

AGRICULTURAL MARKETS FUNDAMENTALS AND TRADING OPPORTUNITIES

Prepared and Presented by Daniel Gramza

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About Dan Gramza

Over 20 years experience trading futures, options on futures, stocks, stock options and cash markets around the world

Started on the exchange floors, trades upstairs

Has experience with scalping, day trading, swing trading and position trading

Has worked with traders from over 36 exchanges, 450 institutions, and 35 countries

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Today's Agenda

- **Understanding the Market / An Overview**
- **Market-Influencing Factors**
- **Trading the Market**
- **Questions and Answers**

What's the Fuss?

What's the Fuss?

A value shift in Oil seed and Grain prices

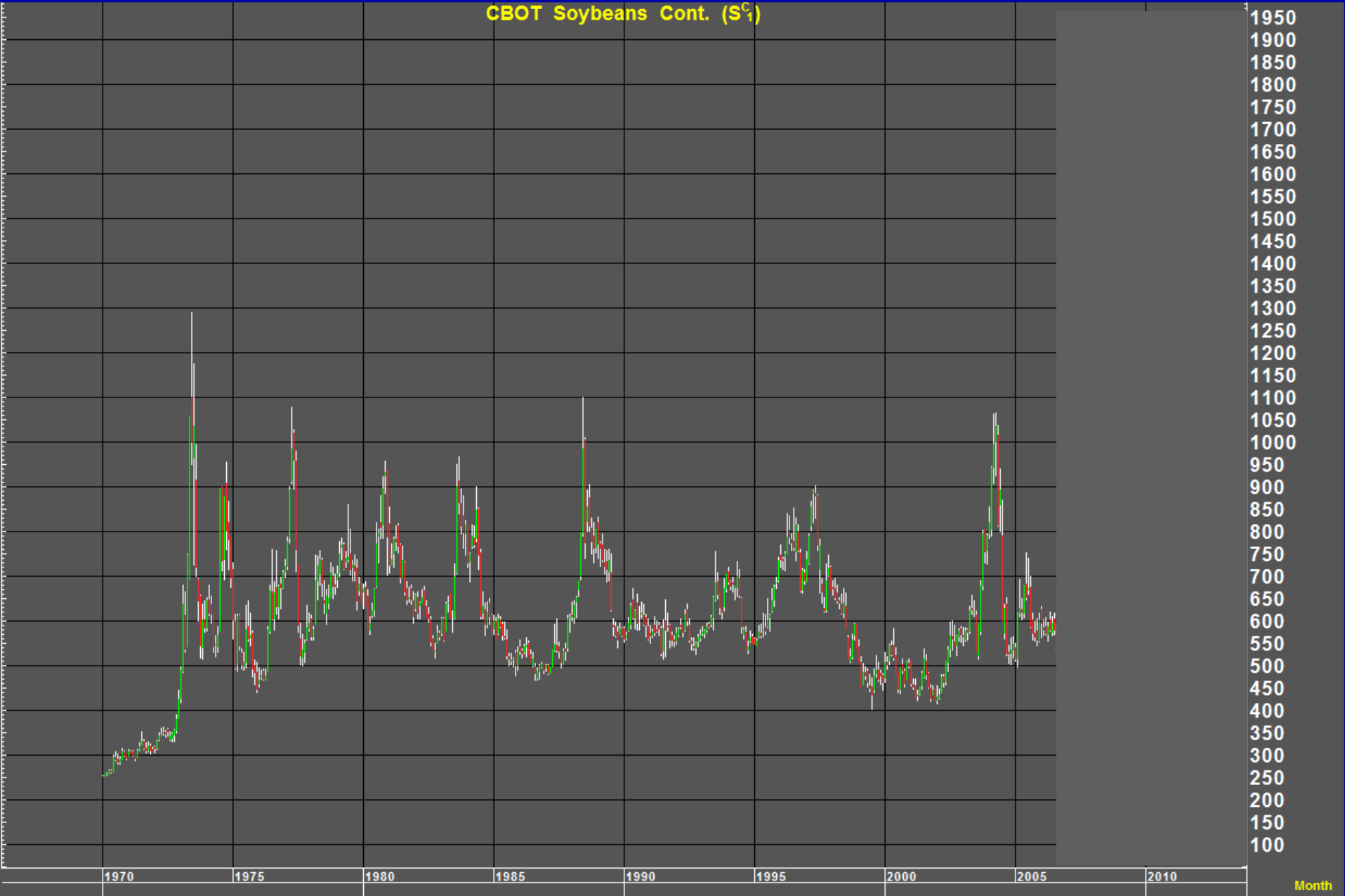
CBOT Corn Cont. (C₁)



CBOT Wheat Cont. (W^C₁)



CBOT Soybeans Cont. (S^C₁)



Production

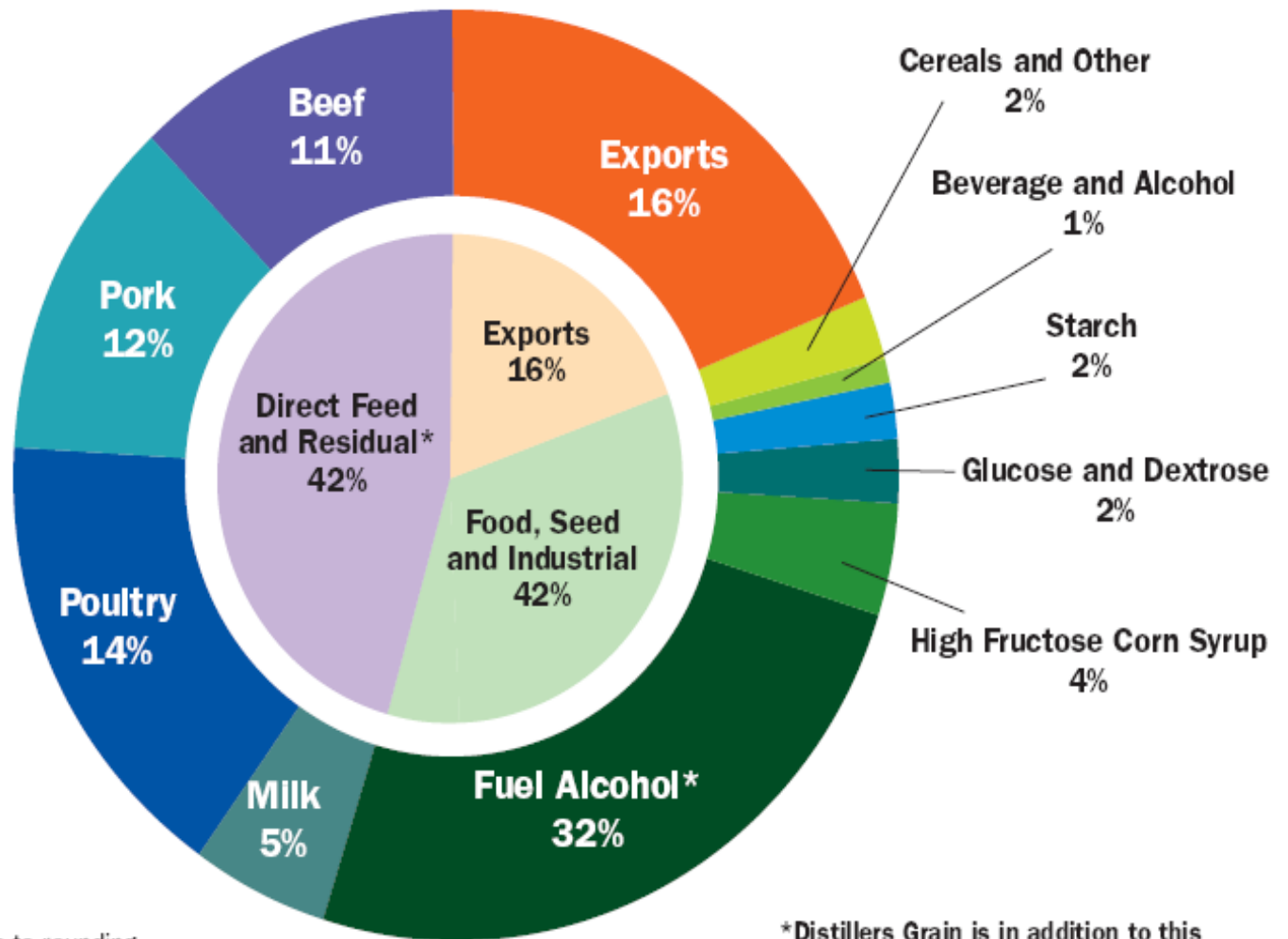
Production

Corn is the biggest U.S. crop, valued at a record \$76.5 billion in 2012

Soybeans in 2nd place at \$35.8 billion

Wheat in 4th place at \$14.4 billion

U.S. Corn Use

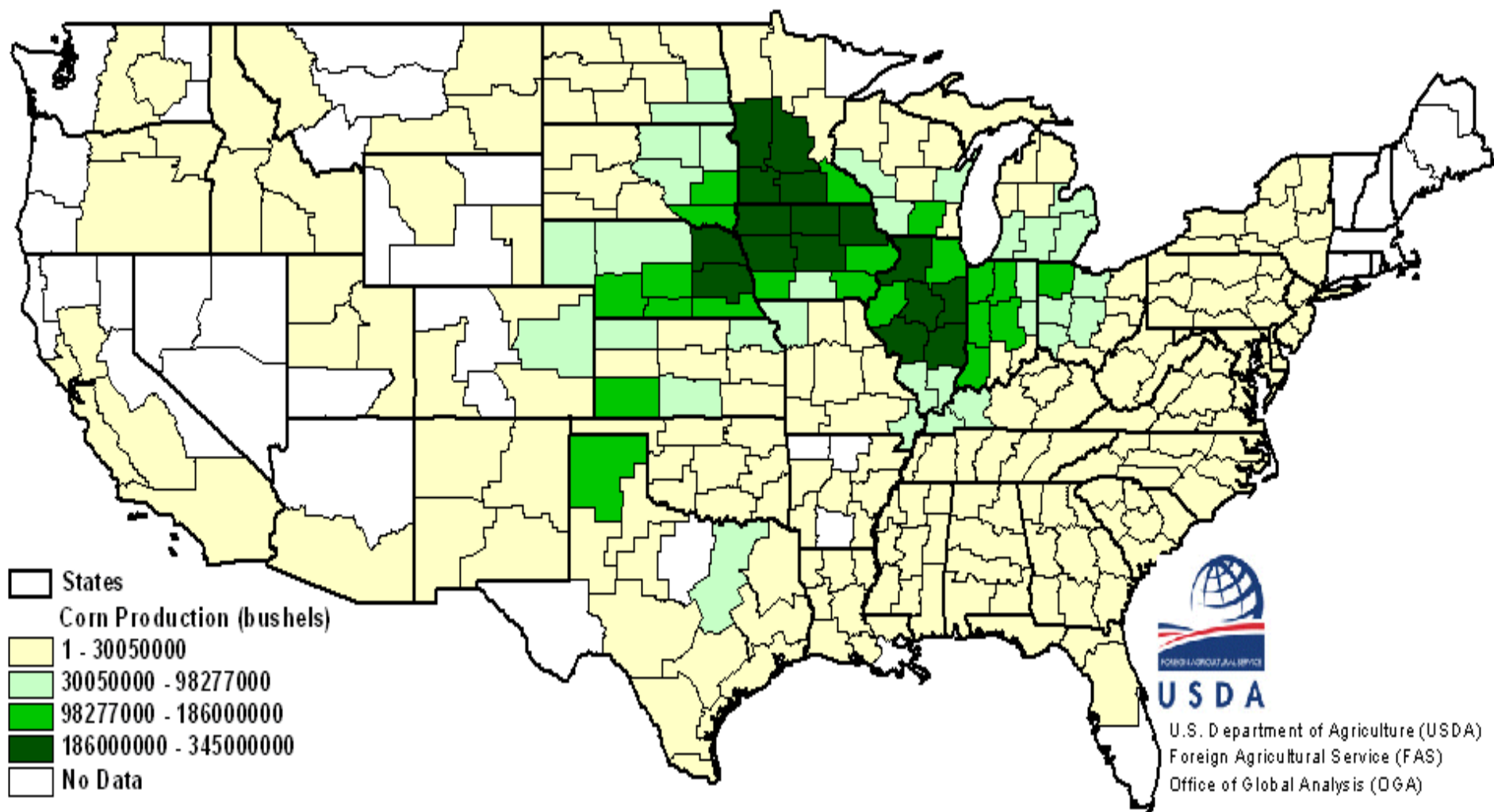


Figures may not add exactly due to rounding.











Source: Based on USDA/GCAU Data

*Distillers Grain is in addition to this figure.

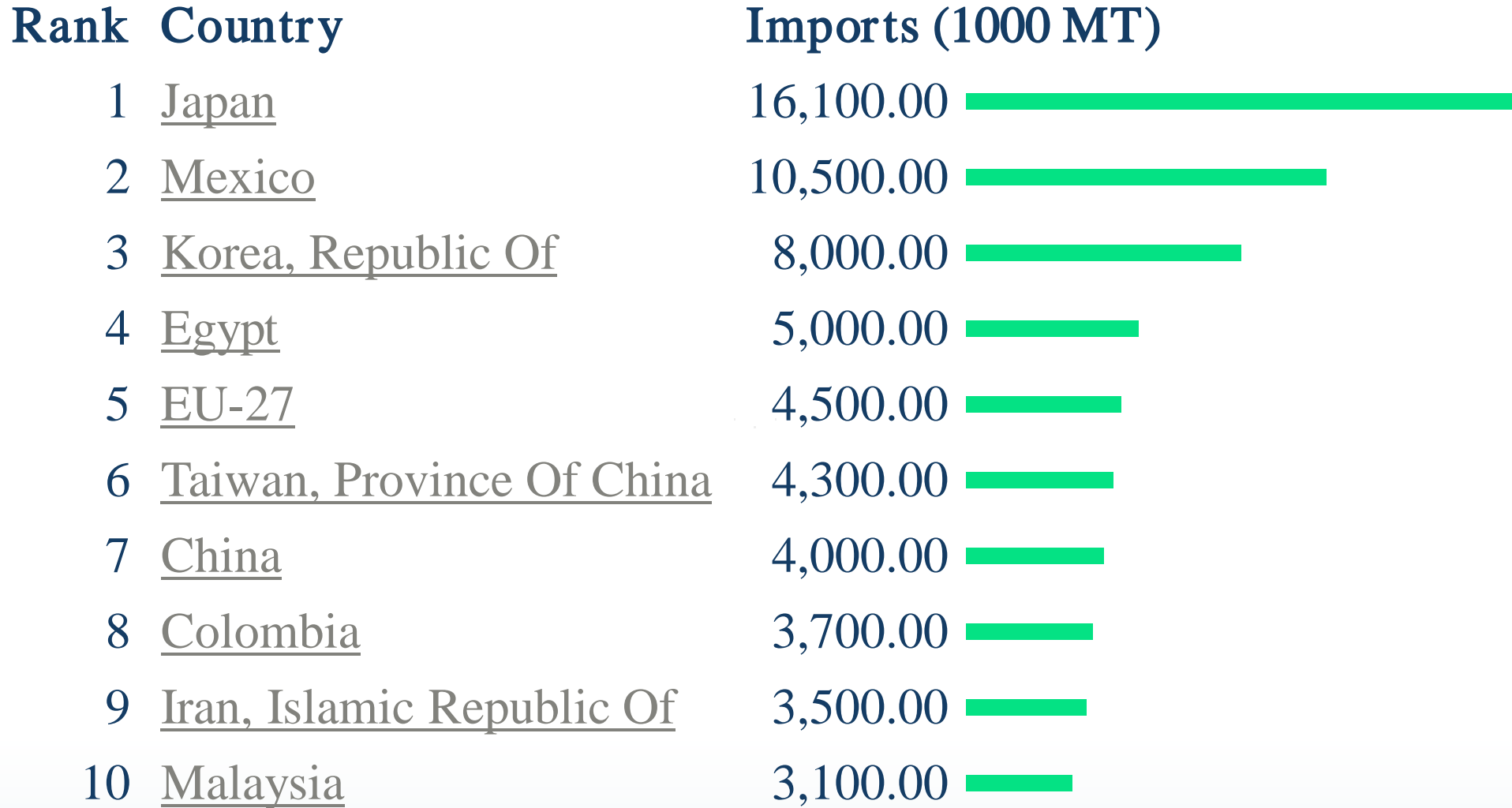
Corn Production by Crop Reporting Districts



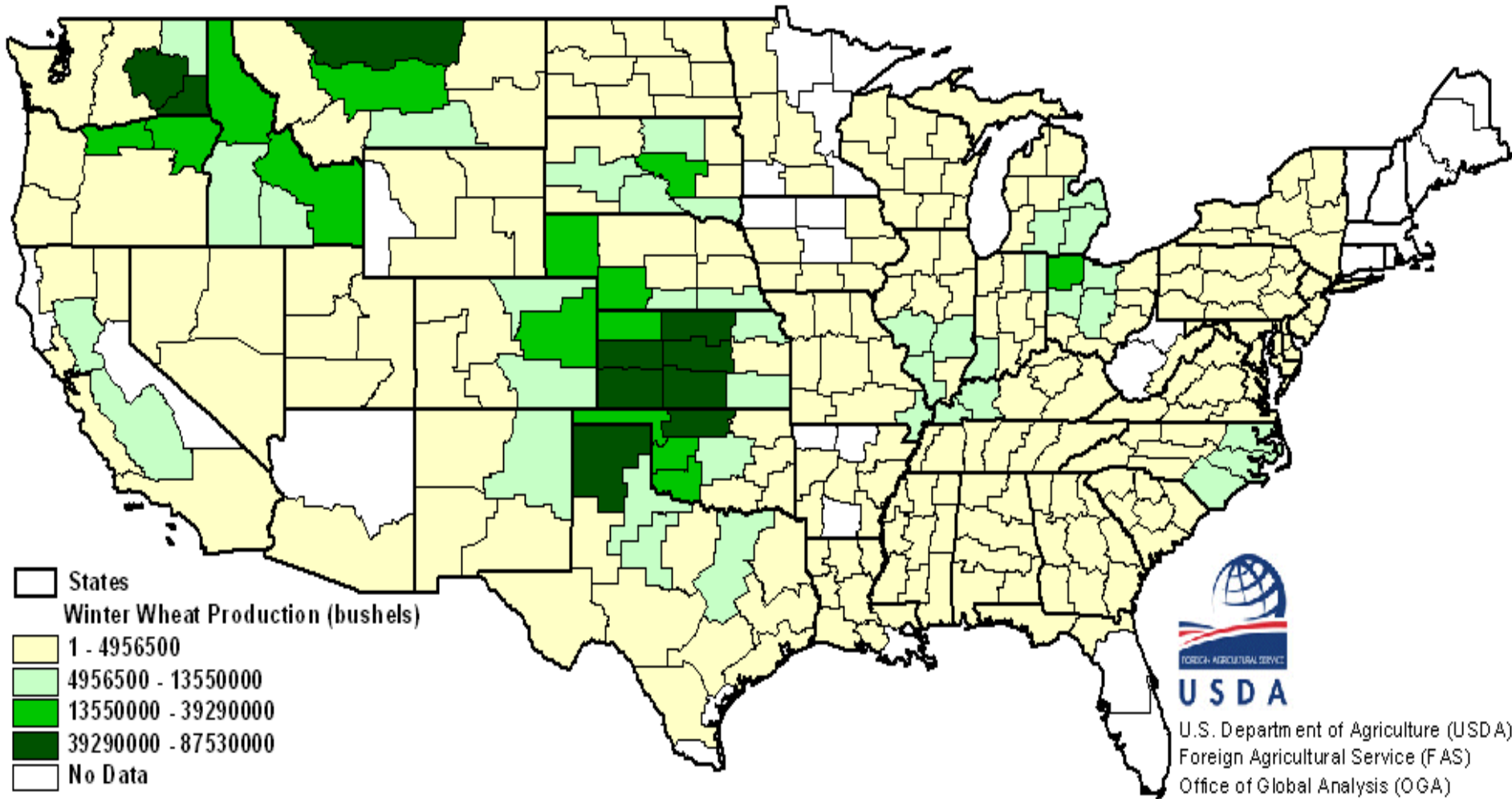
Corn Production by Country in 1000 MT

Rank	Country	Production (1000 MT)	
1	<u>United States</u>	313,918.00	
2	<u>China</u>	191,750.00	
3	<u>EU-27</u>	64,524.00	
4	<u>Brazil</u>	62,000.00	
5	<u>Ukraine</u>	22,500.00	
6	<u>Argentina</u>	21,500.00	
7	<u>India</u>	21,500.00	
8	<u>Mexico</u>	19,000.00	
9	<u>South Africa</u>	11,500.00	
10	<u>Canada</u>	10,700.00	

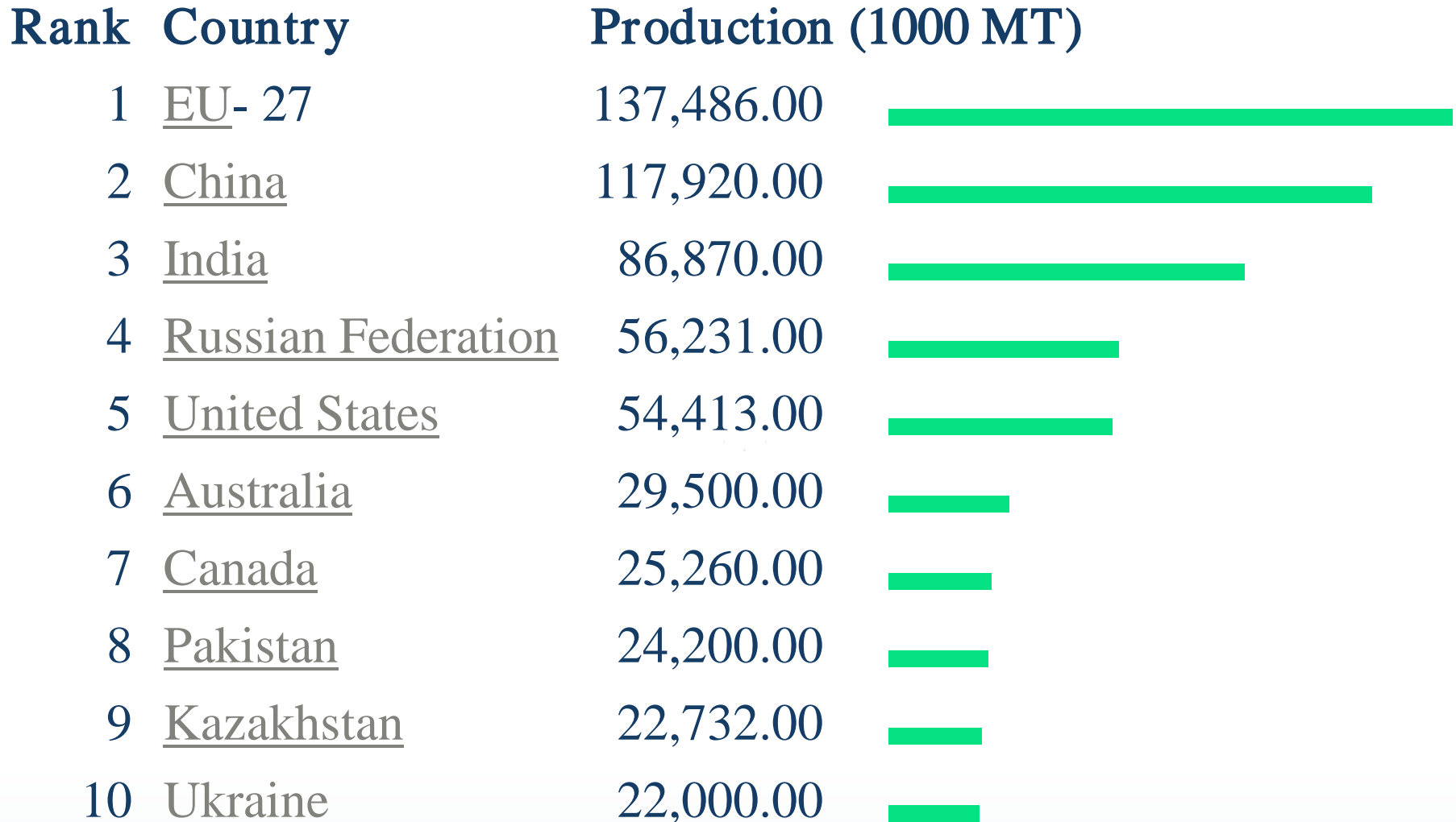
Corn Imports by Country in 1000 MT



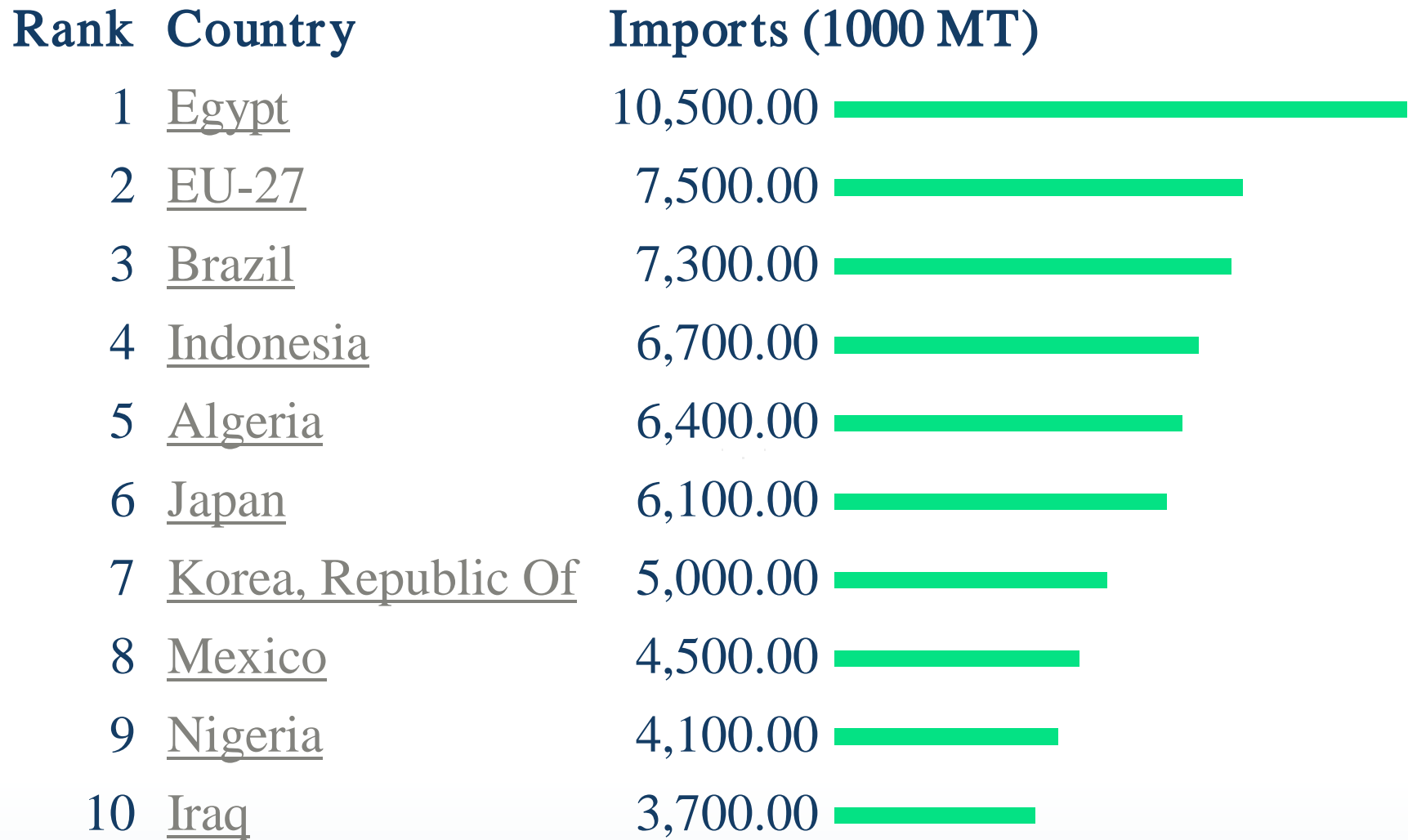
Winter Wheat Production by Crop Reporting Districts



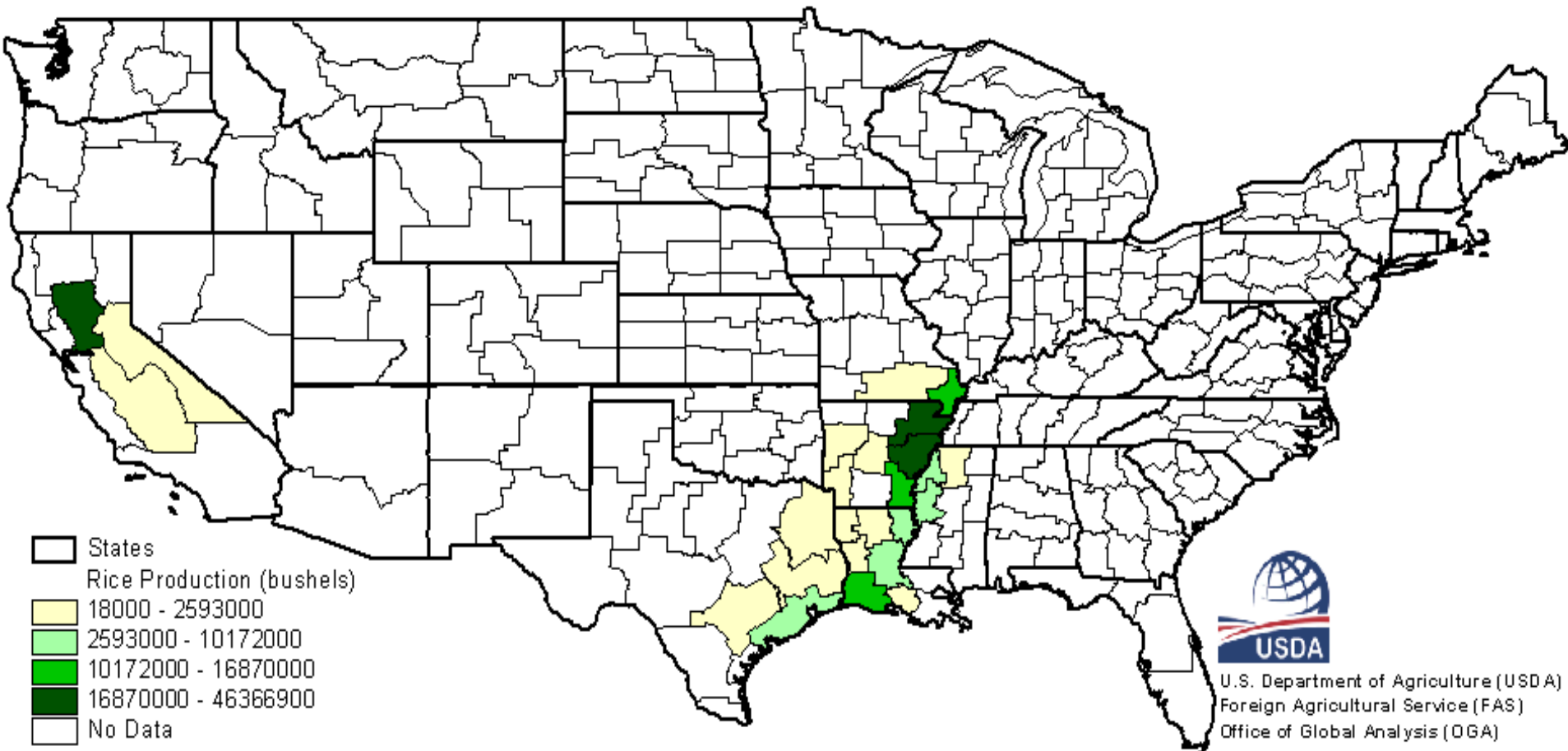
Wheat Production by Country in 1000 MT



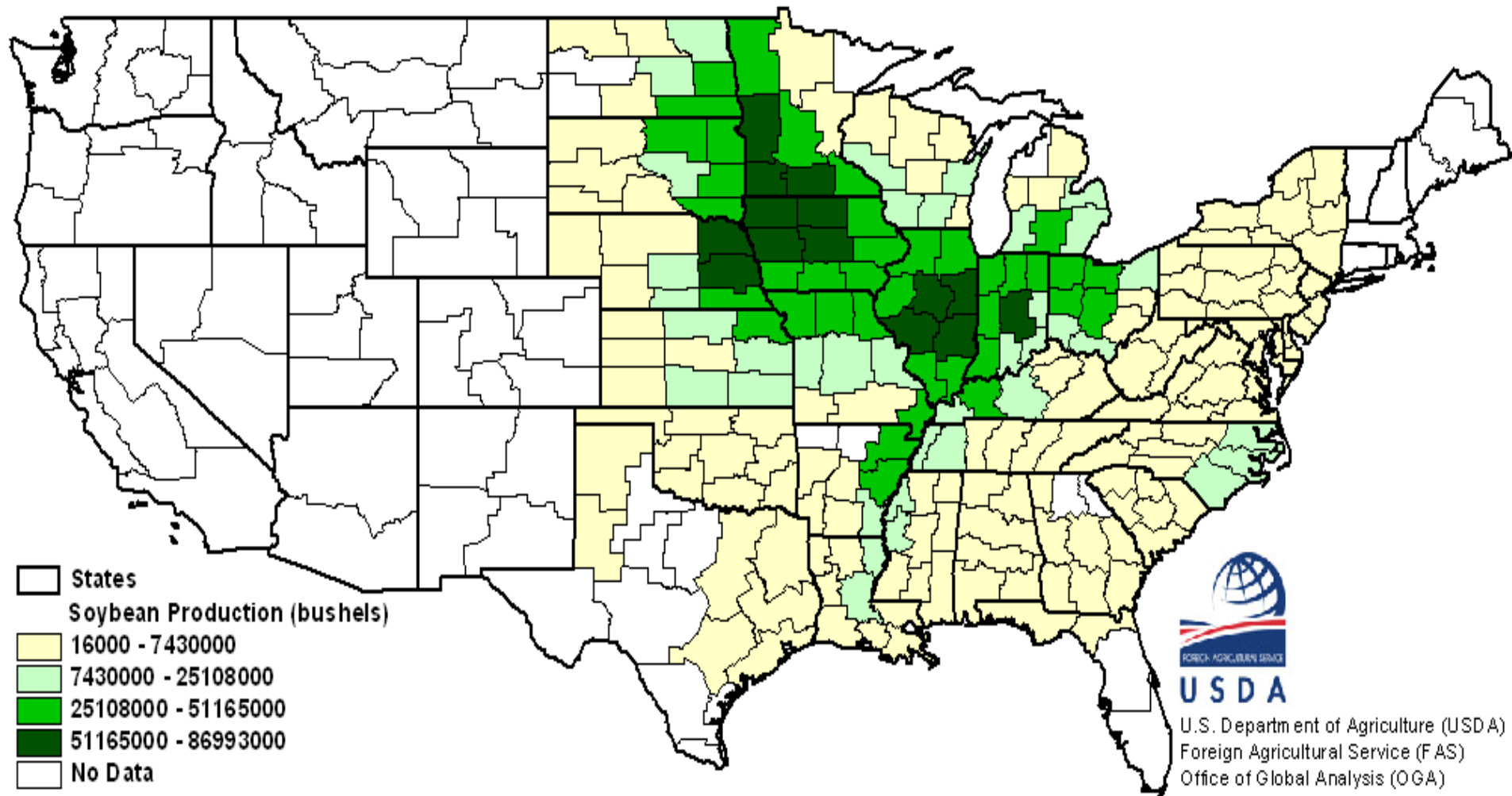
Wheat Imports by Country in 1000 MT



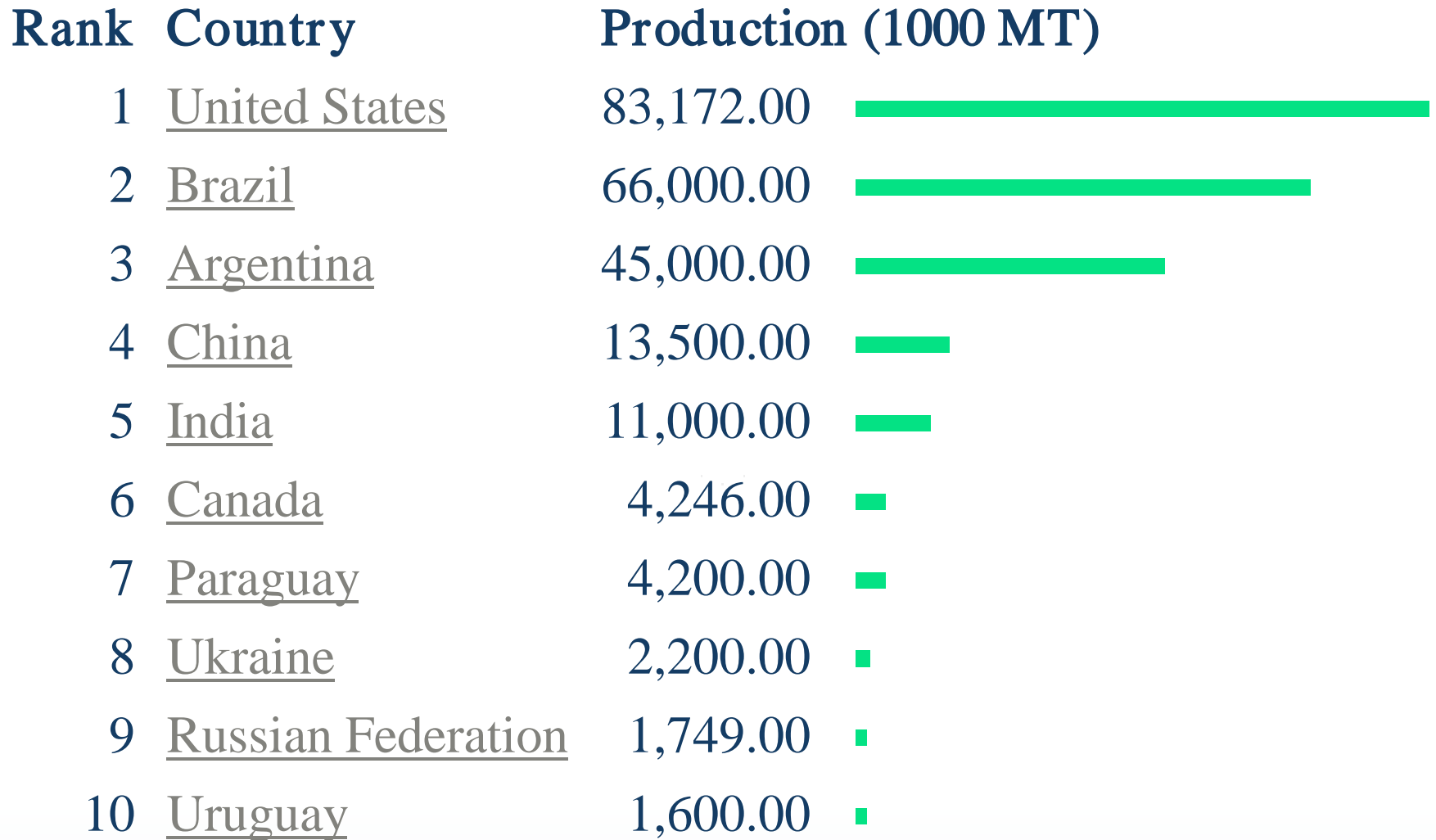
Rice Production by Crop Reporting Districts (CRD)



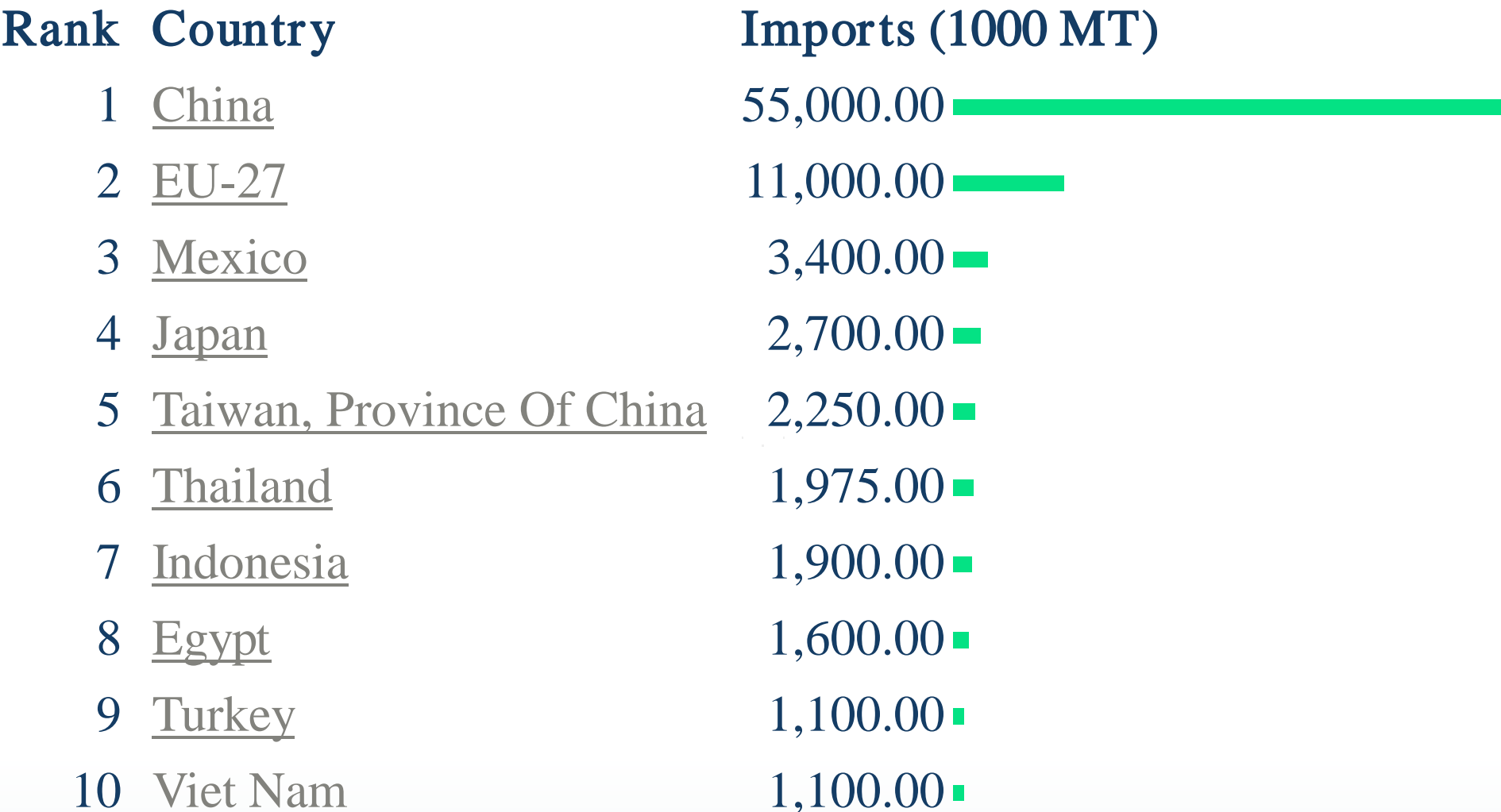
Soybean Production by Crop Reporting Districts



Soybean Oilseed Production by Country in 1000 MT



Soybean Oilseed Imports by Country in 1000 MT



Market-Influencing Factors

Market-Influencing Factors

Global increase in a North American-style meat-based diet

This increases livestock, Chicken and pork demand and production

China 1.34B people

Economy Increased 500% in past decade

Since 2000- Dairy Herd incr. 300%, Pork Consumption incr. 26%

Since 1990- Chicken Demand incr. 400%

Corn Prod. incr. 38% Corn Demand incr. 50%

Biggest Hog Producer and Pork Consumer

Annual meat consumption:

16 kilograms per person 25 years ago

53 kilograms per person today

3 to 7 pounds of grain protein for one pound of meat protein.

Every six years equivalent of a North American population is added to the world

Market-Influencing Factors

US Industry uses 700% more corn than 10 years ago

US Gov. mandate renewable fuel increase from 9B Gal. 2008 to 15B Gal. in 2015

Tyson Foods Inc., largest U.S. meat processor, said in September it paid about \$250 million more for grain and feed in its fiscal third quarter that ended July 2, 2011.

Corn meal and Soybean meal approx. 42% of Tyson cost to raise chickens

Market-Influencing Factors

Higher oil prices have made agricultural production more expensive by raising the costs of:

fertilizer

irrigation

transportation of farm supplies and harvests

With a static farmland base, need to:

feed an increasing number of people

feed a growing livestock herd

meet increasing demand for ethanol

Market-Influencing Factors

Droughts in major wheat-producing countries

Low grain reserves

Diversion to biofuels

US\$

Market-Influencing Factors

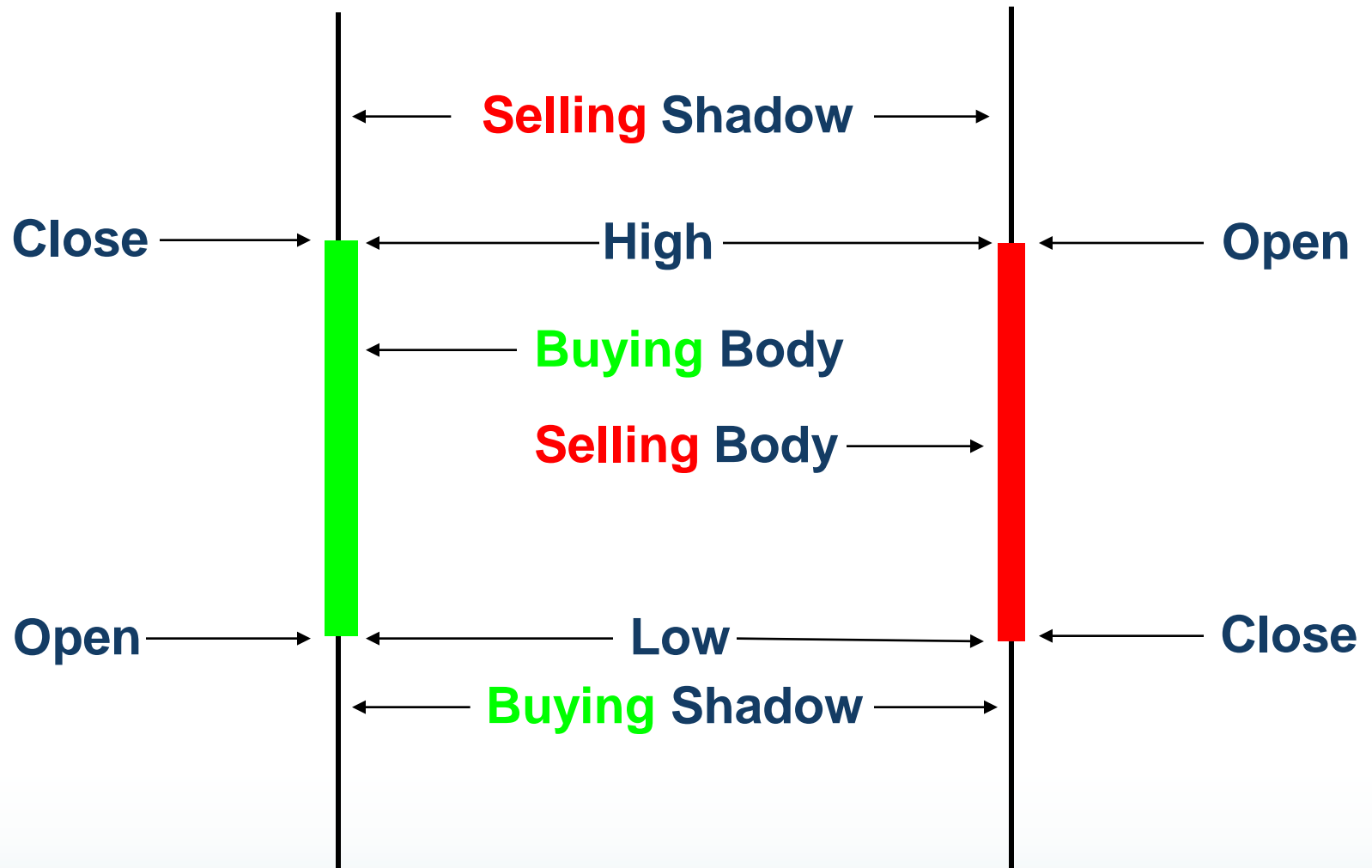
Acres Planted

Expected yields

Carryout

Expected Demand

Behavioral Japanese Candle Construction



Q&A

**My next Interactive Brokers webinar is September 3, 2013 11:00 am CST
FED ACTION AND THE CREATION OF FUTURES TRADING OPPORTUNITIES**

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Agricultural Markets Fundamentals & Trading Opportunities

Dan Gramza

June 4, 2013

Agricultural Product Complex

www.cmegroup.com/agriculture

Grains & Oilseed:

Corn –

- ✓ Futures – Full-size and Mini-size
- ✓ Options – Standard, Serial, Short-Dated New Crop, Inter-commodity spread (Wheat/Corn), Calendar Spread, Weekly, Price Ratio (Soybean/Corn)

Wheat –

- ✓ Futures – Full-size and Mini-size
- ✓ Options – Standard, Serial, Short-Dated New Crop, Inter-market spread (MGEX/CBOT), Interc-commodity spread (Wheat/Corn), Calendar Spread, Weekly, Price Ratio (Corn/Wheat)

Kansas City Wheat –

- ✓ Futures
- ✓ Options – Standard, Serial

Soybeans –

- ✓ Futures – Full-size and Mini-size
- ✓ Options – Standard, Serial, Short-Dated New Crop, Calendar Spread, Weekly, Price Ratio (Soybean/Corn)

Soybean Oil –

- ✓ Futures – Full-size
- ✓ Options – Standard, Serial, Calendar Spread, Weekly

Soybean Meal –

- ✓ Futures – Full-size
- ✓ Options – Standard, Serial, Calendar Spread, Weekly

Rough Rice, Oats –

- ✓ Futures
- ✓ Options – Standard, Serial

Agricultural Product Complex

www.cmegroup.com/agriculture

Livestock & Dairy:

Live Cattle –

- ✓ Futures – Full-size
- ✓ Options – Standard, Serial, Calendar Spread

Lean Hogs –

- ✓ Futures – Full-size
- ✓ Options – Standard, Serial

Feeder Cattle–

- ✓ Futures
- ✓ Options – Standard, Serial

Cash III Milk –

- ✓ Futures – Full-size
- ✓ Options – Standard, Serial

Cheese –

- ✓ Futures – Full-size
- ✓ Options – Standard, Serial

KCBT Acquisition

- **Expands wheat product portfolio to include high protein wheat**
- **Grow HRW volumes with financial sector**
 - Grow options market
 - Expand appeal to global hedgers
 - Expand OTC swaps
- **Enhances opportunity to provide capital and operational efficiencies for customers**
- **Post clearing integration, HRW futures ADV is up 74%, HRW options ADV is up 149%**
- **Implied KCBT-CBOT Wheat futures spread available on CME Globex**
- **New products listing July 1: KCBT Weekly Options- KCBT-CBOT Wheat spread options - MGEX- KCBT Wheat spread options**
- **New products listing this fall:**
 - Short-dated New Crop Options**
 - Calendar Spread options**