Rye Market Update

Jonathan Hull

Contents

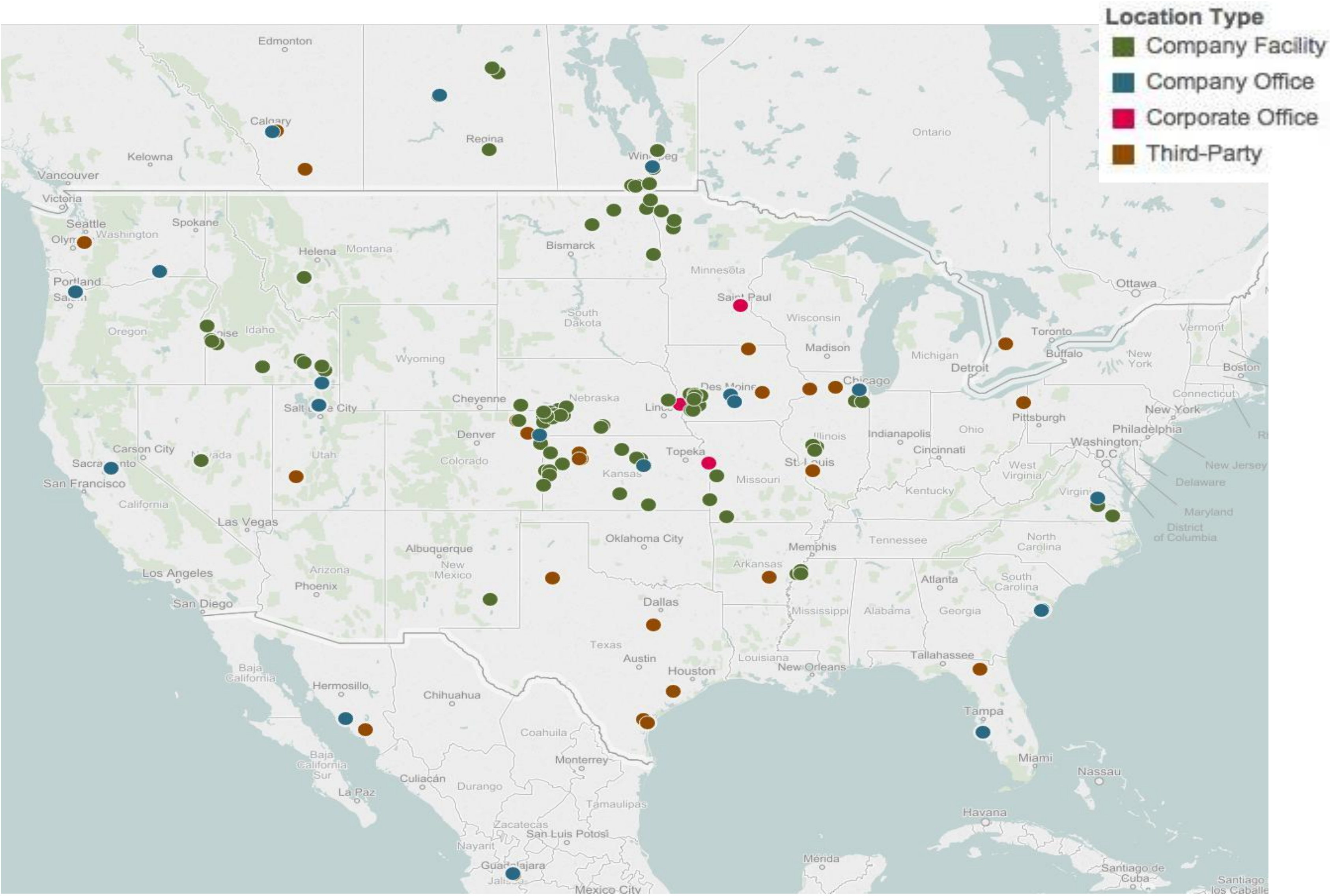
The Scoular Company

Scoular

Fast Facts

Employees	1200+
Merchandising Offices	26
Facilities	95
Business Units	100+
Storage Capacity	146 Million Bushels
Annual Sales	$4.7 Billion
Annual Bushels Handled	450 Million Bushels
Annual Bushels Traded	1 Billion Bushels
Forbes List of Privately Held	#66

Our Network


Location Type
Company Facility
Company Office
Corporate Office
Third-Party
Edmonton
Calgary
Regina
Kelowna
Vancouver
Victoria
Seattle
Spokane
Washington
Helena
Montana
Bismarck
Minnesota
Saint Paul
Wisconsin
Madison
Michigan
Detroit
Toronto
Buffalo
Ottawa
Ontario
Portland
Oregon
Idaho
Wyoming
South Dakota
Nebraska
Cheyenne
Denver
Colorado
Utah
Salt Lake City
Carson City
San Francisco
California
Las Vegas
Los Angeles
San Diego
Arizona
Phoenix
Albuquerque
New Mexico
Oklahoma City
Kansas
Topeka
Missouri
Des Moines
Chicago
Illinois
Indianapolis
Ohio
Cincinnati
Pittsburgh
Kentucky
West Virginia
Tennessee
Memphis
Arkansas
Dallas
Texas
Austin
Houston
Louisiana
New Orleans
Mississippi
Alabama
Atlanta
Georgia
South Carolina
North Carolina
Tallahassee
Tampa
Miami
Nassau
Havana
Washington D.C.
Philadelphia
New York
Boston
Connecticut
Vermont
New Jersey
Delaware
Maryland
District of Columbia
Hermosillo
Chihuahua
Coahuila
Monterrey
Culiacán
Durango
Tamaulipas
Zacatecas
San Luis Potosí
Nayarit
Jalisco
Mexico City
Mérida
Baja California
Baja California Sur
La Paz
Santiago de Cuba

Global Supply (USDA)

Local Marketing Years, Thousand Metric Tons

	2015/16	2016/17	2017/18	2018/19	2019/20 Jun	2019/20 Jul
Production						
Argentina	61	79	86	100	105	105
Belarus	753	651	670	503	650	650
Canada	226	436	342	235	400	400
European Union	7,833	7,440	7,398	6,256	7,600	7,600
Russia	2,084	2,538	2,540	1,914	2,000	2,000
Turkey	330	300	320	320	320	320
Ukraine	394	394	510	396	300	300
Others	186	155	176	122	171	171
Subtotal	11,867	11,993	12,042	9,846	11,546	11,546
United States	295	339	260	214	279	229
World Total	12,162	12,332	12,302	10,060	11,825	11,775

Global Demand (USDA)

Total Consumption						
Argentina	61	79	86	100	105	105
Australia	30	29	30	30	30	30
Belarus	800	700	665	550	675	675
Canada	119	180	199	140	200	200
European Union	7,900	7,600	7,700	6,500	7,550	7,550
Kazakhstan	37	33	35	35	34	34
Norway	67	26	54	29	55	55
Russia	2,150	2,400	2,500	1,750	1,750	1,750
Turkey	330	300	320	320	320	320
Ukraine	420	380	480	305	305	305
Others	91	100	106	106	112	112
Subtotal	12,023	11,852	12,208	9,919	11,163	11,163
United States	515	496	483	519	578	525
World Total	12,538	12,348	12,691	10,438	11,741	11,688

Ending Stocks (USDA)

Ending Stocks						
Belarus	99	41	61	39	61	39
Canada	51	165	116	61	103	103
European Union	1,209	989	667	523	573	573
Japan	2	1	1	1	1	1
Russia	158	291	260	124	174	174
Turkey	14	14	14	14	14	14
Ukraine	75	77	69	65	10	10
Others	4	12	16	4	0	0
Subtotal	1,612	1,590	1,204	831	936	914
United States	12	18	15	10	18	14
World Total	1,624	1,608	1,219	841	954	928

Imports and Exports (USDA)

Scoular

World Rye Trade

October/September Year, Thousand Metric Tons

	2015/16	2016/17	2017/18	2018/19	2019/20 Jun	2019/20 Jul
TY Exports						
Albania	0	0	0	0	0	0
Canada	112	132	227	130	160	160
European Union	160	139	92	200	200	200
Russia	23	29	152	300	200	200
Ukraine	21	14	38	95	50	50
Others	24	8	0	0	0	0
Subtotal	340	322	509	725	610	610
United States	6	4	4	5	5	5
World Total	346	326	513	730	615	615
TY Imports						
Belarus	0	3	28	25	25	25
European Union	39	16	137	300	200	200
Israel	12	4	21	15	20	20
Japan	16	24	21	20	20	20
Korea, South	5	4	3	5	5	5
Norway	2	4	5	20	5	5
Switzerland	4	3	2	5	5	5
Others	25	6	4	1	3	3
Subtotal	103	64	221	391	283	283
Unaccounted	26	90	-32	69	82	82
United States	217	172	324	270	250	250
World Total	346	326	513	730	615	615

Key takeaways from the USDA S+D

- Ending stocks remain tight globally and prices will remain firm
- Europe, Canada, and the United States are rebuilding production but I think both the Canadian and European production numbers are somewhat overstated
- Majority of the rye produced in Europe and the United States is consumed domestically
- Canada is dependent upon on export business into the United States

Production areas in Canada (Stats Can)

	Quebec (map)			Ontario (map)			Manitoba (map)			Saskatchewan (map)			Alberta (map)		
	Seeded area (acres)			Seeded area (acres)			Seeded area (acres)			Seeded area (acres)			Seeded area (acres)		
Type of crop	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Rye, all 5 6 7	29,700	33,000	40,000	100,000	115,500	92,700	80,000	57,800	98,900	100,000	75,000	117,100	45,000	39,600	65,700

- Majority of the rye is planted in Western Canada
- Increasing penetration of hybrid acres in Western Canada. Zero to 40% over 5 years
- Acreage has been relatively volatile due to planting conditions but has recovered from lows

Production areas in the United States (USDA)

Rye Area Planted and Harvested, Yield, and Production – States and United States: 2016-2018

State	Area planted [1]			Area harvested		
	2016	2017	2018	2016	2017	2018
	(1,000 acres)	(1,000 acres)	(1,000 acres)	(1,000 acres)	(1,000 acres)	(1,000 acres)
Georgia	200	210	190	30	25	15
Oklahoma	260	260	240	75	45	50
Other States [2]	1,431	1,491	1,581	306	230	208
United States	1,891	1,961	2,011	411	300	273

- The other states include North Dakota, South Dakota, Minnesota, Wisconsin, Texas, Illinois, Iowa, Ohio, and Indiana
- Three-year range of harvested acres vs planted acres is 13% to 20%. 2018 was lower due to drought.
- Majority of rye planted in the United States is used for cover crop

Demand in North America

- Total North American rye demand is ~ 725,000 metric tonnes
- Major markets are distilleries, flour mills, and cover crop markets
- Roughly 300k moves into the distilling market, 100k into flour mills, and 325k into the cover crop and feed markets
- Distilling and flour demand is relatively stable and will not drive more acre growth.

Current market conditions and influencing factors

- Supply remains tight and I expect rye production overall will be slightly lower than current estimates

- Prevent plant acres in the United States could have a two-fold affect on rye pricing through increased cover crop demand and a sustained rally in feed grain pricing

- Hybrid acres in North America will not increase much for 2019/20 due to constrained seed production

Rye Pricing

	Average price per MT (CAD)		
	2016/17	2017/18	2018/19
Rye	178	216	315
Feed wheat	185	225	255
Feed barley	175	235	265

- Rye has been competitive as a feed stock in two out of the last three years
- Rye values spiked in 2018 because of abnormally low planting in Canada in combination with poor production in North America and Europe
- Values will likely remain strong going into the 2019/2020 crop year as stocks rebuild. I believe Canadian rye prices will range between 216/MT to 256/MT for 2019/20.
- Looking forward at pricing, I believe Canadian rye will need to settle into 196/MT to 216/MT range to be consistently competitive in the feed and American rye markets.

Feed as an opportunity for growth

- In Canada alone there is 4,774,000 metric tonnes of feed wheat and 5,666,000 metric tonnes of feed barley demand (Stats Can)

- Long-term increase in North American acres to emulate the European model of 80% to domestic feed/ethanol use and 20% into human consumption markets

- A large increase in acres needs to be led by both industry and producers

- FP Genetics and KWS are working on the demand side of the equation and traders and feed mills need to educate producers on feed opportunities and drive acreage growth

Questions?