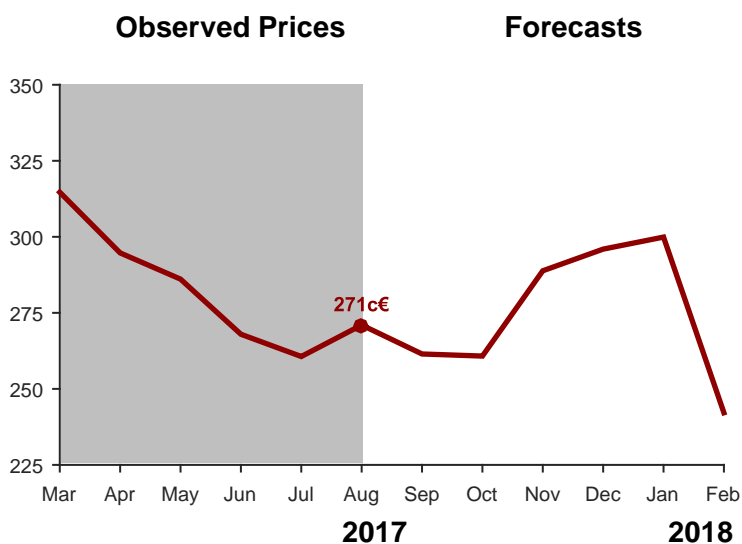


Forecasting the Price of Soybean Meal

Commodity	Soybean Meal (CBT)
Forecast Period	September 2017 – February 2018
Currency	Cents (€)
Unit	Bushel
Observations	Monthly forecasts of the average spot price in the last week of the previous month



Forecasts



Month/Year	Forecast	Prob. of Raise
Sep. 2017	261c€	39 %
Oct. 2017	261c€	41 %
Nov. 2017	289c€	64 %
Dec. 2017	296c€	61 %
Jan. 2018	300c€	64 %
Feb. 2018	242c€	44 %

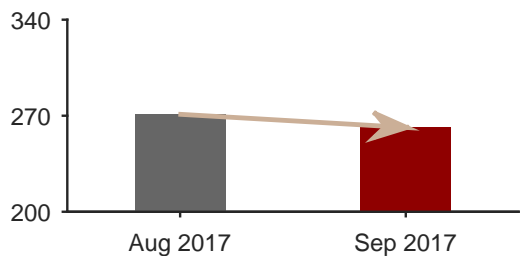
Suggested Action for Procurement

Purchase Limit Month	Suggested Action
September 2017	Buy in September
October 2017	Wait
November 2017	Wait
December 2017	Buy part of requirements
January 2018	Buy part of requirements
February 2018	Buy part of requirements

Disclaimer: This document was made for commercial purposes. All the contents of this document should be of the reader's consideration, so that none of the suggested actions represent incentives to act. Watson & Noble does not take responsibility for actions based on this document.

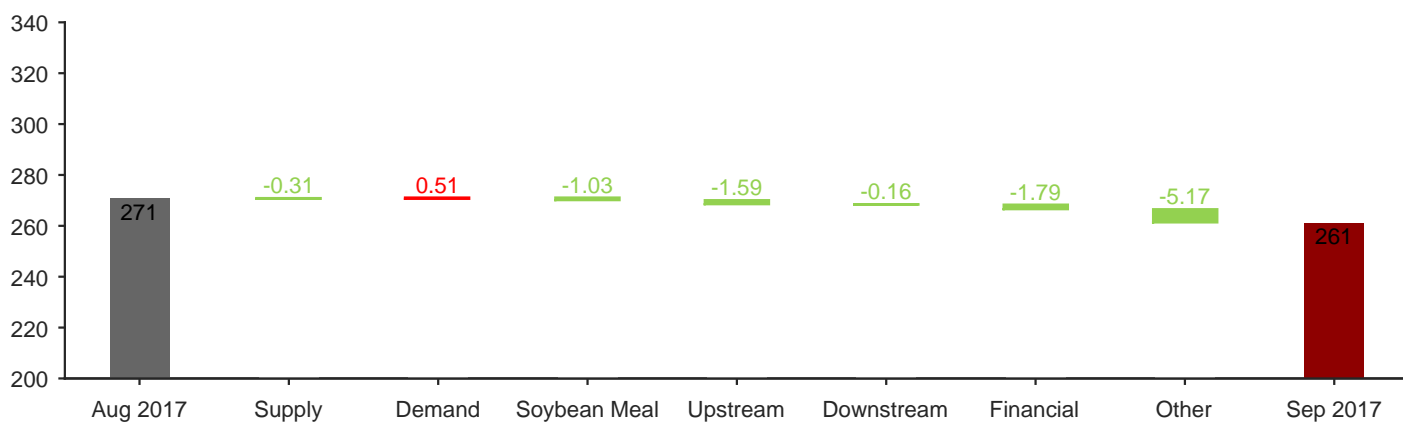
Forecasting the Price of Soybean Meal

Impact Analysis: One Month Forecast



Our algorithm forecasts a lower price of Soybean Meal in one month: it is expectable that the price decreases 3.51% from 271c€ to 261c€ until the beginning of September.

Indices of Factors



Interpretation

- Slight increase of Supply: Negative pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Negative pressure of the index of Soybean Meal
- Negative pressure of the index of variables representing the market upstream
- Slightly negative pressure of the index of variables representing the market downstream
- Negative pressure of the financial index
- **Considerably negative pressure of other commodities and other factors**
- Focus on Belgium, US, and Russia

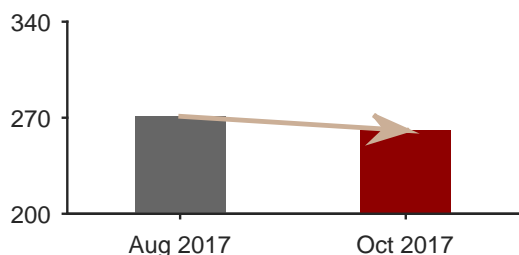
Impact per Country



Disclaimer: This document was made for commercial purposes. All the contents of this document should be of the reader's consideration, so that none of the suggested actions represent incentives to act. Watson & Noble does not take responsibility for actions based on this document.

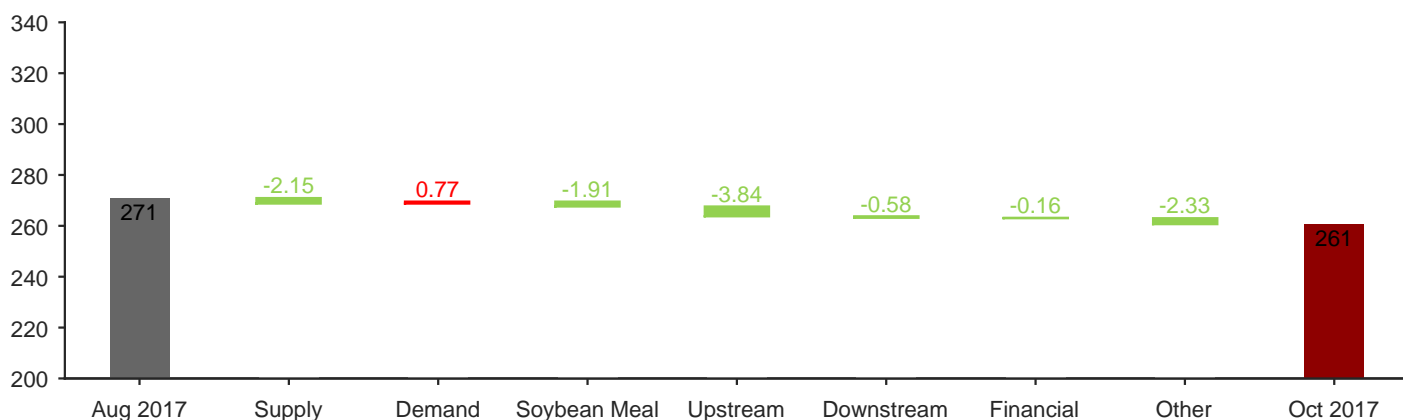
Forecasting the Price of Soybean Meal

Impact Analysis: Two Months Forecast



Our algorithm forecasts a lower price of Soybean Meal in two months: it is expectable that the price decreases 3.76% from 271c€ to 261c€ until the beginning of October.

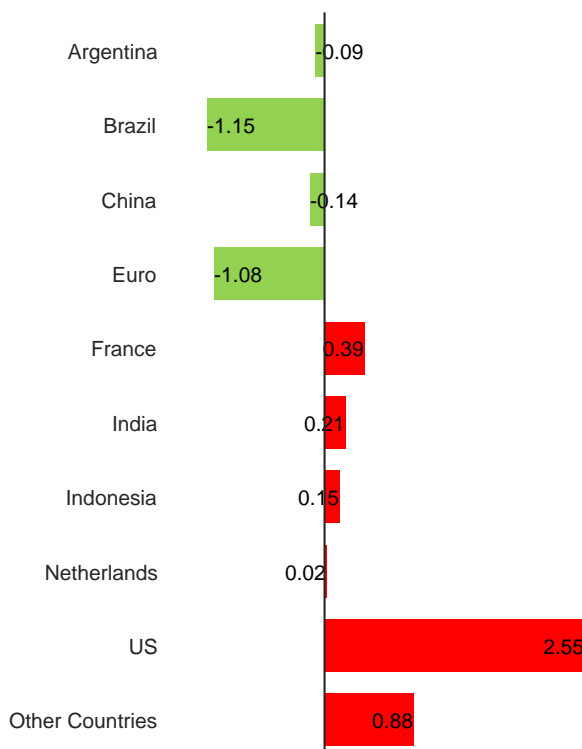
Indices of Factors



Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Negative pressure of the index of Soybean Meal
- **Considerably negative pressure of the index of variables representing the market upstream**
- Negative pressure of the index of variables representing the market downstream
- Slightly negative pressure of the financial index
- Negative pressure of other commodities and other factors
- Focus on US, Belgium, and Brazil

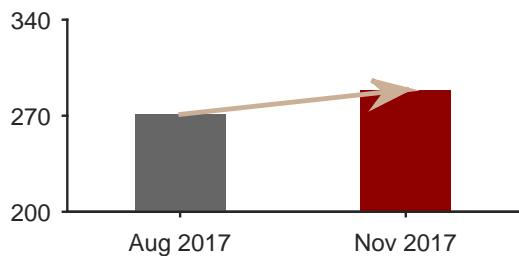
Impact per Country



Disclaimer: This document was made for commercial purposes. All the contents of this document should be of the reader's consideration, so that none of the suggested actions represent incentives to act. Watson & Noble does not take responsibility for actions based on this document.

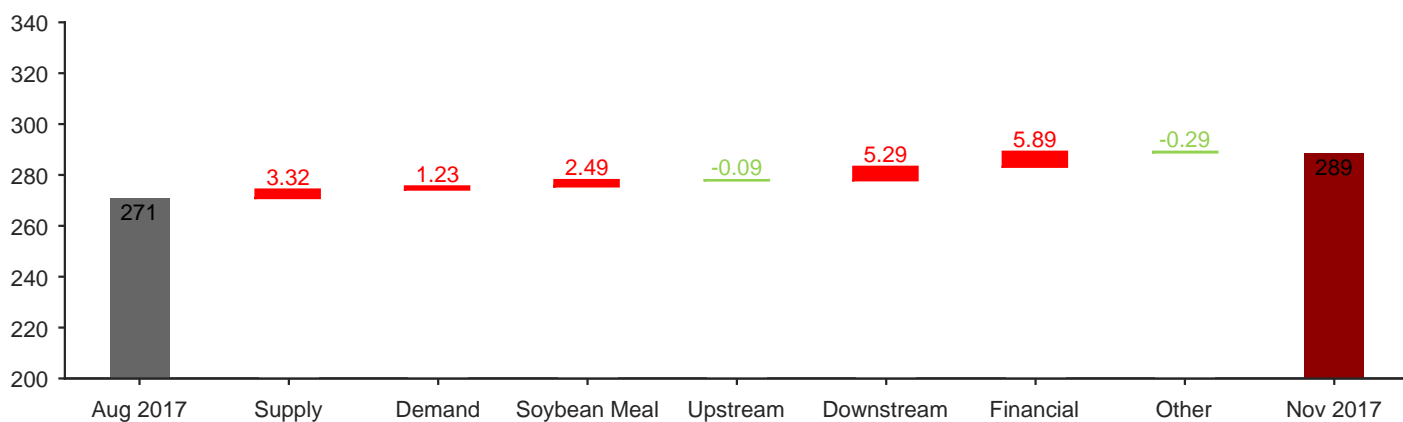
Forecasting the Price of Soybean Meal

Impact Analysis: Three Months Forecast



Our algorithm forecasts a higher price of Soybean Meal in three months: it is expectable that the price increases 6.58% from 271c€ to 289c€ until the beginning of November.

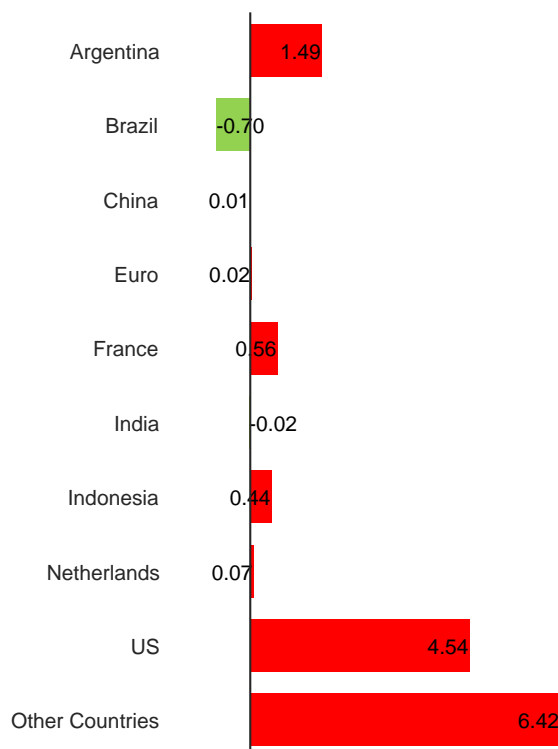
Indices of Factors



Interpretation

- **Decrease of Supply:** Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Positive pressure of the index of Soybean Meal
- Slightly negative pressure of the index of variables representing the market upstream
- Positive pressure of the index of variables representing the market downstream
- **Considerably positive pressure of the financial index**
- Slightly negative pressure of other commodities and other factors
- Focus on US, Belgium, and Argentina

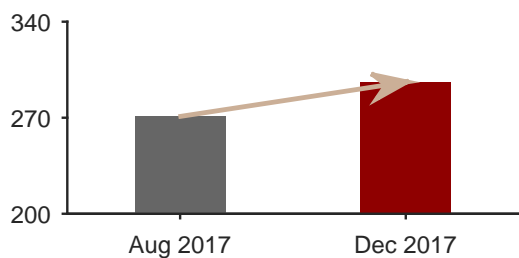
Impact per Country



Disclaimer: This document was made for commercial purposes. All the contents of this document should be of the reader's consideration, so that none of the suggested actions represent incentives to act. Watson & Noble does not take responsibility for actions based on this document.

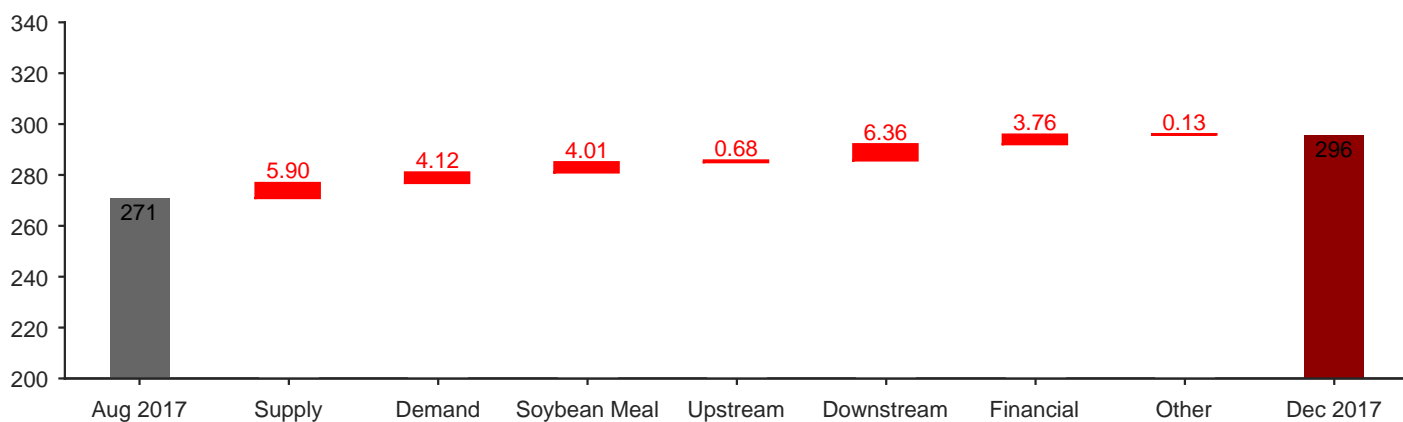
Forecasting the Price of Soybean Meal

Impact Analysis: Four Months Forecast



Our algorithm forecasts a higher price of Soybean Meal in four months: it is expectable that the price increases 9.20% from 271c€ to 296c€ until the beginning of December.

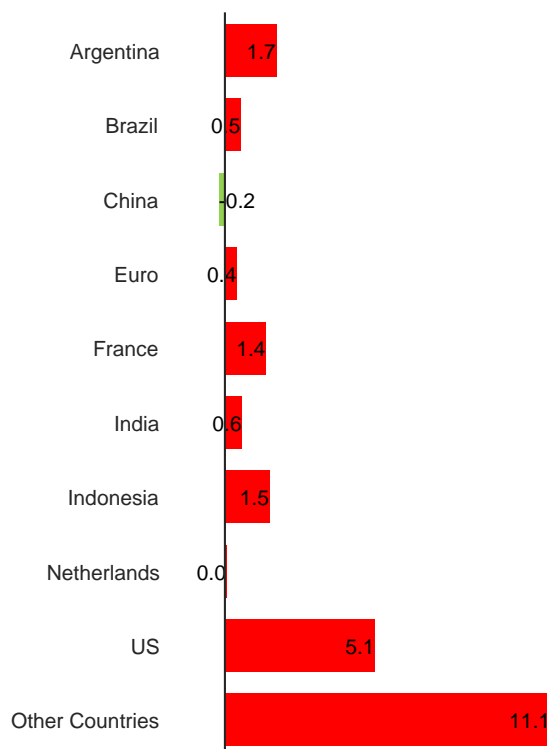
Indices of Factors



Interpretation

- **Decrease of Supply:** Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Positive pressure of the index of Soybean Meal
- Slightly positive pressure of the index of variables representing the market upstream
- Positive pressure of the index of variables representing the market downstream
- Positive pressure of the financial index
- Slightly positive pressure of other commodities and other factors
- Focus on US, Belgium, and Thailand

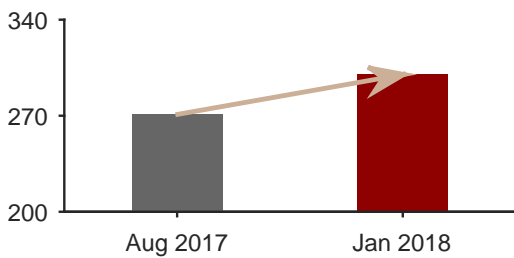
Impact per Country



Disclaimer: This document was made for commercial purposes. All the contents of this document should be of the reader's consideration, so that none of the suggested actions represent incentives to act. Watson & Noble does not take responsibility for actions based on this document.

Forecasting the Price of Soybean Meal

Impact Analysis: Five Months Forecast



Our algorithm forecasts a higher price of Soybean Meal in five months: it is expectable that the price increases 10.66% from 271c€ to 300c€ until the beginning of January.

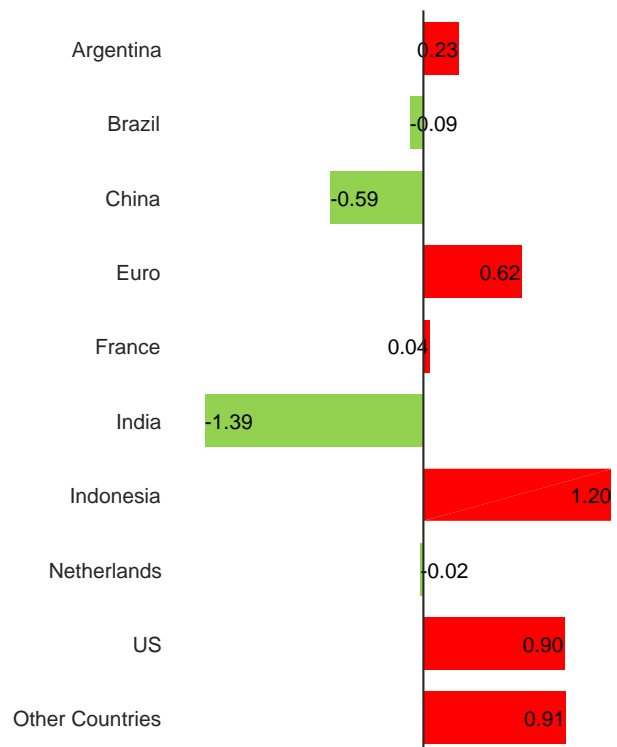
Indices of Factors



Interpretation

- Slight decrease of Supply: Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- **Considerably positive pressure of the index of Soybean Meal**
- Slightly positive pressure of the index of variables representing the market upstream
- Positive pressure of the index of variables representing the market downstream
- **Considerably positive pressure of the financial index**
- Slightly positive pressure of other commodities and other factors
- Focus on India, Indonesia, and Thailand

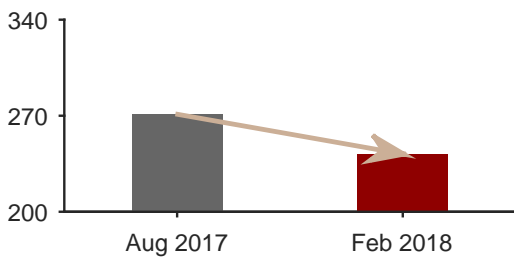
Impact per Country



Disclaimer: This document was made for commercial purposes. All the contents of this document should be of the reader's consideration, so that none of the suggested actions represent incentives to act. Watson & Noble does not take responsibility for actions based on this document.

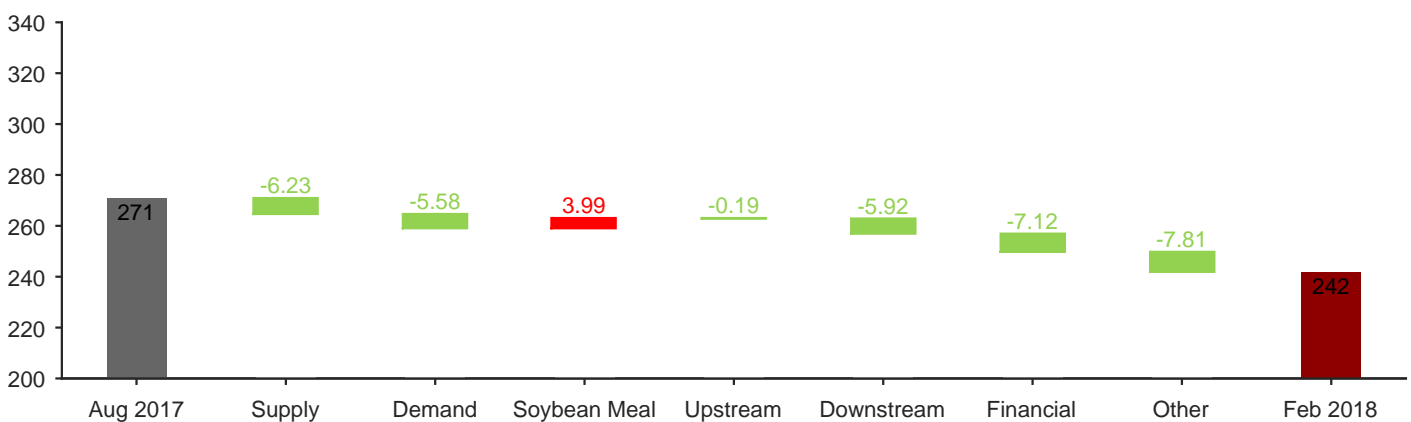
Forecasting the Price of Soybean Meal

Impact Analysis: Six Months Forecast



Our algorithm forecasts a lower price of Soybean Meal in six months: it is expectable that the price decreases 10.64% from 271c€ to 242c€ until the beginning of February.

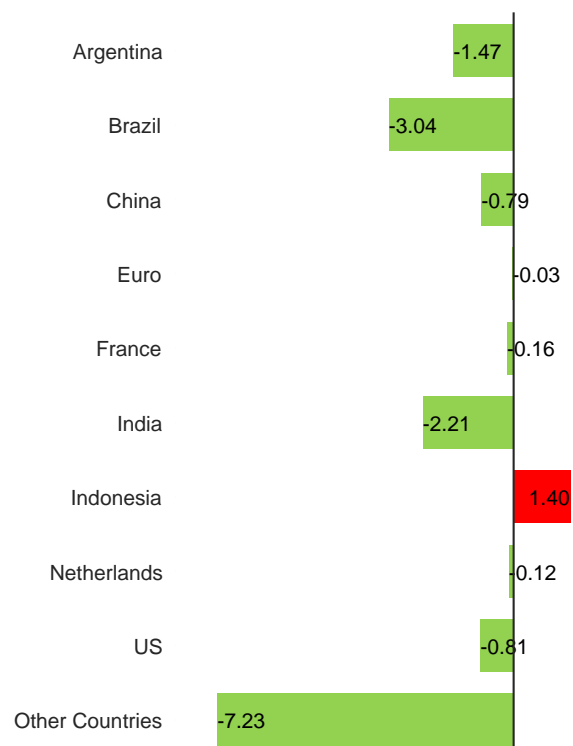
Indices of Factors



Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Positive pressure of the index of Soybean Meal
- Slightly negative pressure of the index of variables representing the market upstream
- Negative pressure of the index of variables representing the market downstream
- Negative pressure of the financial index
- **Considerably negative pressure of other commodities and other factors**
- Focus on Brazil, Russia, and India

Impact per Country



Disclaimer: This document was made for commercial purposes. All the contents of this document should be of the reader's consideration, so that none of the suggested actions represent incentives to act. Watson & Noble does not take responsibility for actions based on this document.

Forecasting the Price of Soybean Meal

APPENDIX – Technical Explanation of the Impact Analysis

In this appendix, we explain the impact analysis of the factors that most contribute for our forecasts.

This Impact Analysis is conducted individually for **each time horizon**, allowing for a distinction between the indices of variables that contribute for our forecasts at short and medium run.

For each time horizon, our analysis has **two components**: first, we present the impact of variables grouped by **indices of factors**; second we present the impact of variables grouped by **indices of countries**.

Indices of Factors

Indices of factors are indices of the weighted contributions of the variables grouped in those factors.

Supply Index: composed of macroeconomic variables of the producing and exporting countries. It includes variables such as production, exchange rates, inflation, monetary policy, and wages. For example, an increase in wages implies higher production costs which should (in linear, general, and ceteris paribus terms) generate an incentive to increase prices;

Demand index: composed of macroeconomic variables of the consuming and importing countries. It includes variables such as production, exchange rates, inflation, monetary policy, and wages. For example, a decrease in a consumer confidence index should (in linear, general, and ceteris paribus terms) increase savings and decrease demand, leading to lower prices;

Soybean Meal Index: composed of variables related to Soybean Meal. It includes variables such as the price of Soybean Meal in different regions of the world and exports, imports, and producer prices of Soybean Meal in some countries. For example, an increase in the price of Soybean Meal in other region may imply an increase in the price of Soybean Meal in Europe due to arbitrage movements;

Upstream index: composed of variables related to Soybean, Weather, and Fertilizers. It includes variables such as the price and exports, imports, and producer prices of the inputs in some countries. For example, an increase in the price of Fertilizers should (in linear, general, and ceteris paribus terms) generate an increase in the price of Soybean Meal;

Forecasting the Price of Soybean Meal

APPENDIX – Technical Explanation of the Impact Analysis (II)

Downstream index: composed of variables related to the Feed Industry. It includes variables such as the exports, imports, and prices of Pork, Poultry and Beef in some countries. For example, an increase in the demand of Pork should (in linear, general, and ceteris paribus terms) generate an increase in the price of Soybean Meal;

Financial Variables Index: composed of financial market variables. It includes the share price of companies that produce Soybean Meal. It also includes financial indices related to this sector. For example, a positive change in the share price of a producer of Soybean Meal should (in linear, general, and ceteris paribus terms) imply an increase in expected profitability of the firm. This may signal an expectation of increase in the price of Soybean Meal;

Other Variables Index: composed of variables related to other cereals, such as Corn and Wheat. It includes the price, exports, and imports of these commodities. For example, a positive change in the price of a substitute commodity, should (in linear, general, and ceteris paribus terms) imply an increase of demand of Soybean Meal, and thus, of the price of Soybean Meal.

Indices of Countries

Indices of Countries: are indices of the weighted contributions of the macroeconomic variables of each country. The countries we present are the most relevant countries in the production, consumption, and international commerce of Soybean Meal.

Interpretation Warning

Forecasting the Price of Soybean Meal

It is important to note that the contribution of individual variables and indices of variables is not linear. The interaction between variables and between variables of different factors may not be neglectable, which means that the importance of each variable and indices of variables is determined together with the importance of all other variables.

Furthermore, the analysis of changes in variables is not linear. This means that the same variable with the same change in different moments of time may have different impacts given its previous evolution. For example, the algorithm contrasts the change in a variable with its expected change. A positive change but inferior to the expected change may originate an effect of price correction.