

# The 2020 soy value chain

Owen Wagner

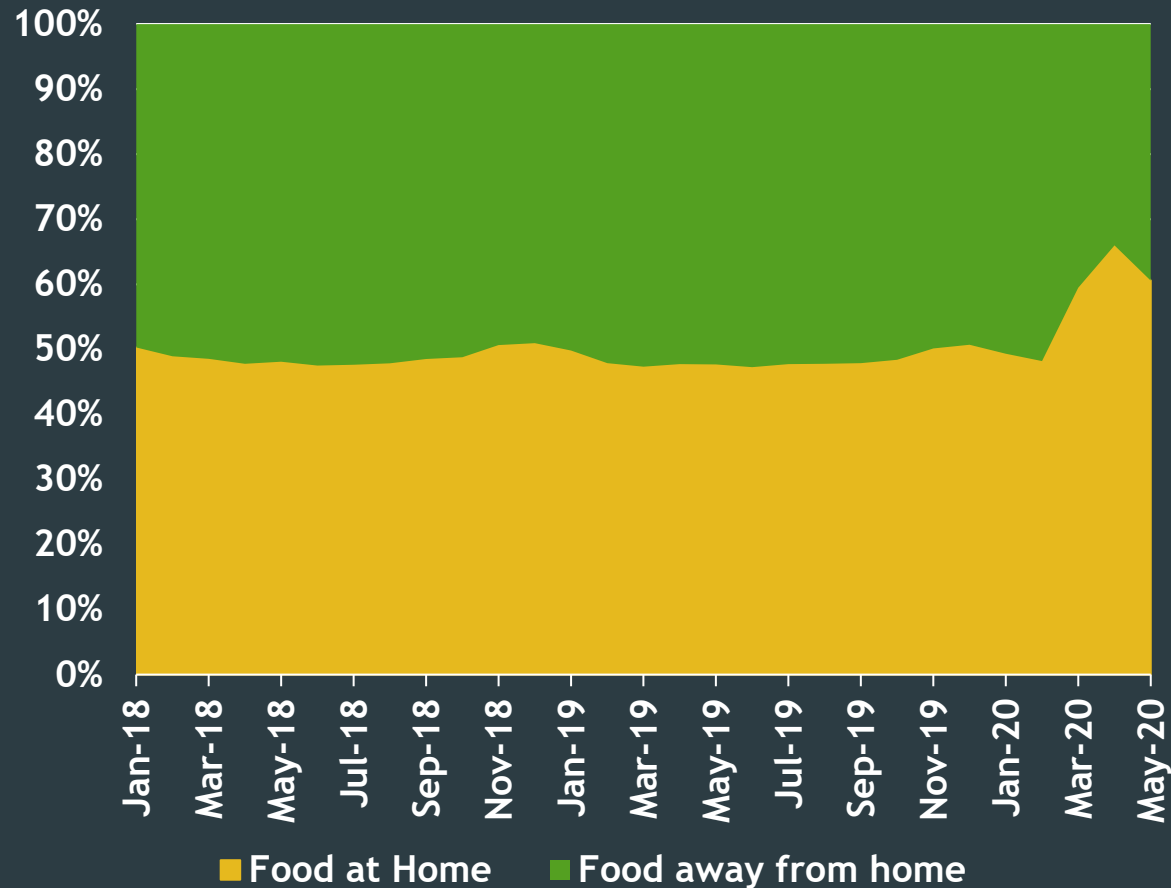
North Carolina Soybean Producers Assoc.

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# COVID has, of course, shifted food consumption patterns

American's share of food dollar



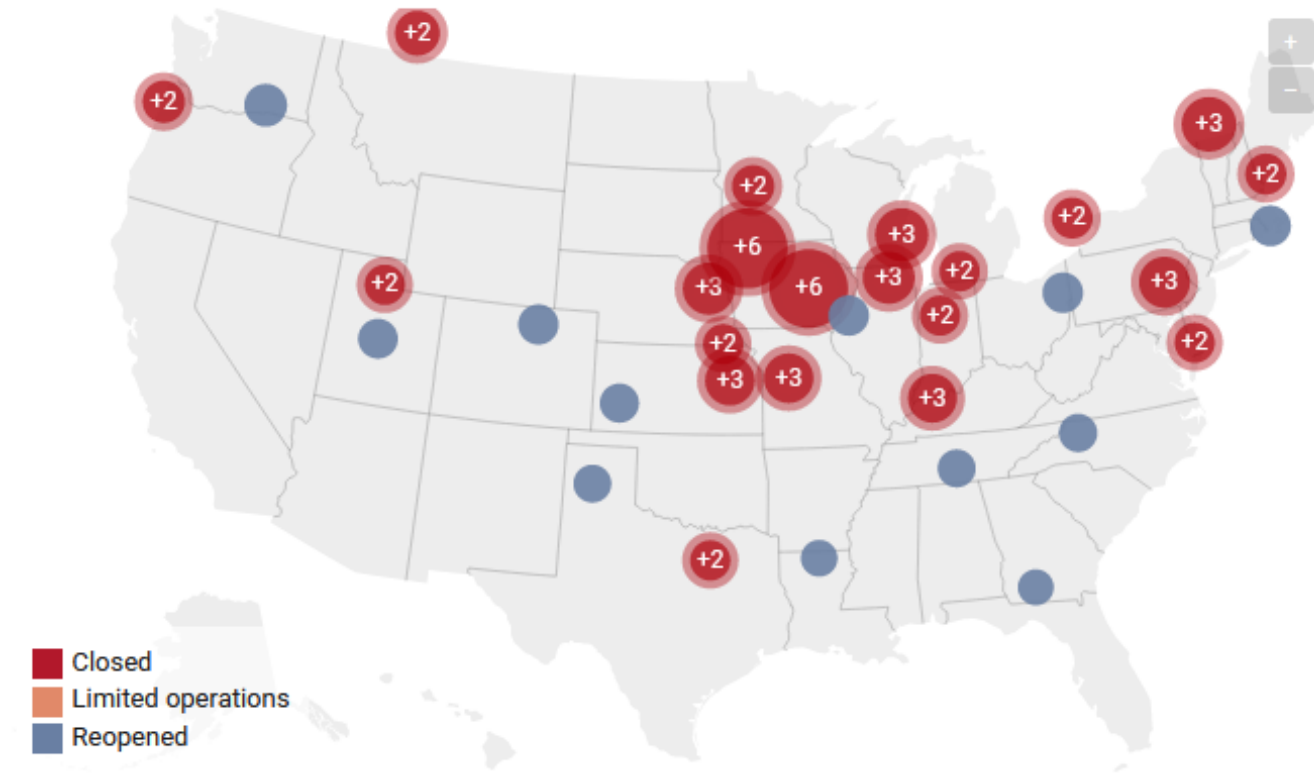
- Initially grocers and shoppers were having to share burden of higher logistics costs for food delivery.
- Strong demand has allowed grocers to sustain those higher prices.

# And the virus has disrupted supply chains

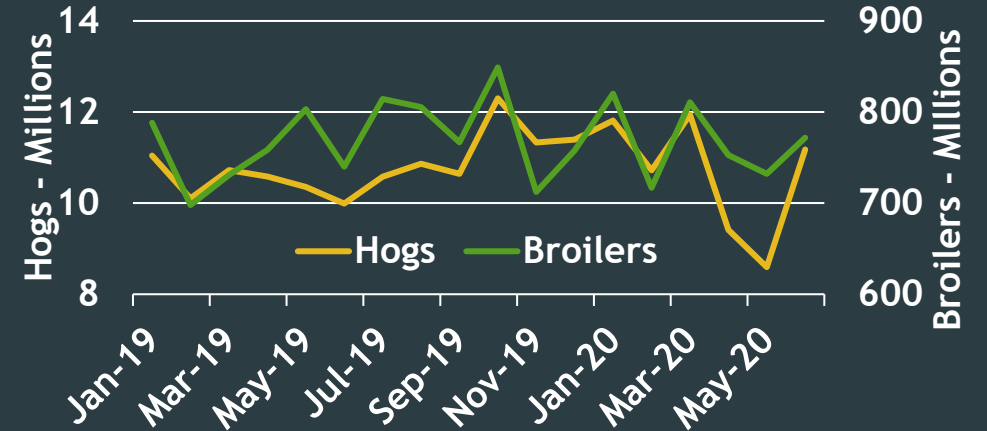
Processing facilities impacted by COVID related shutdowns

## Temporary meat plant closures

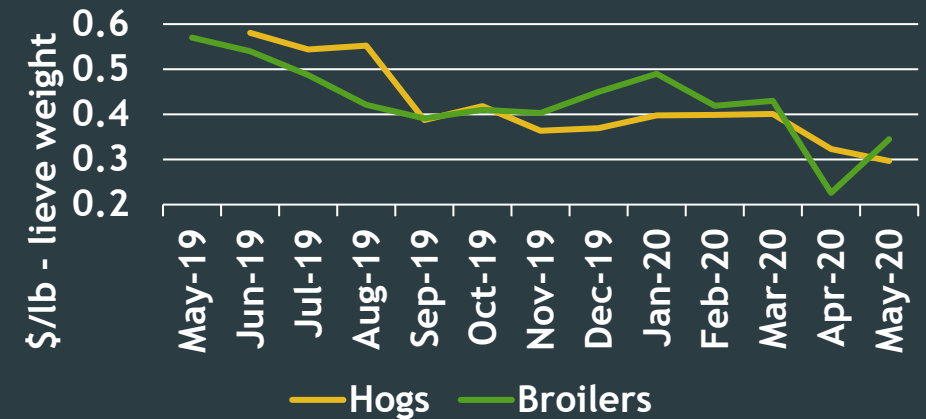
Updated June 26



Slaughter has been reduced as a result



Leading to lower livestock prices



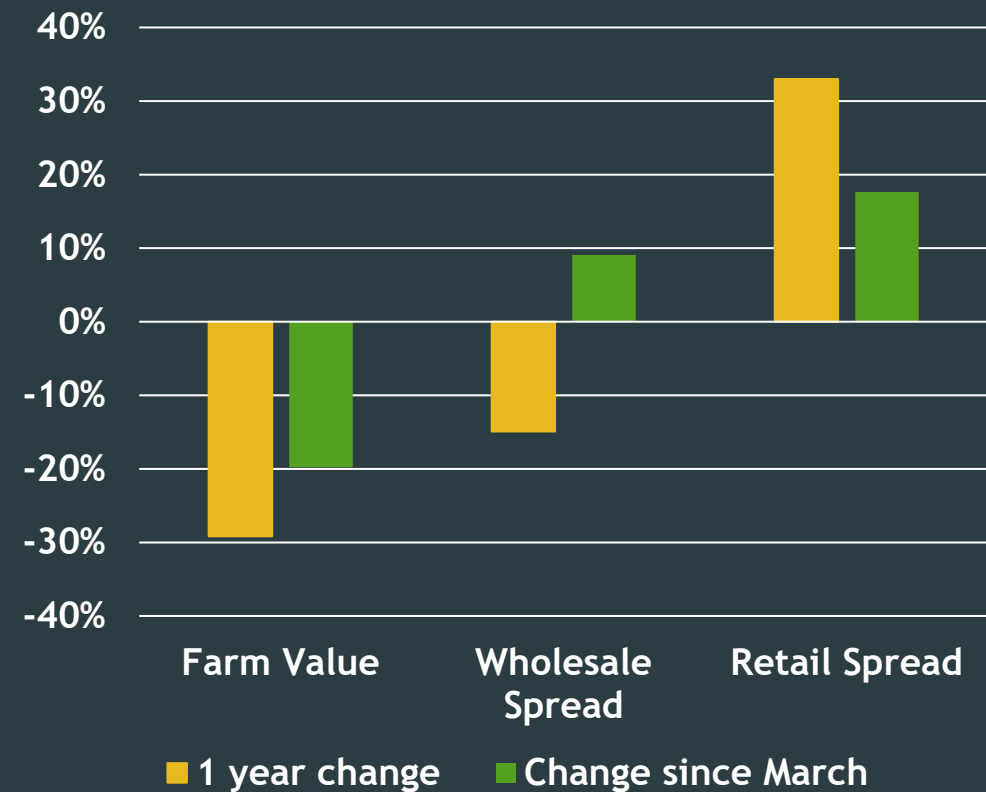
At its peak, 30-40% of beef and hog processing was offline

# Value capture in animal protein

## Value capture in pork



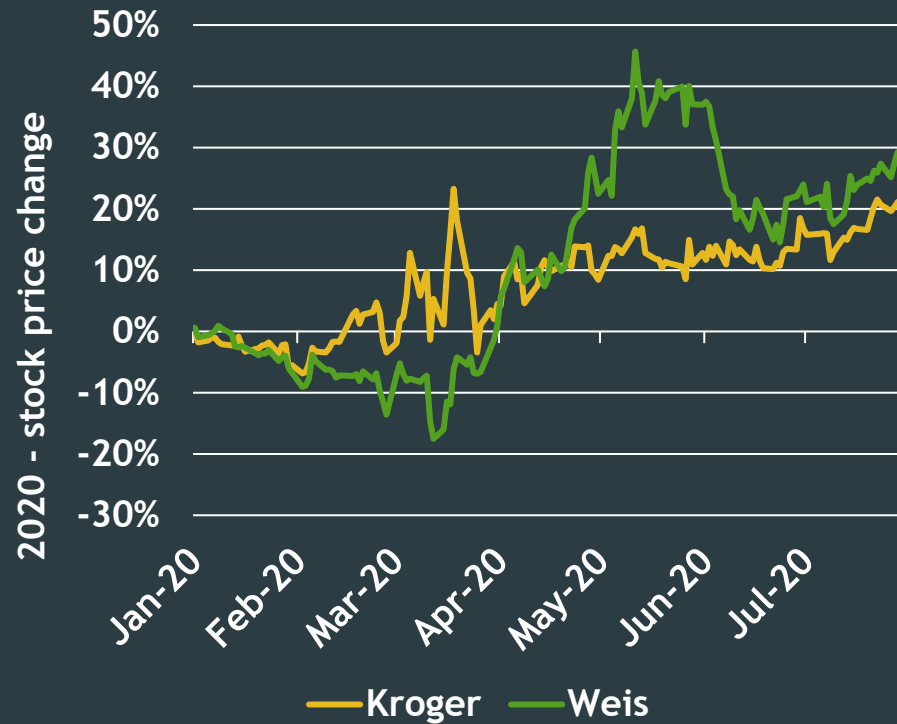
## Value capture in poultry



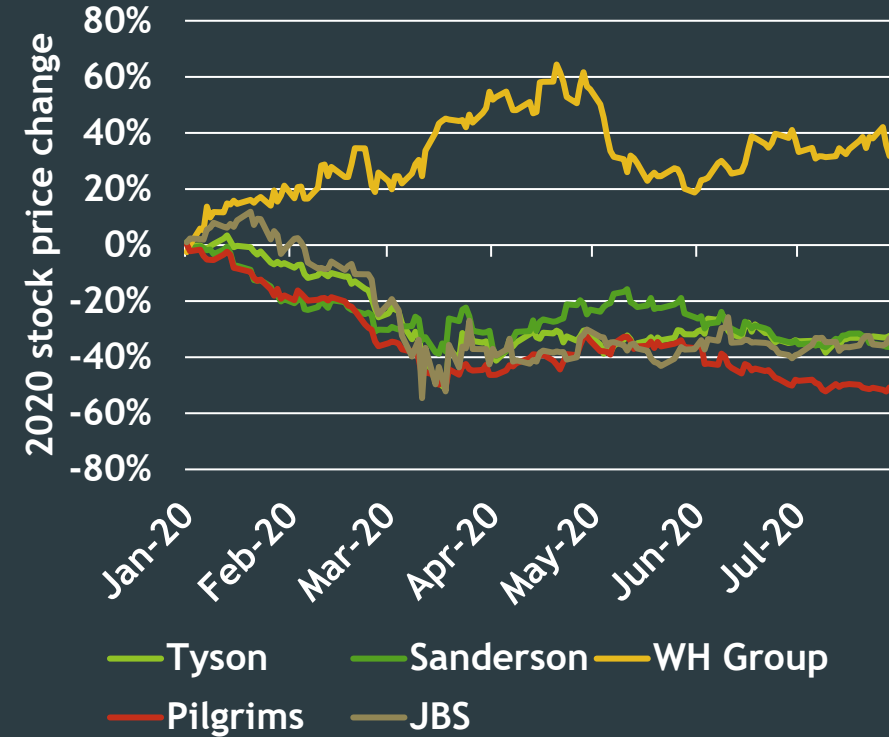
- Lower farm prices have widened wholesale spread
- High retail prices have widened retail spread

# But what about profitability?

Stock prices of publicly traded grocery retailers



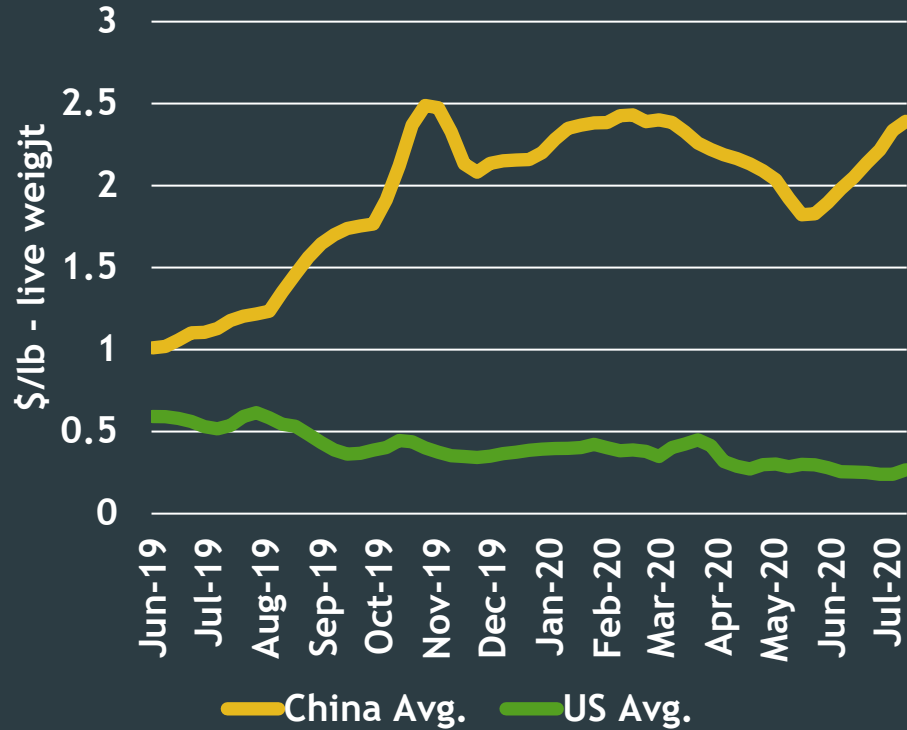
Stock prices of publicly traded meat packers



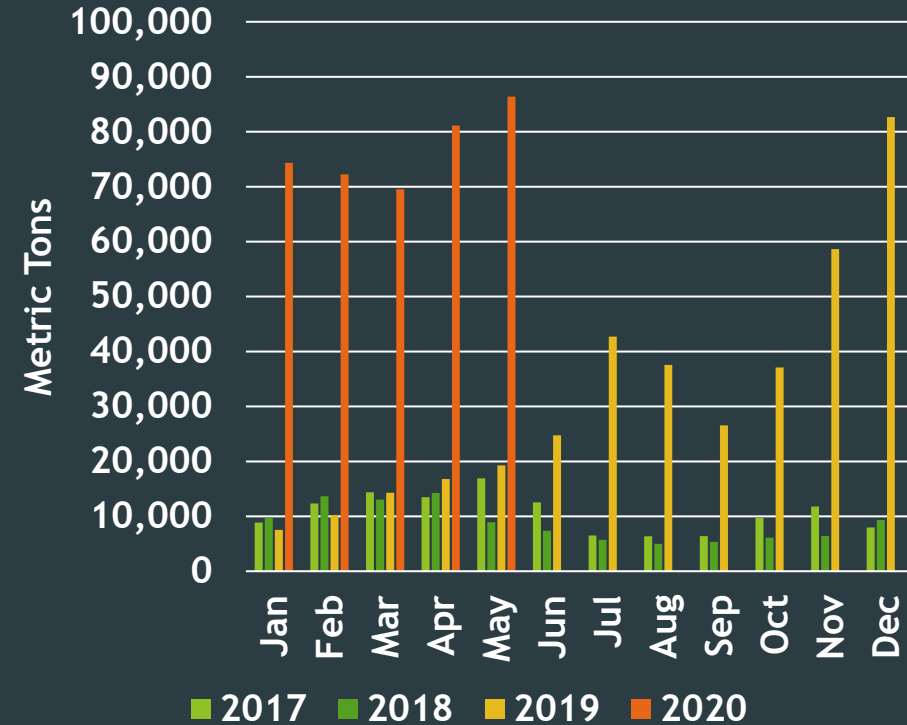
- While wholesale spread has increased their costs (for the most part) have grown higher still.

# What's the story with WH Group?

## US & China pig prices



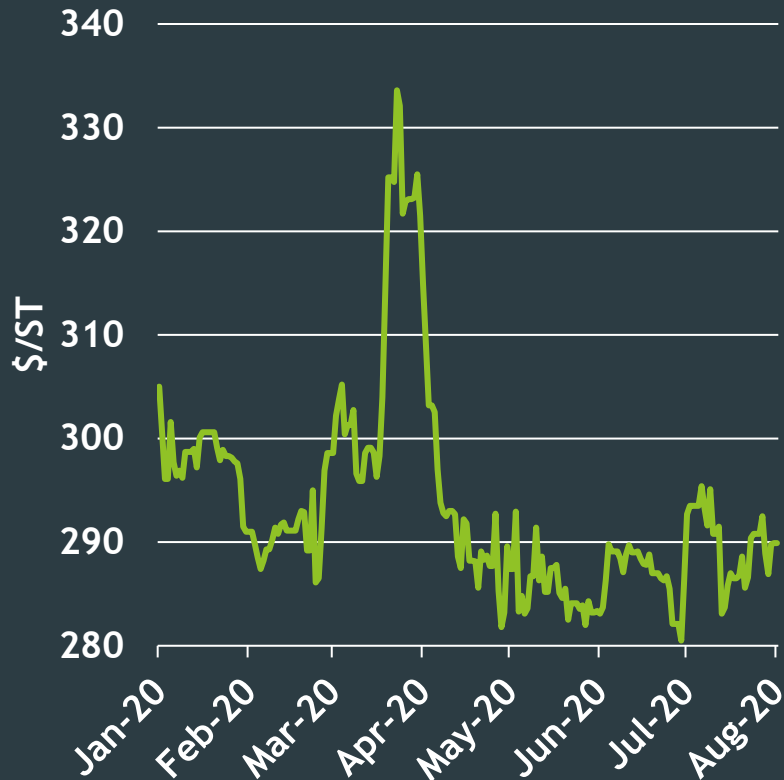
## US Pork exports to China



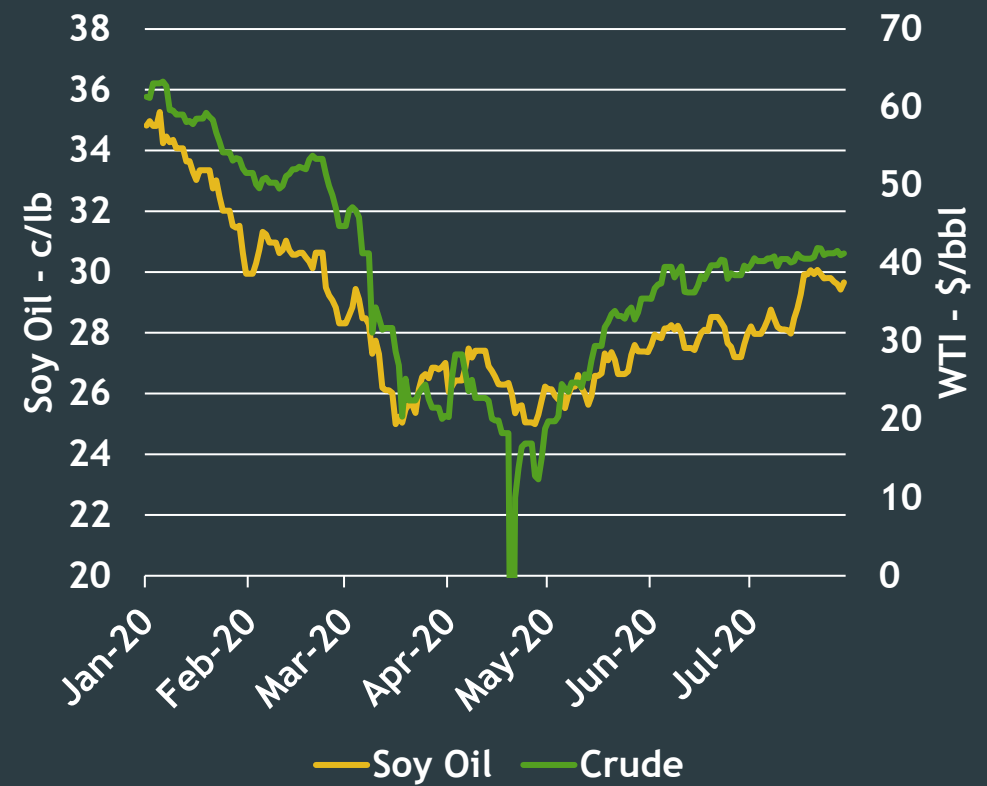
- By exporting to China, Smithfield has been able to take advantage of US-China price spread

# Value of soy products down

Soy meal price



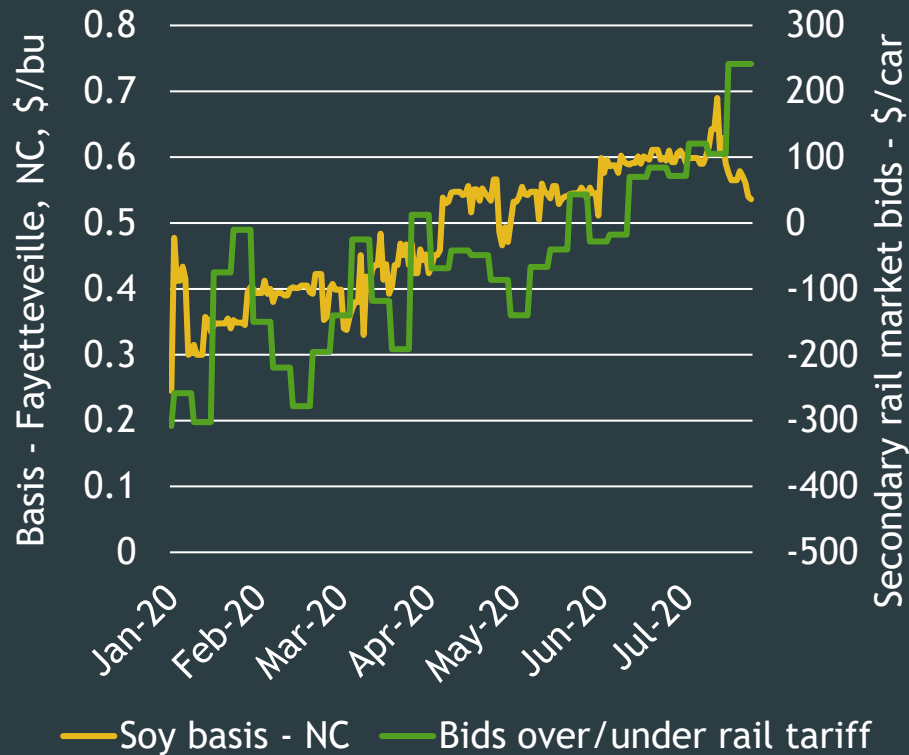
Soy oil and petroleum



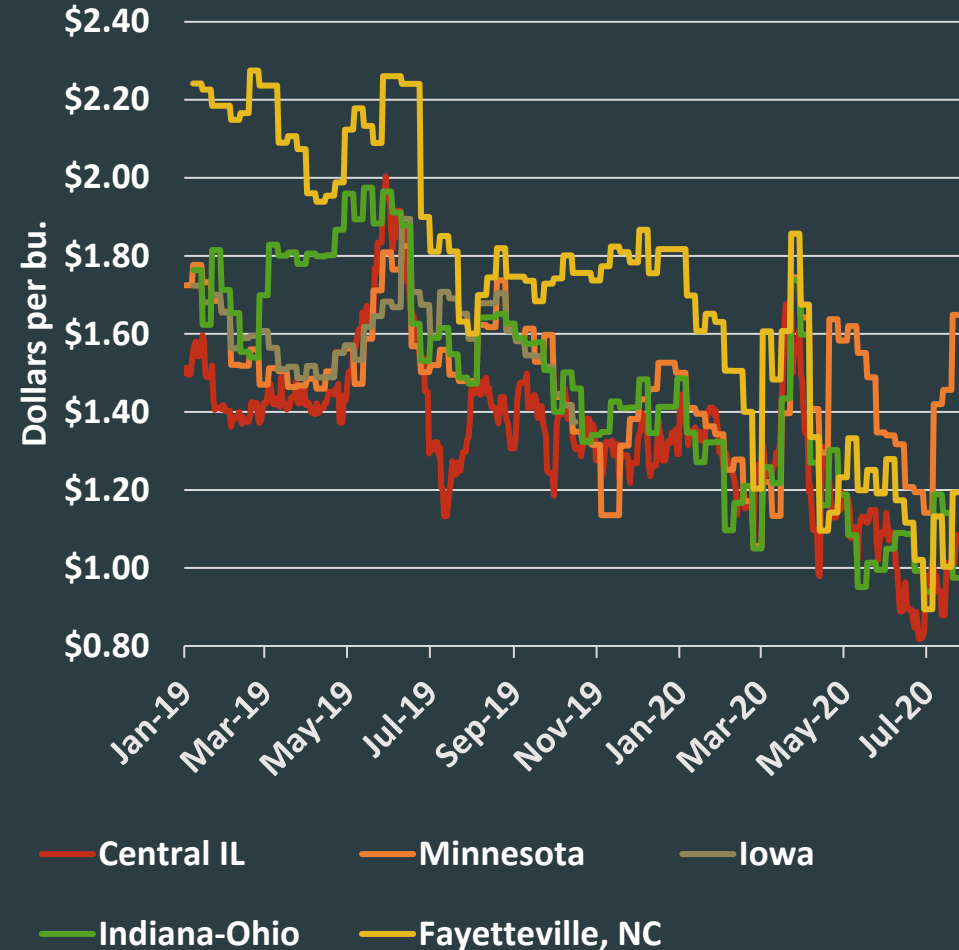
- Meal down on reduced demand
- Veg. oils closely linked to petroleum, which is down

# So far, growers mostly buffeted from effects

## NC soy basis and secondary rail bids



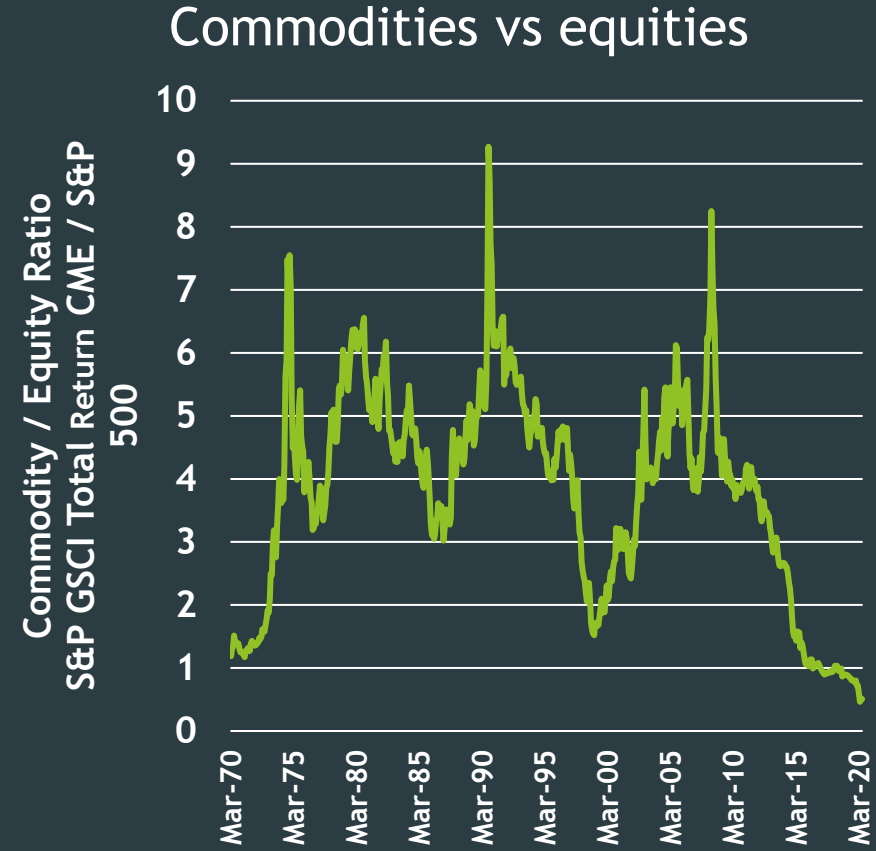
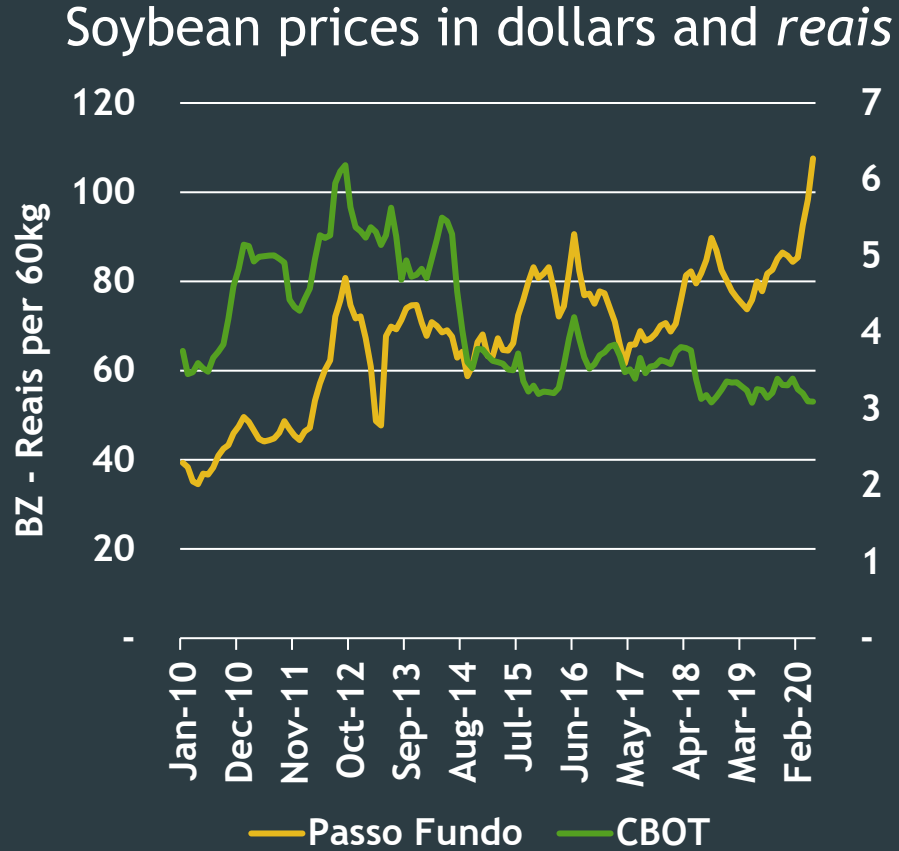
## Regional crush margins



- NC basis is up
- Crush margins are down



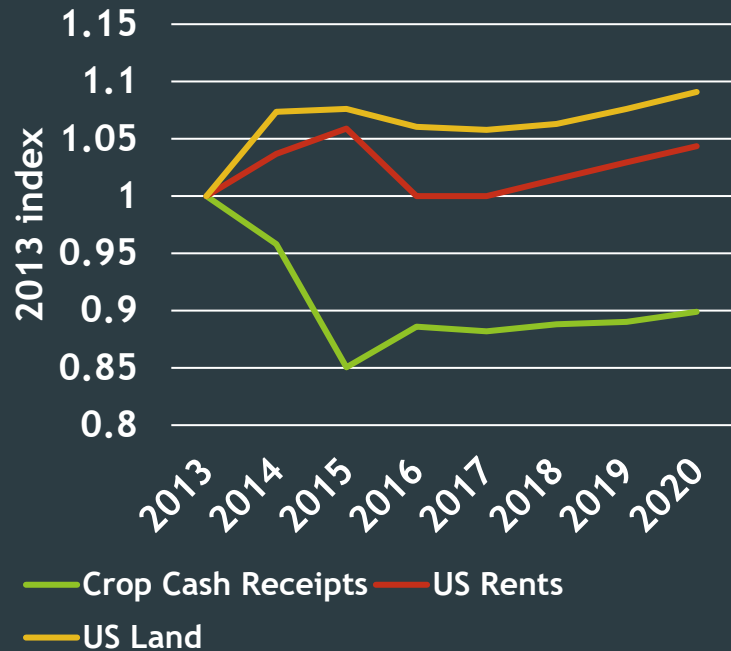
# Outlook - macroeconomic forces



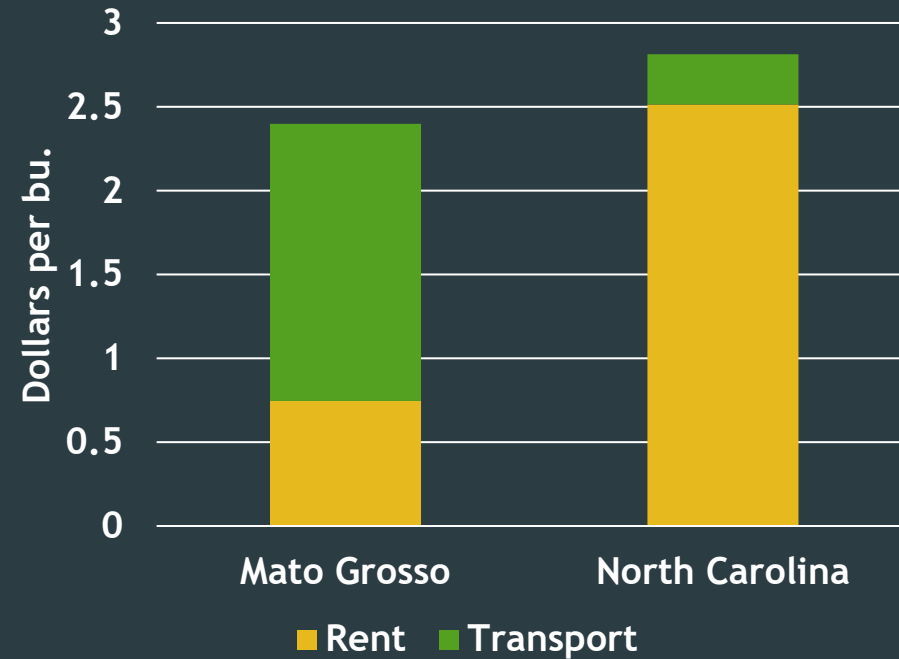
- Strong dollar is a major obstacle right now
- Inflation and deteriorating economy could make commodities an attractive store of wealth

# Outlook - the value of farmland

Change in crop profitability and land values since 2013



Comparison of land rental rates in NC and Mato Grosso



- Value of land should be a reflection of how much you can make off it (housing developments included).
- Why are US land prices so high?

# Tune In!



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