gradually

| Soybean Ending Stocks (in mn MT) | | | | |
|----------------------------------|---------|---------|---------|-----------|
| Country | 2018-19 | 2019-20 | 2020-21 | 2021-22 E |
| US | 24.7 | 14.3 | 4.8 | 5.0 |
| Brazil | 32.5 | 20.0 | 26.6 | 27.9 |
| Argentina | 28.9 | 26.7 | 24.6 | 24.6 |
| Global Ending Stocks | 114.7 | 95.9 | 95.1 | 98.9 |

Global Soybean End stocks to improve from 2021-22

Looming concerns over Chinese Economy

- China – Largest importer and consumer of Soybean / Soymeal
- Concerns emerging over probable default by EVERGRANDE; a Chinese real estate company
 - Debt of EVERGRANDE: ~ USD 300 Billion
 - Default by EVRGRANDE – can destabilize Chinese Economy
 - Impact of default will spill over to the world markets
- Soybean imports to China to be impacted if crisis seen in China



Supply tightness in Edible Oils to ease

- Edible Oil production to increase by 4% in 2021-22
- Palm Oil and Sunflower Oil – Major contributors for incremental production
- Higher supplies will lead to lower prices
- Lower oil prices to negatively impact Oil seed prices

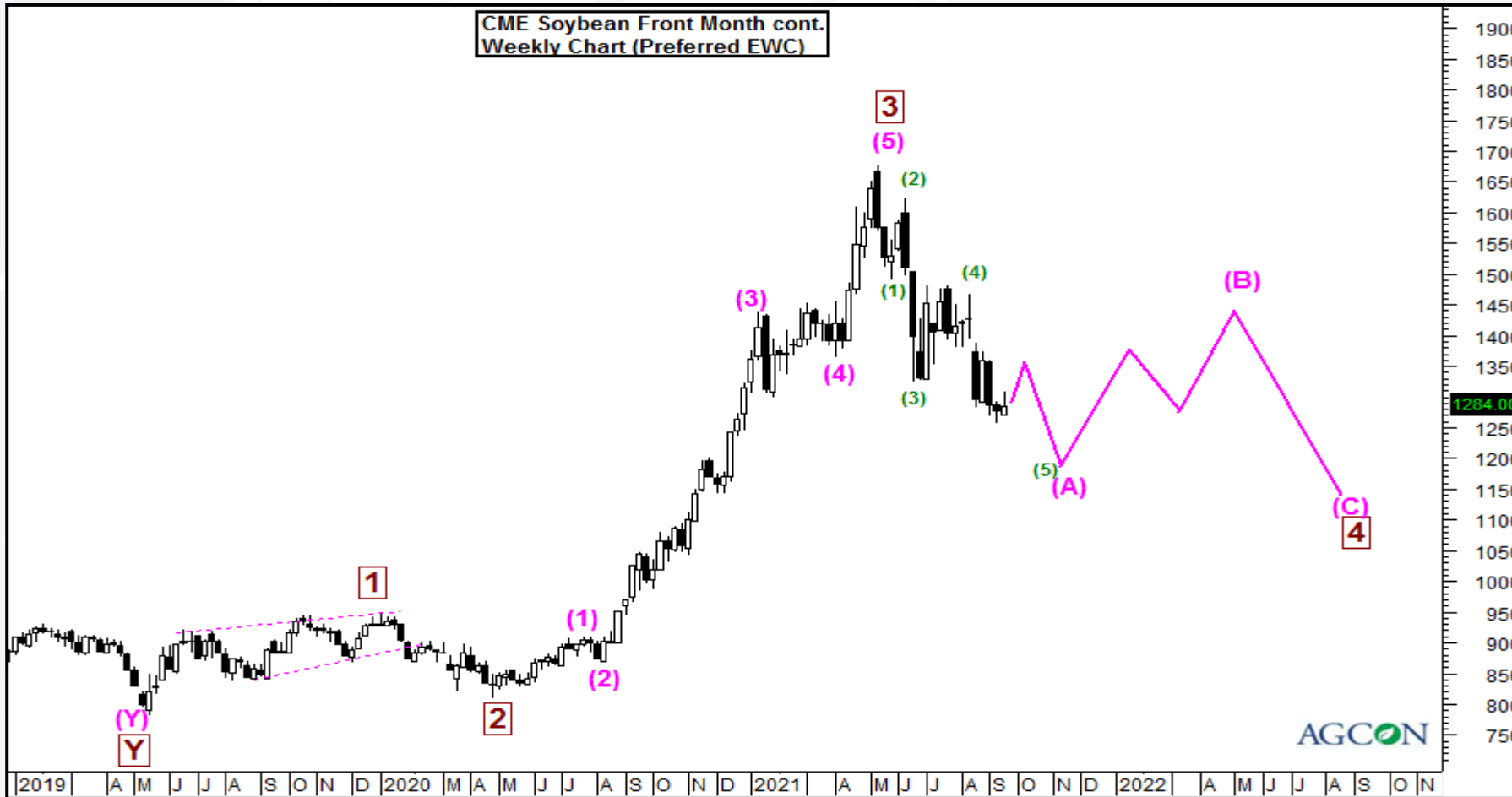
| Commodity | 2020-21 | 2021-22 E | % Change |
|-------------------|---------|-----------|----------|
| Palm Oil | 73 | 77 | 5% |
| Soybean Oil | 60 | 62 | 4% |
| Rapeseed Oil | 29 | 28 | -5% |
| Sunflower Oil | 19 | 22 | 15% |
| Peanut Oil | 6 | 6 | 1% |
| Cotton Seed Oil | 5 | 5 | 5% |
| Major Edible Oils | 199 | 207 | 4% |

Global Soybean Balance Sheet

| Global Soybean Balance Sheet (in mn MT) | | | |
|---|--------------|--------------|--------------|
| Parameter | 2019-20 | 2020-21 | 2021-22 E |
| Beginning Stocks | 114.7 | 95.9 | 95.1 |
| Production | 339.7 | 363.3 | 384.4 |
| Imports | 165.0 | 166.7 | 170.9 |
| Total Supply | 619.4 | 625.9 | 650.4 |
| Exports | 165.1 | 165.7 | 173.2 |
| Domestic Consumption | 358.4 | 365.1 | 378.4 |
| Total Demand | 523.5 | 530.8 | 551.5 |
| Ending Stocks | 95.9 | 95.1 | 98.9 |

Supply tightness to in 2021-22

Technical Outlook – CME Soybean



CME Soybean prices are expected to take support between 1150 to 1200 cents per bushel and might witness corrective up move towards 1450 – 1500 levels in the next 4-6 months



Domestic Scenario

Market Driving Factors – Domestic Soybean

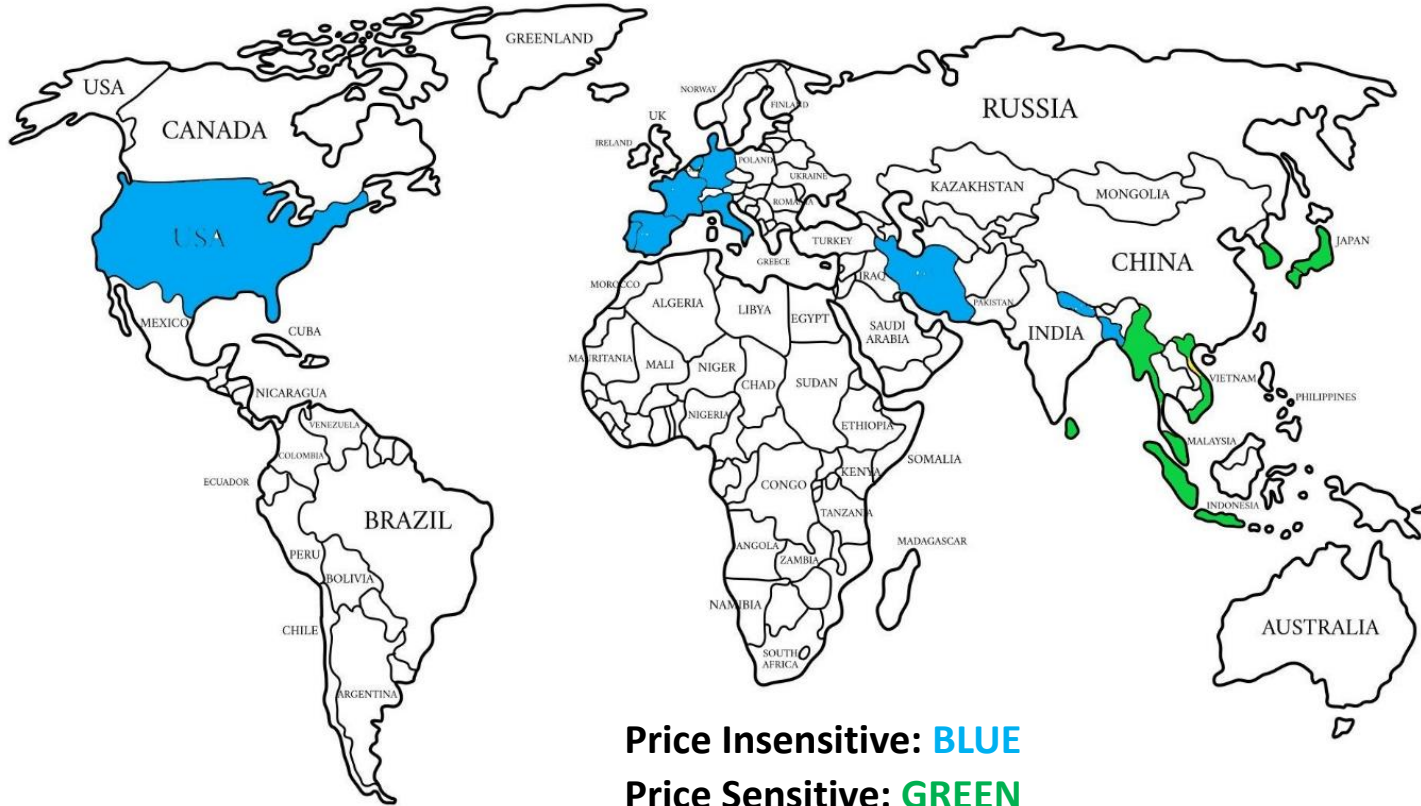
Bullish Factors

- Strong growth in Poultry Feed segment to be witnessed

Bearish Factors

- Higher production on y-o-y basis
- Disparity in Soymeal exports & Poor export order book for Oct'21 to Jan'21
- Ending stocks to ease significantly in 2021-22

Traditional Export Markets for Indian Soymeal



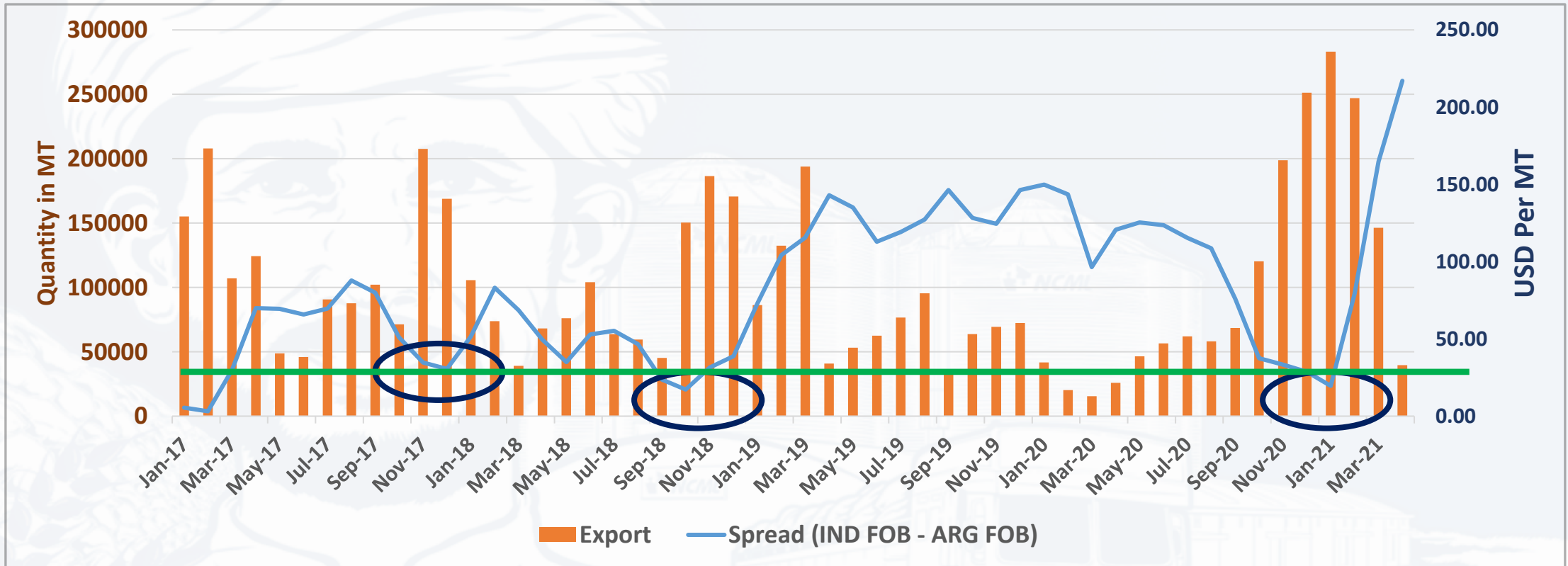
| Country | Average Imports from India (MT) |
|----------------|---------------------------------|
| Germany | 155363 |
| USA | 118317 |
| France | 98877 |
| Rest of Europe | 90292 |
| Nepal | 88710 |
| Bangladesh | 87658 |
| Iran | 201994 |
| Japan | 63597 |
| Indonesia | 50111 |
| Myanmar | 44033 |
| South Korea | 41318 |
| Belgium | 39230 |
| Vietnam | 38925 |
| Sri Lanka | 38757 |

Average Export Potential : 5-6 Lac MT

Average Export Potential : 7-10 Lac MT

Indian Soymeal Market has to align with the International market for the exports to become viable

Indian Soymeal Exports



Indian Soymeal exports to become competitive at a premium of USD 50 per MT over Argentina Meal

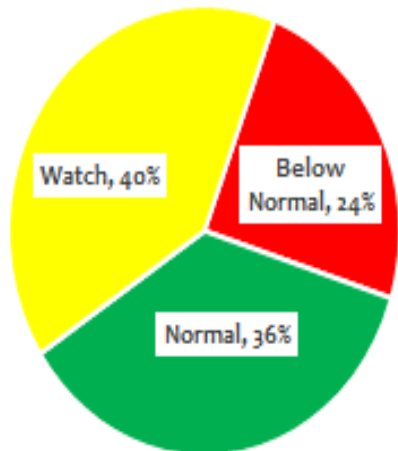
Derived Soybean Price for exports to become viable

| S.No | Parameter | Unit | Price |
|------|--|----------|-------|
| 1 | Argentina Soymeal FOB (As on Sep 20, 2021) | USD / MT | 420 |
| 2 | General Premium for Indian Meal over Argentina Soymeal | USD / MT | 50 |
| 3 | FOB India | USD / MT | 470 |
| 4 | FOB India in INR (@ 73.5 of USDINR) | INR/MT | 34545 |
| 5 | Transportation cost from MP factory to Kandla | INR/MT | 1500 |
| 6 | Ex mill price for MP based plants | INR/MT | 33045 |
| 7 | Revenue from Meal (@81% Soymeal Realization) | INR/MT | 26766 |
| 8 | Revenue from Oil (@ 130000 per MT of Solvent Oil) | INR/MT | 22750 |
| 9 | Net Realization from Products | INR/MT | 49516 |
| 10 | Processing cost | INR/MT | 1200 |
| 11 | Derived Soybean Seed Price | INR/MT | 48316 |

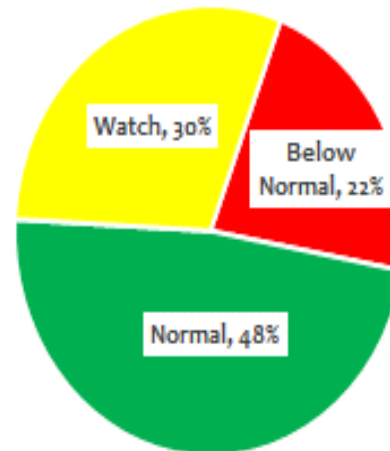
Soymeal exports to become viable if soybean seed trades between Rs 4800 to 5000 per quintal

Soybean Crop Condition – Kharif 2021

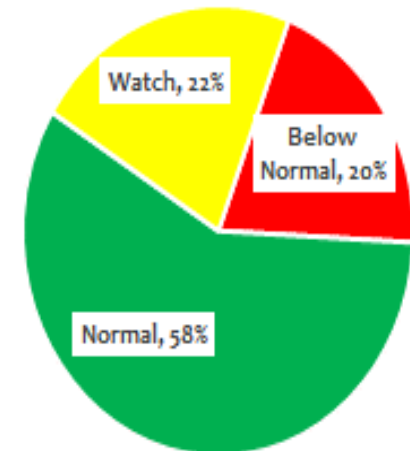
Soybean Crop Condition - July 2021



Soybean Crop Condition - Aug 2021



Soybean Crop Condition - Sep 2021



Soybean Crop condition across 50 major districts gradually improved from Jul'21 till Sep 20, 2021

Indian Soybean Production for 2021-22

| Indian Soybean Production (in lakh MT) | | |
|--|-------------|------------------|
| State | 2020-21 | 2021-22 E |
| Madhya Pradesh | 47.1 | 40 to 45 |
| Maharashtra | 31.2 | 38 to 42 |
| Rajasthan | 7.9 | 5 to 7 |
| Karnataka | 2.6 | 2.5 to 3.5 |
| Others | 3.0 | 3 to 5 |
| Total | 91.8 | 92 to 105 |

- Higher acreages witnessed on y-o-y basis
- Crop conditions are good in Maharashtra, Karnataka & Telangana
 - Poor crop seen in Rajasthan
 - MP Crop improved in Aug and Sep'21
- Yields are expected to be normal in Maharashtra, Karnataka & Telangana and below normal in Rajasthan
- Higher production to be witnessed in 2021-22

Soymeal Balance Sheet

| Soybean Meal Balance Sheet (in lakh MT) | | | |
|---|-------------|-------------|-------------|
| Parameter | 2019-20 | 2020-21 E | 2021-22 F |
| Opening stocks | 1.7 | 0.8 | 1.0 |
| Production | 57.2 | 68.5 | 67.2 |
| Imports | 0.0 | 1.2 | 9.3 |
| Total Supply | 58.9 | 70.5 | 77.5 |
| Domestic Consumption | 51.5 | 55.0 | 61.0 |
| Exports | 6.6 | 14.5 | 14.5 |
| Total Demand | 58.1 | 69.5 | 75.5 |
| Ending stocks | 0.8 | 1.0 | 2.0 |

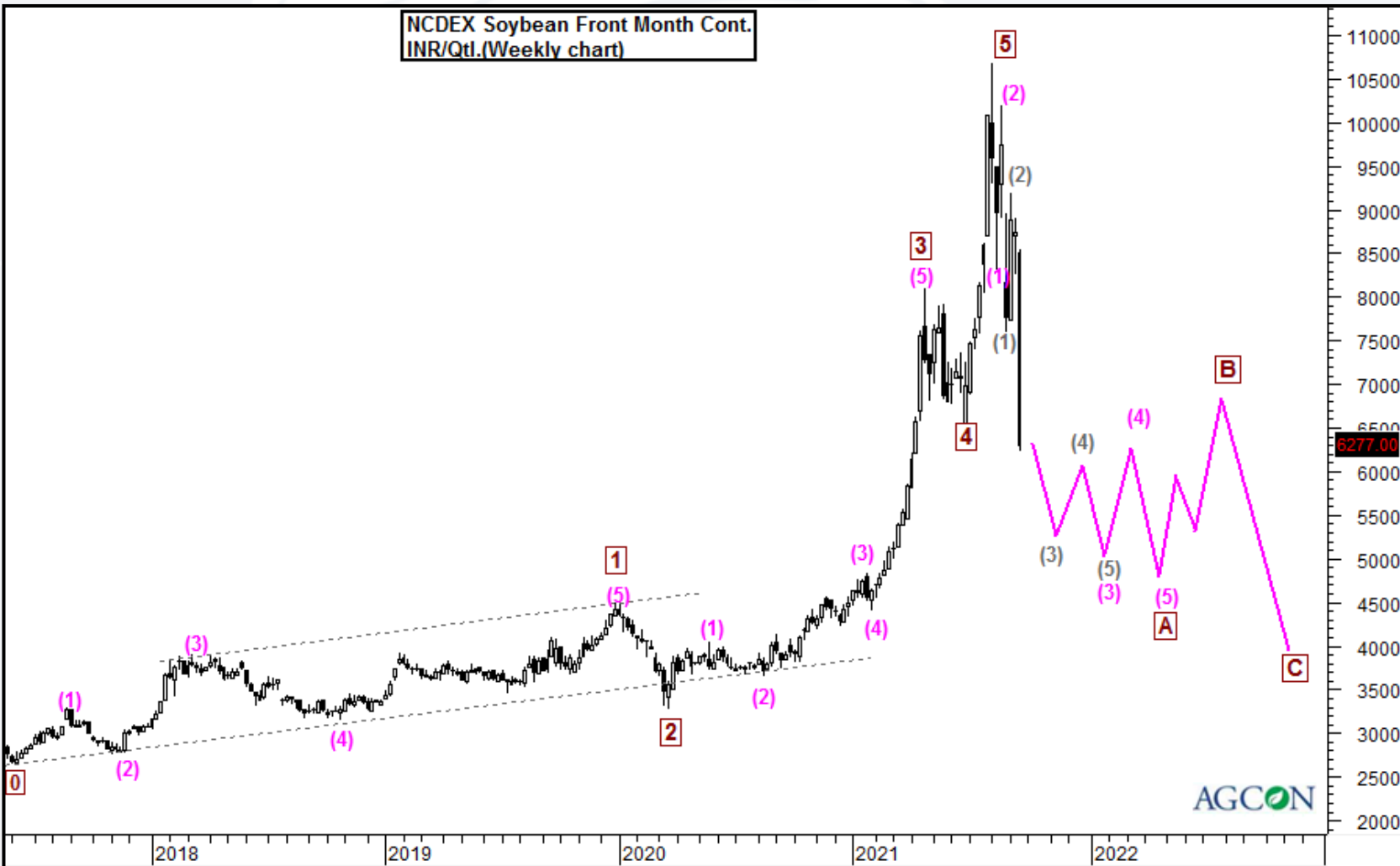
- Indian need to export 15 lakh MT of Soymeal to flush out surplus
- Exports not feasible at current prices
- Soybean seed prices must correct for exports to become viable
- If India fails to export 15 lakh MT, soybean seed prices will crash in the off season

Indian Soybean Balance Sheet

| Soybean Balance Sheet (in lakh MT) | | | |
|------------------------------------|--------------|--------------|--------------|
| Parameter | 2019-20 | 2020-21 E | 2021-22 F |
| Opening stocks | 2.50 | 4.69 | 0.49 |
| Production | 82.00 | 92.00 | 96.00 |
| Imports | 5.20 | 3.30 | 4.00 |
| Total Supply | 89.70 | 99.99 | 100.5 |
| Retained for Sowing | 12.00 | 13.00 | 13.0 |
| Direct Consumption | 1.60 | 1.50 | 1.6 |
| Exports of Seeds | 0.81 | 0.40 | 0.5 |
| Soybean crush | 70.60 | 84.6 | 82.7 |
| Total demand | 85.01 | 99.50 | 97.8 |
| Ending stocks | 4.69 | 0.49 | 2.69 |

Soybean well supplied for 2021-22

Technical Outlook - Soybean



Indian Soybean prices are expected to continue the current bearish momentum towards 5000 levels and may witness a corrective up move towards 5700/5800 levels in the next 4-6 months time



Thank You