

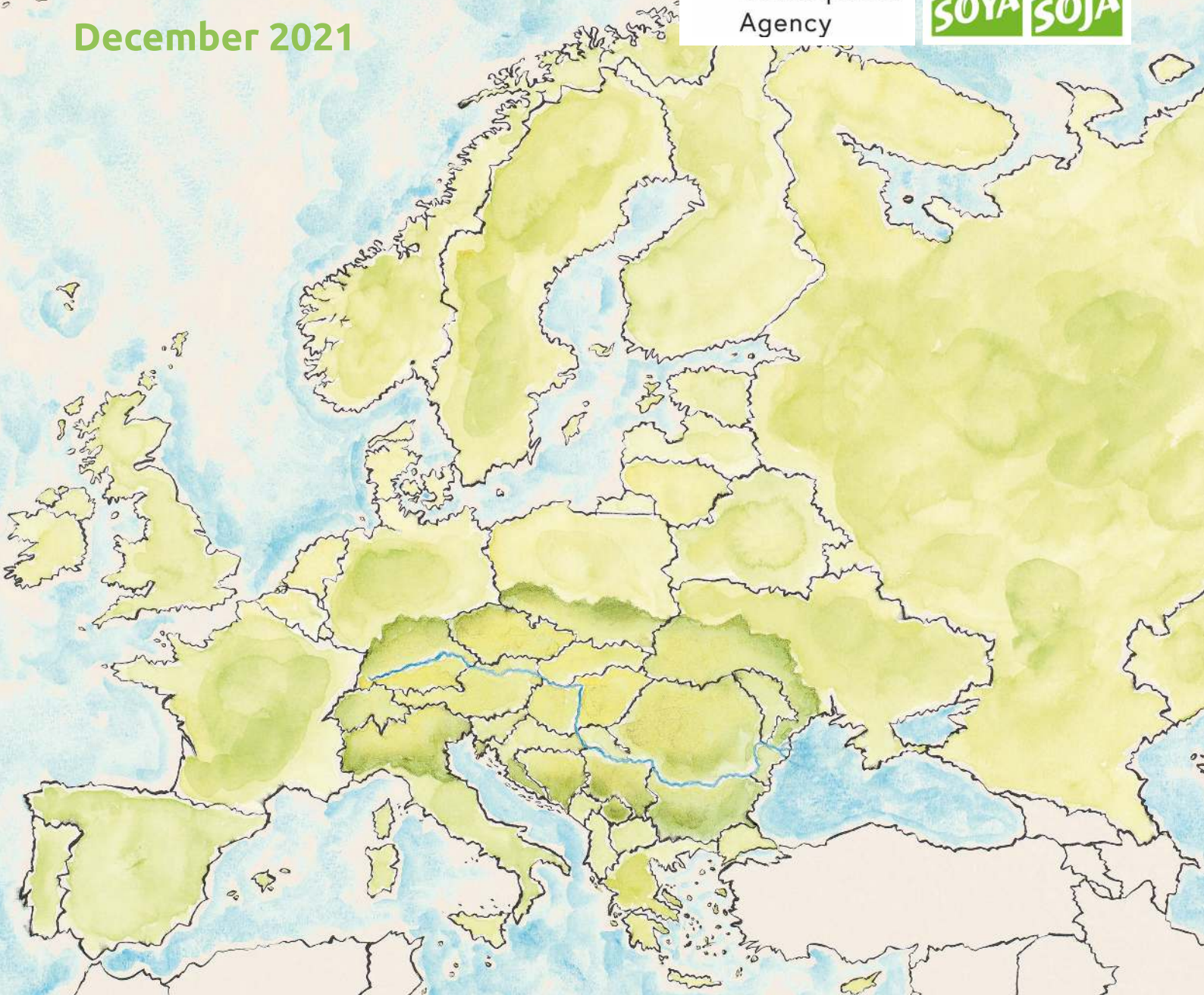
NON-GM SOYA UPDATE

An Overview of the European Non-GM Soya Market

December 2021

 Austrian
Development
Agency

 EUROPE
SOYA  DONAU
SOJA



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The Non-GM Soya Update provides information on the soya industry with a special focus on the European non-GM market. The main objective of the publication is to create market transparency and support the decision making of stakeholders operating in the non-GM soya industry. The report includes news on market developments and forecasts as well as price, supply and demand data. The document is published by the Donau Soja Association on a monthly basis.

HIGHLIGHTS

- **Total soybean output in Europe is expected to expand to 9.5 million tonnes in 2021, +5.3% versus 2020. Average yield is estimated at 2.19 mt/ha in 2021 (vs 2.23 mt/ha in the previous season)**
- **EU soybean price slowly decreasing, triggered by lower demand**
- **HP non-GM soymeal premium in Germany moved around 270 eu/mt in recent weeks and followed a trend of slight decline since its peak in May 2021**
- **Non-GM soymeal incorporation decreasing day by day**
- **Natural gas increased by 10.9 eu/MWh in one day and recently reached 117.349 eu/MWh**
- **Indian government rejected the possibility of extending the import of GM meal after January 2022**
- **USDA supply and demand for 2021/22 unchanged from last month**
- **Arid conditions expected in Brazil and Argentina (90% of soya already planted in Brazil and 46% in Argentina)**
- **EU/USD: moved below 1.13, strengthening commodity prices in Europe**
- **Inflation in USA at 6.8%, reaching a record high since 1981**

OVERALL EUROPEAN TRENDS

Soybean prices have been slowly softening for the second month in a row in Europe, due to decreased demand and higher coverage. Italian soybean price at the Bologna Exchange has declined by 25 eu/mt to 600 eu/mt between late October and mid-December (Figure 1 on next page).

During the month, sellers have popped up in multiple European regions, especially Ukraine, where several handy cargoes have been traded in the range 700 usd/mt to 715 usd/mt FOB. As expected, Ukraine is feeding the EU crushers. More volume has been stored and is expected to be offered in the market during the first trimester of 2022.

The M/V AP Revelin berthed in Rijeka at the beginning of December, and this will be the second handy cargo of European beans to be shipped out of Croatia for the DS program.

The premium for non-GM beans is still extremely high, (moving around 100 eu/mt at the Bologna Exchange - Figure 2 on next page) putting all crushers in the southern region outside tradable

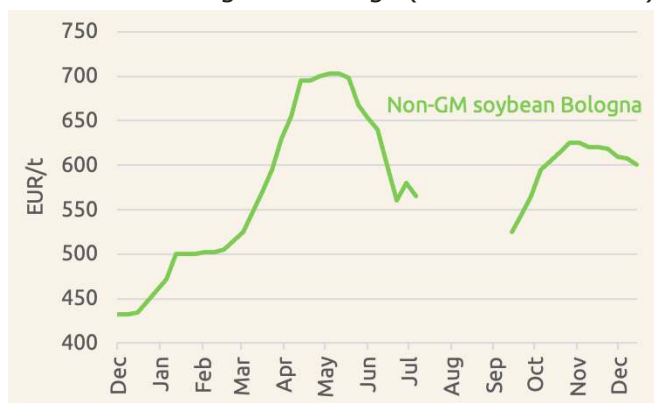
market ranges. We could see crushers back in the market if soybeans reach 560/570 eu/mt CPT, but we are still far from such a level.

The Forex (EU/USD) has moved from 1.13 to 1.2 during the month, hindering additional imports.

Soymeal activity has remained very quiet in the last month, due to the low profitability of the compound feed industry and the increase in industrial costs due to energy and gas prices. Compounders are indeed struggling to sell feedstuff, and the need to increase prices is clearly unwelcomed by dairy, egg, and meat producers. Several actions have been taken which will finally increase dairy, egg, and meat prices. This will have an impact on the inflation rate in Europe, and it will be interesting to see if Europe matches the high inflation rate currently being registered in the USA (6.8%).

Gas and energy prices account for 50% of total crushing costs and will strongly affect the crushing margins, forcing several crushers to shut down in January and February. It is not impossible that we will see a reduction of -150k mt (-10%) in the total crushing of non-GM beans in Italy/Croatia/Hungary/Germany, following reduced

Figure 1 Weekly non-GM soybean price development at the Bologna Exchange (Dec 2020 - Dec 2021)



Source: Bologna Exchange

demand from consumers who tend to limit the use of non-GM soybean as much as possible. We will need to understand how the reduced crush and meal demand will balance out, and whether this will lead to higher premium volatility.

Coaster freight development continues to create many problems and has forced meal exporters, typically loading FOB, to move meal execution by trains. Small SBS (soybean) cargoes from the Black Sea still cannot be accessed by the end users.

Over the last 4 weeks, the nominal crude non-GM soybean oil price from North to South has been traded above 1300 eu/t FCA, mainly affected by a stronger USD. The availability of non-GM oil will be impacted by the reduced crushing.

Organic cake for 2022 has decreased considerably, and now ranges between 1200 eu/mt and 1250 eu/mt non-EU origin of beans. Oil is still above 1400 eu/mt.

Latest premium quotes for international GM beans market are below reported (up overall from last month):

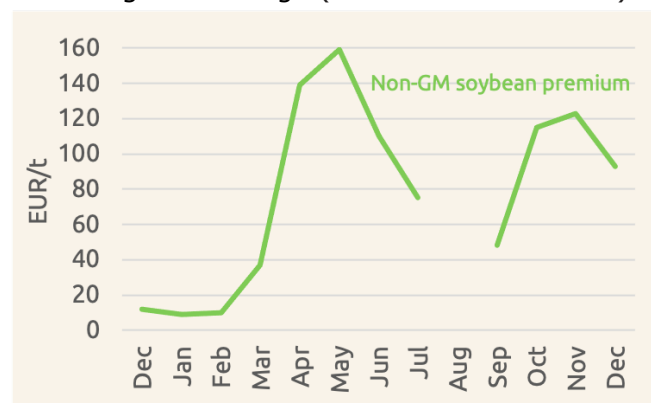
Paranagua:

- Jan: +140 vs +115 (+40)
- Feb: +52 vs +50 (+8)
- Mar: +37 vs +35 (+7)
- Apr: +28 vs +23 (unch)
- May: +33 vs +29 (+3)
- Jun/Jul: +54 vs + 50 (+6)

USA Gulf:

- Jan +117 (+27)
- Feb +93 vs 90
- Mar +84

Figure 2 Weekly non-GM soybean premium* at the Bologna Exchange (Dec 2020 - Dec 2021)



* 10 EUR of freight cost has been deducted from GM soybean price to make GM and non-GM prices comparable (prices at the Bologna Exchange indicate EXW price for non-GM and CPT price (transport cost is included) for GM soybean
Source: prepared by Donau Soja on the basis of Bologna Exchange data

Non-GM SBS UA:

Jan/Feb USD 700 FOB (unchanged from last month)
OND22 unspoken

Non-GM African beans: EUR 575 CIF Dec shipment

Non-GM meal Russian origin:

Looking for buyers

Germany:

Normal activity in Germany in the last 4 weeks, especially fed by resellers. First Indian n/c offers in northern Germany are sold out. There are currently no new offers of Indian meal, as premium rose by USD 150 in the domestic market and doesn't calculate into Europe. Logistics in India appear to be an issue, so first arrivals likely to be slightly delayed. Still no liquidity in Brazil.

Southern Germany shows only hand to mouth buying.

Table 1 Non-GM soybean prices in Germany in mid-November (eu/mt)

Parity	Price
LP European	660
MP European	690
MP any origin	690
HP Braz ProTerra	o.r.
HP Indian origin, till Jan	755
HP Indian origin, Feb-Apr	710

Source: Donau Soja

WEATHER IMPACT & NEW SEASON

The new season can still be affected by the price of fertilizers, including urea and nitrogen-based fertilizers (Figure 4 shows prices for DAP and urea have more than doubled in the past year).

In Romania, the fertilizer producer Azomures, owned by Ameropa, will shut down operations due to high energy, gas, and electricity costs. The plant has an annual capacity of 1.8 million tonnes. As with any high energy plants, the months of January and February will be the most critical. In this respect there is nothing new to add from the previous report regarding wheat and spring crops.

Weather in the Southern Hemisphere is expected to be dry, with attention focused on whether rains will support germination of beans in Brazil and Argentina.

SUPPLY & DEMAND TRENDS

Our estimation for the European soybean harvest in 2021 only marginally changed compared to the previous market report issue:

Total soybean output in Europe is likely to expand to 9.5 million mt in 2021 (+5.3% vs 2020). Average yield is estimated at 2.19 mt/ha in 2021, marginally lower compared to the last year's result (2.23 mt/ha) and the 5-year avg. of 2016-2020 (2.27 mt/ha) (Figure 3). The biggest volume gains are expected in Ukraine (+610,000 mt) and in the European part of Russia (+163,000 mt).

Figure 3 Soybean yield development in Europe (2012 - 2021)



Source: Donau Soja

Figure 4 World fertilisers prices - monthly average (Jan 2020 - Nov 2021)*



* DAP (diammonium phosphate), spot, f.o.b. US Gulf; Urea, (Ukraine), f.o.b. Black Sea.:

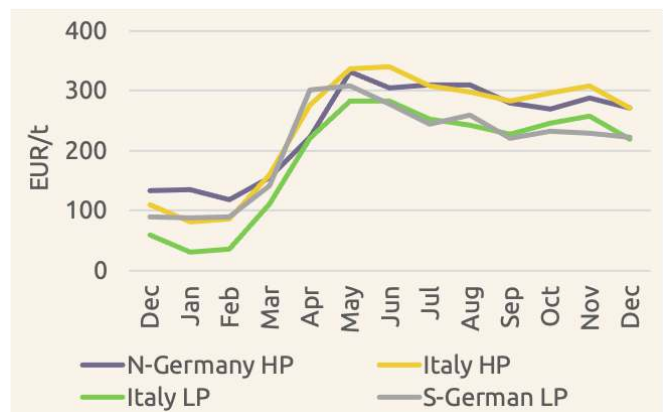
Source: World Bank

NON-GM PRICES

Table 2-4 (on the next page) shows current non-GM soybean and soymeal prices/premiums in Europe.

Non-GM premium moved around 270 eu/mt for High-pro and 220 eu/mt for Low-Pro soymeal in Germany/Italy over the recent weeks. The spread between non-GM and GM soymeal prices has shown a trend of slow decline since its peak in May 2021 (Figure 5).

Figure 5 Monthly avg. non-GM soymeal premium* in selected regions (Dec 2020 - Dec 2021)



* premiums are based on a rough estimation and calculated by comparing price indications and prices at the Bologna Exchange

Source: Donau Soja

CRUSH MARGINS

Crush margins are being severely affected by gas and electricity costs where crushers failed to renew their supply contract before October 2020. January and February will be critical months.

PRIMARY ASSUMPTIONS

Our primary assumptions are the same as for the November report:

1) Soybean price could maintain its downtrend due to lower demand and increasing crushing costs.

2) The reduction of crushed soybean volume in 2021/22 could bring the supply and demand for beans into greater balance, by increasing the carry over by +150k mt (bearish soybean premiums).

3) Consumer coverage is low due to the high price and low availability of forward offers, a situation we have now seen for months (bullish soybean meal premium).

4) Demand for non-GM meal will fall due to lower incorporation or exit from non-GM programme (bearish soybean meal premium).

5) The entire feed industry is struggling, including beef, hogs, egg, and chicken producers (bearish soybean meal premium).

6) The import of Indian meal will cease following the government's decision to stop the import of GM meal by January 2022 (bullish meal premium).

7) Ukraine has overperformed in terms of soybean production (neutral, due to the impossibility of knowing the non-GM portion).

8) We will need to closely follow the development of fertilizer prices and see how they impact the new season.

9) We need to monitor the progress of La Nina in Argentina which is creating drier weather patterns that could affect the GM soybean meal price and increase the export tax on soybeans.

10) We need to continue monitoring Chinese demand for US soybeans that was recently back to source from USA.

Table 2 Non-GMO soybean prices in selected countries. Date: mid-November

Parity	Price	change ¹
CPT crushers Hungary-Germany	EUR 600-620	-
FCA-CPT Italy	EUR 605-610	-5, -10
Serbia	EUR 630	-20
FOB Ukraine Nov	USD 700	-
FOB Ukraine Oct-Nov-Dec 2022	unspoken	-
DAP Chop (Ukraine)	USD 700	-
DAP Chop (Ukraine) Oct-Nov-Dec	unspoken	-

¹ change vs previous month

Source: Donau Soja

Table 3 Non-GM soy meal prices* in selected locations in Europe (EUR/t) Date: Mid-December

Location	Parity	Delivery	
		Jan	Apr
Northern Italy	LP	o.r.	635
Güssing (AT)	LP	641	641
Güssing (AT)	DS¹, LP	660	666
Gdanks (PL)	FCA, 46%	627	634
Lososna (PL)	FCA, 46%	627	634
Wola Zydowska (PL)	MP	641	641
Wola Zydowska (PL)	HP	676	676
Komárom (HU)	MP	o.r.	658
Montoir (FR)	MP	730	730

*values are based on price indications,

¹Donau Soya certified,

Source: Donau Soja

Table 4 Non-GM soy meal premiums* in Europe (EUR/t) Date: 17 Dec

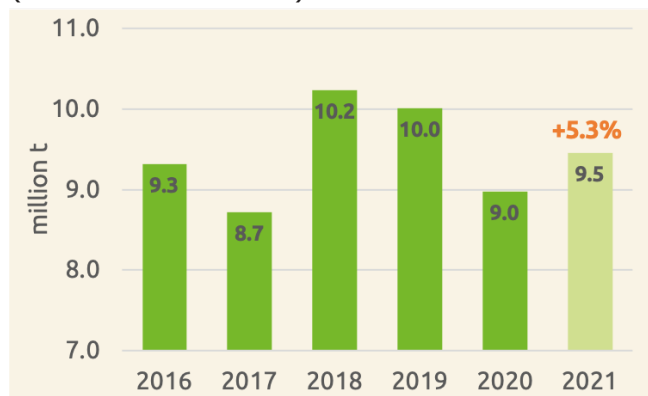
Location	Protein content	Premium
Northern Germany	HP	275
Southern Germany	LP	208
Northern Italy	HP	244
Northern Italy	LP	193
Austria	MP	163
Hungary	MP	148
Western France	MP	294
Northern Poland	MP	153

* the values are rough estimations and based on price indications

Source: Donau Soja

CHARTS AND TABLES

Total soybean **output** development in Europe (2016 - 2021 forecast)



Source: Donau Soja

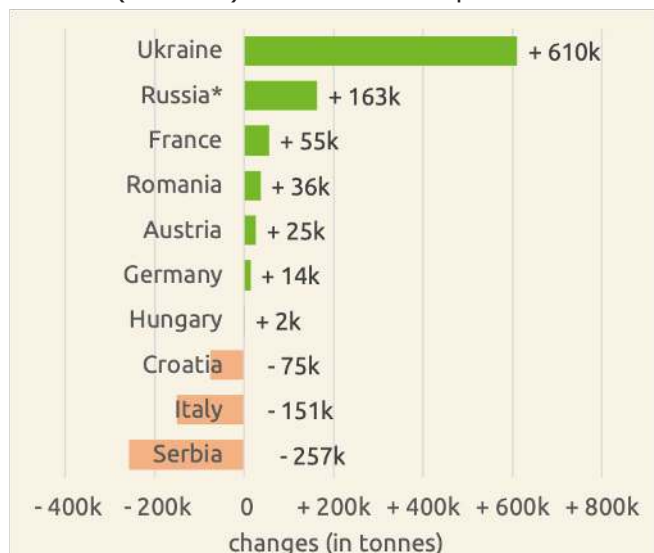
Soybean output estimation in selected European countries (2021 forecast vs 2020):

1,000 t	2020	2021	change	
Austria	210	235	+ 25	+ 11.9%
Croatia	270	195	- 75	- 27.8%
France	410	465	+ 55	+ 13.4%
Germany	91	104	+ 14	+ 14.9%
Hungary	162	164	+ 2	+ 1.0%
Italy	1,031	880	- 151	- 14.6%
Romania	300	336	+ 36	+ 12.0%
Russia*	2,637	2,800	+ 163	+ 6.2%
Serbia	806	549	- 257	- 31.9%
Ukraine	2,770	3,380	+ 610	+ 22.0%
Σ EU-27	2,710	2,666	- 44	-1.6%
Σ Europe	8,980	9,460	+ 480	+5.3%

*only European Russia

Source: Donau Soja

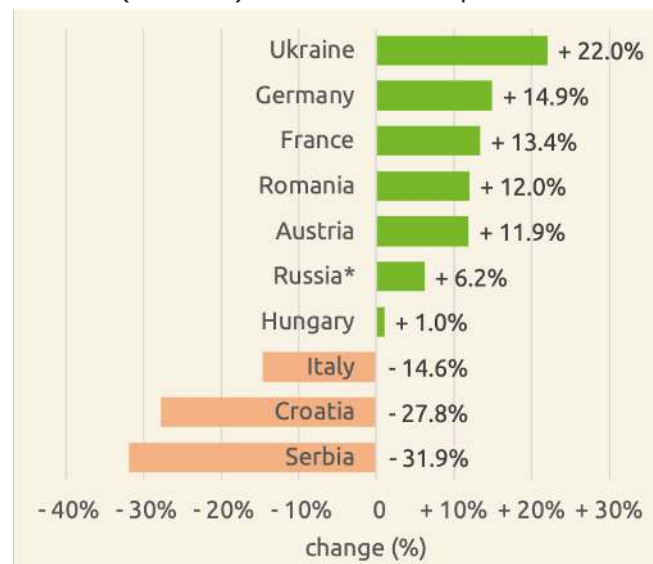
Soya output forecast — change in absolute term in 2021 (vs 2020) in selected European countries



*only European Russia

Source: Donau Soja

Soya output forecast — change in percentage in 2021 (vs 2020) in selected European countries



*only European Russia

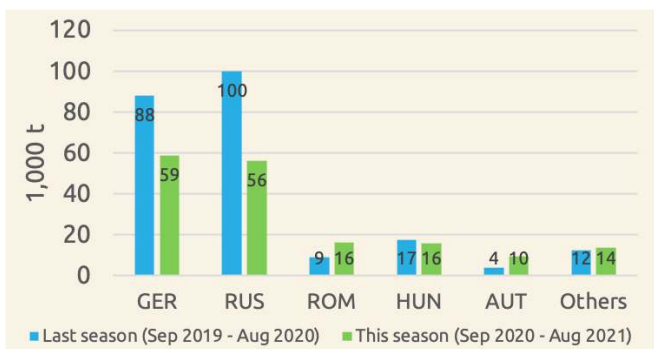
Source: Donau Soja

Supply & Demand estimate of non-GM soybean in selected countries (2019/20, 2020/21, 2021/22)

tonnes	Serbia	Croatia	Hungary	Italy	Romania ¹	Total	
2019/20 season (sep2019-aug2020)							
Supply	Carry in (=carry over from last year)	140,000	15,000	20,000	116,000	10,000	301,000
	Harvest (in sep2019)	700,000	244,000	167,000	920,000	462,000	2,493,000
	Import	0	10,000	127,000	190,000	170,000	497,000
	Total (carry in + harvest + import)	840,000	269,000	314,000	1,226,000	642,000	3,291,000
Demand	Processing (=crushing + full-fat + food)	600,000	60,000	205,000	1,170,000	400,000	2,435,000
	Export	231,000	200,000	100,000	16,000	226,087	773,087
	Total (export + processing)	831,000	260,000	305,000	1,186,000	626,087	3,208,087
	Carry over (total supply - total demand)	9,000	9,000	9,000	40,000	15,913	82,913
2020/21 season (sep2020-aug2021)							
Supply	Carry in (=carry over from last year)	9,000	9,000	9,000	40,000	15,913	82,913
	Harvest (in sep2020)	806,000	270,000	162,000	1,031,000	300,000	2,569,000
	Import	0	13,000	110,000	160,000	230,000	513,000
	Total (carry in + harvest + import)	815,000	292,000	281,000	1,231,000	545,913	3,164,913
Demand	Processing (=crushing + full-fat + food)	620,000	60,000	190,000	1,170,000	400,000	2,440,000
	Export	169,782	221,000	90,000	25,000	136,438	642,220
	Total (export + processing)	789,782	281,000	280,000	1,195,000	536,438	3,082,220
	Carry over (total supply - total demand)	25,218	11,000	1,000	36,000	9,475	82,693
2021/22 season (sep2021-aug2022)							
Supply	Carry in (=carry over from last year)	25,218	11,000	1,000	36,000	9,475	82,693
	Harvest (in sep2021)	550,000	195,000	170,000	880,000	336,000	2,131,000
	Import	45,000	20,000	130,000	170,000	230,000	595,000
	Total (carry in + harvest + import)	620,218	226,000	301,000	1,086,000	575,475	2,808,693
Demand	Processing (=crushing + full-fat + food)	570,000	55,000	205,000	1,050,000	400,000	2,280,000
	Export	50,000	150,000	90,000	20,000	150,000	460,000
	Total (export + processing)	620,000	205,000	295,000	1,070,000	550,000	2,740,000
	Carry over (total supply - total demand)	218	21,000	6,000	16,000	25,475	68,693
Trade balance in 19/20 (=export-import)	+ 231 000	+ 190 000	- 27 000	- 174 000	+ 56 087	+ 276 087	
Trade balance in 20/21 (=export-import)	+ 169 782	+ 208 000	- 20 000	- 135 000	- 93 562	+ 129 220	
Trade balance in 21/22 (=export-import)	+ 5 000	+ 130 000	- 40 000	- 150 000	- 80 000	- 135 000	

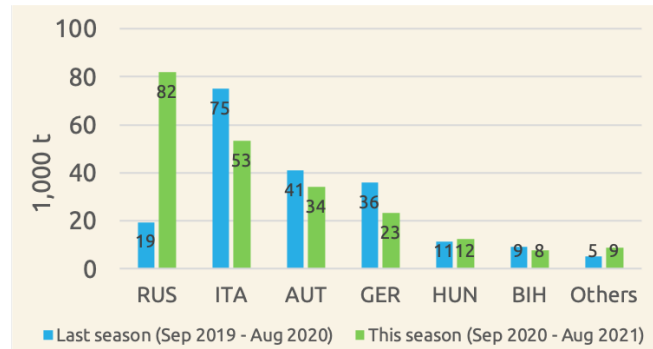
¹ the S&D estimate of Romania refers to both GM and non-GM soybean
Source: Donau Soja

Soybean export of Serbia by destination



Source: Trademap

Soybean export of Croatia by destination



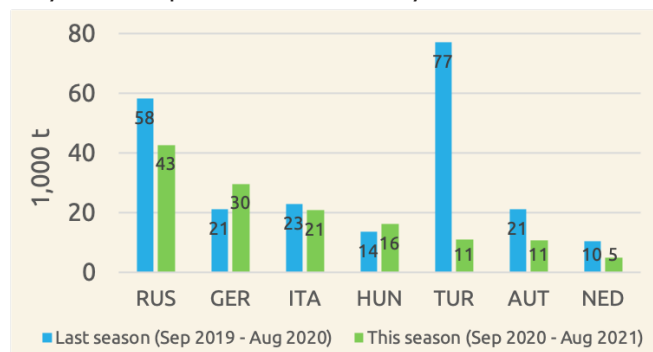
Source: Eurostat

Soybean export of Hungary by destination



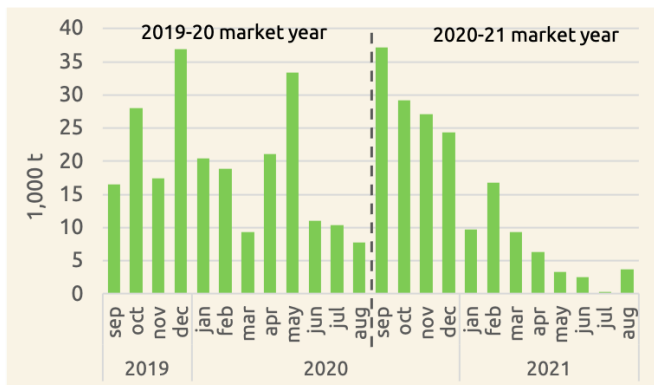
Source: Eurostat

Soybean export of Romania by destination



Source: Eurostat

Monthly development of Serbian soybean export (Sep 2019 - Aug 2021)



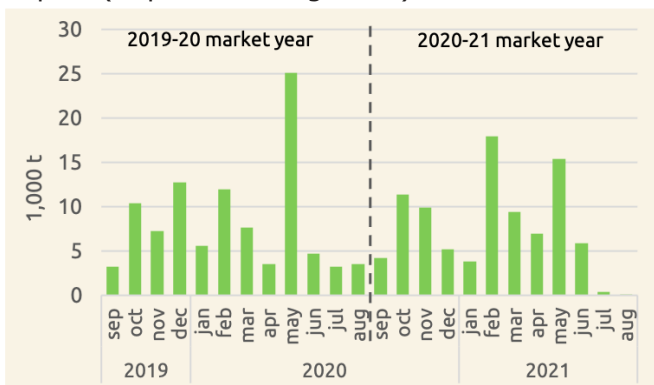
Source: Trademap

Monthly development of Croatian soybean export (Sep 2019 - Aug 2021)



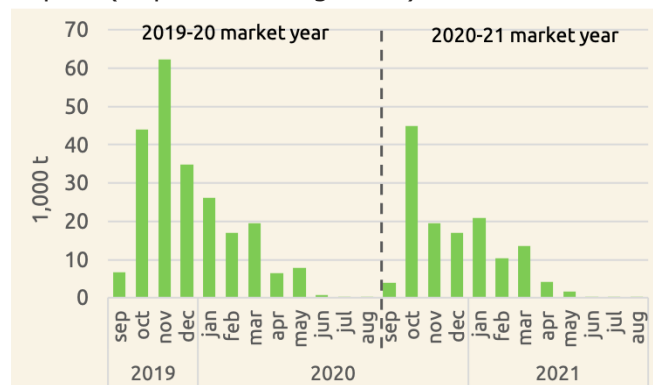
Source: Eurostat

Monthly development of Hungarian soybean export (Sep 2019 - Aug 2021)



Source: Eurostat

Monthly development of Romanian soybean export (Sep 2019 - Aug 2021)



Source: Eurostat

Soybean balance sheet, Ukraine (August/July)

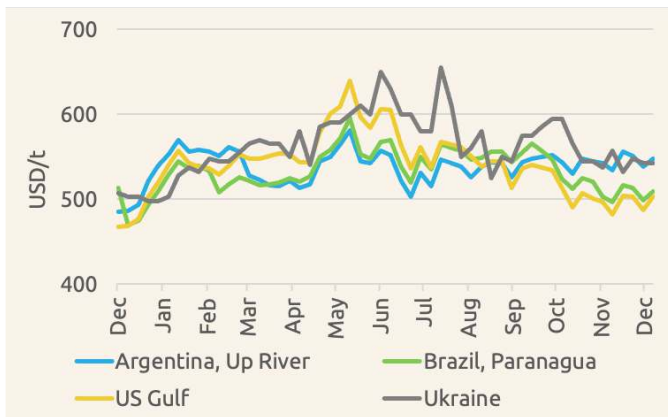
1,000 t		2018/19	2019/20	2020/21 fact	2021/22 forecast
Soybean	Stocks at the beginning	76	477	65	283
	Area, million ha	1.72	1.61	1.32	1.28*
	Yield, t/ha	2.59	2.30	2.09	2.64*
	Harvest	4,461	3,699	2,770	3,380*
	Import, soybeans	3	16	13	20
	Total Supply, soybean	4,540	4,192	2,848	3,683
Soya Meal, expressed in soybean	Domestic Processing, beans	1,610	1,389	1,101	1,400
	Stocks at the beginning	193	206	20	20
	Import of meal	4	5	6	5
	Domestic consumption of meal	625	620	495	620
	Carry over	206	20	20	20
	Export of meal	972	960	612	785
Export, soybean		2,453	2,738	1,464	2,133
Carry over		477	65	283	150

* this value refers to the harvest in September-October 2021

Source: Donau Soja

Global market information

Development of soybean export prices in the global market (Dec 2020 - Dec 2021):



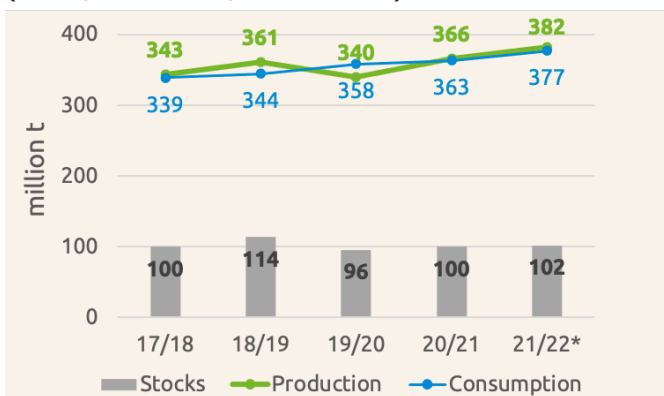
Source: IGC

Weekly soybean price development at CBOT (nearby term, Dec 2020 - Dec 2021)



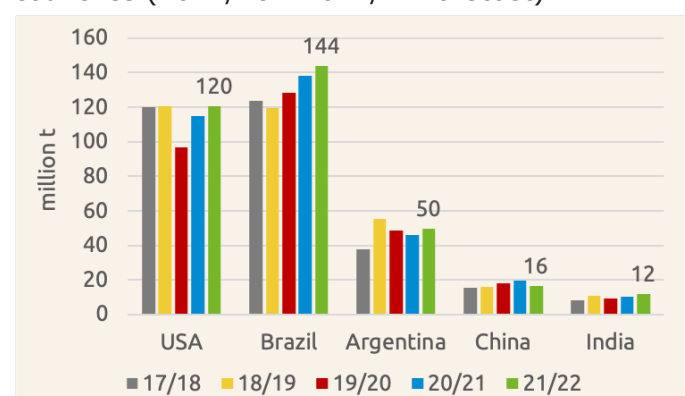
Source: AHDB

Global soybean production and ending stocks (2017/18 - 2021/22 forecast):



* forecast
Source: USDA

Development of soybean output in major producer countries (2017/18 - 2021/22 forecast)



Source: USDA

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