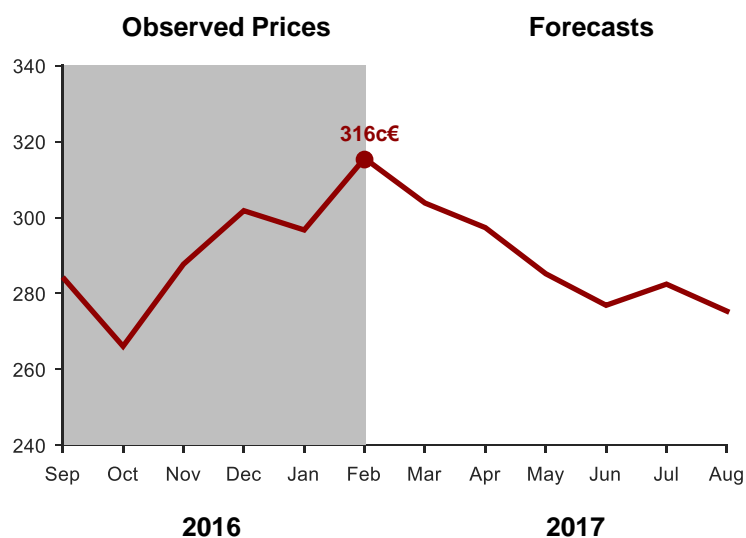


Forecasting the Price of Soybean Meal

Commodities	Soybean Meal (CBT)
Forecast Period	March 2017 – August 2017
Currency	Cents (€)
Unit	Bushel
Observations	Monthly forecasts of the spot price in the last week of the previous month



Forecasts



Month/Year	Forecast	Prob. of Raise
Mar. 2017	304c€	42%
Apr. 2017	297c€	28%
May 2017	285c€	41%
Jun. 2017	277c€	37%
Jul. 2017	282c€	32%
Aug. 2017	275c€	38%

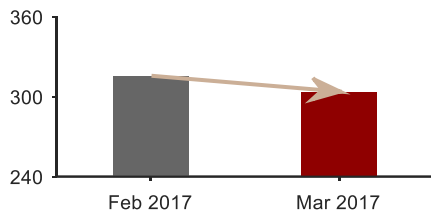
Suggested Action for Procurement

Purchase Limit Month	Suggested Action
March 2017	Buy in March
April 2017	Wait
May 2017	Wait
June 2017	Wait
July 2017	Wait
August 2017	Wait

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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 expected that the price decreases 3,73% from 316€ to 304€ until the beginning of March.

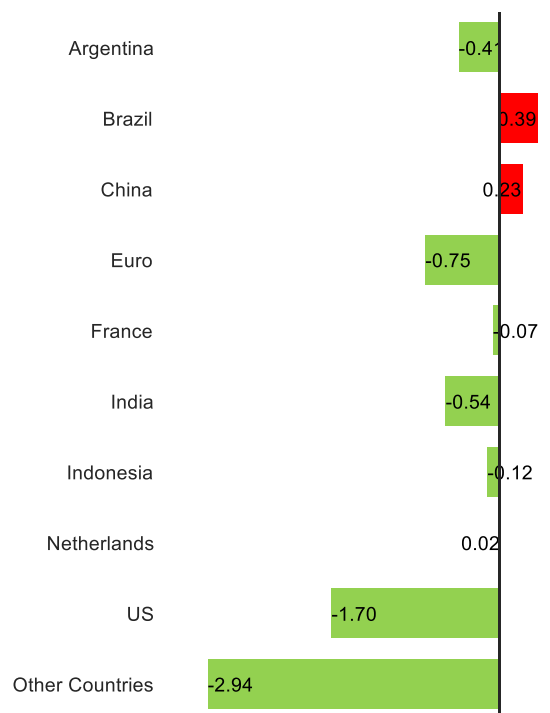
Indices of Factors



Interpretation

- Slight decrease of Supply: Positive pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Negative pressure of the index of Soybean Meal
- 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, Germany, and Euro

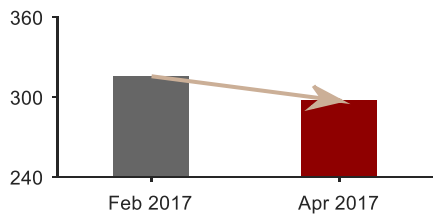
Impact per Country



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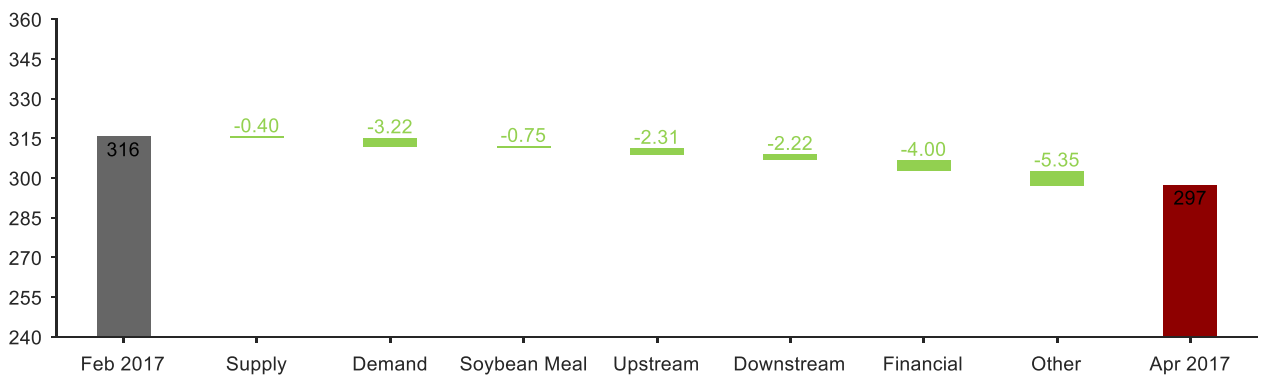
Forecasting the Price of Soybean Meal

Impact Analysis: Two Months Forecast



Our algorithm forecasts a lower price of Soybean Meal in two months: it is expectable that the price decreases 5,78% from 316€ to 297€ until the beginning of April.

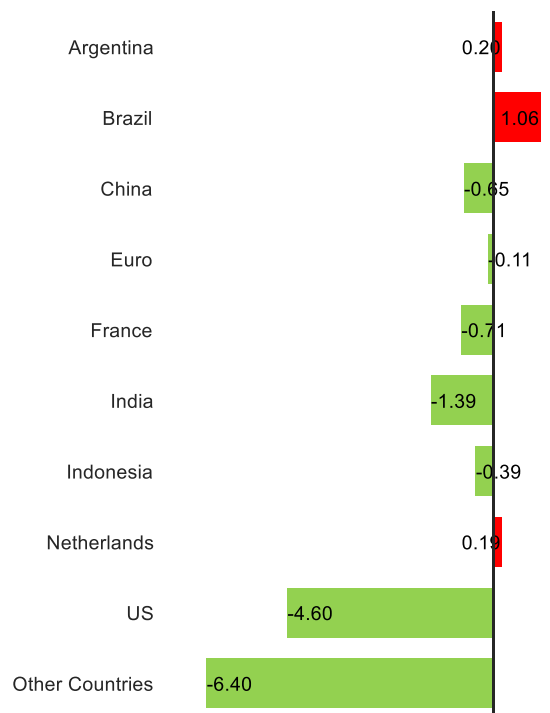
Indices of Factors



Interpretation

- Slight increase of Supply: Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Negative pressure of the index of Soybean Meal
- 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 US, India, and Brazil

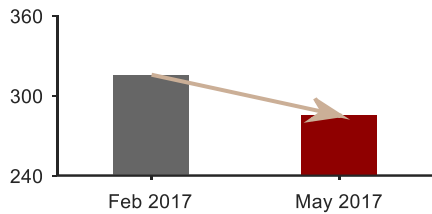
Impact per Country



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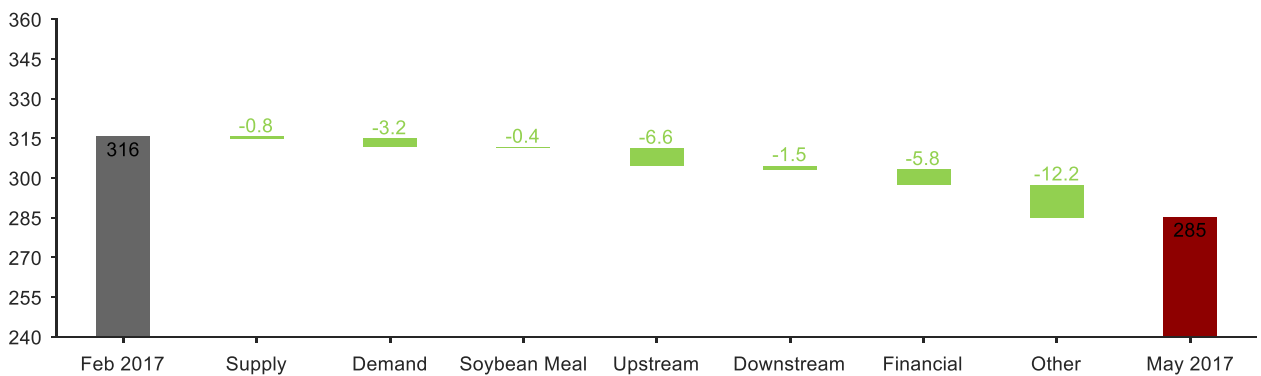
Forecasting the Price of Soybean Meal

Impact Analysis: Three Months Forecast



Our algorithm forecasts a lower price of Soybean Meal in three months: it is expectable that the price decreases 9,63% from 316€ to 285€ until the beginning of May.

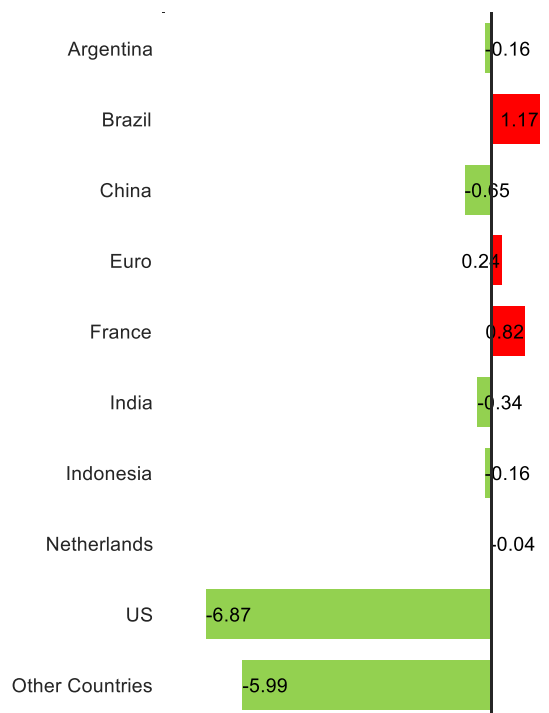
Indices of Factors



Interpretation

- Slight increase of Supply: Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Slightly negative pressure of the index of Soybean Meal
- 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 US, Japan, and Brazil

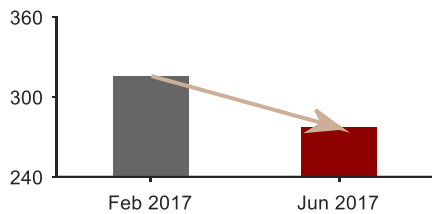
Impact per Country



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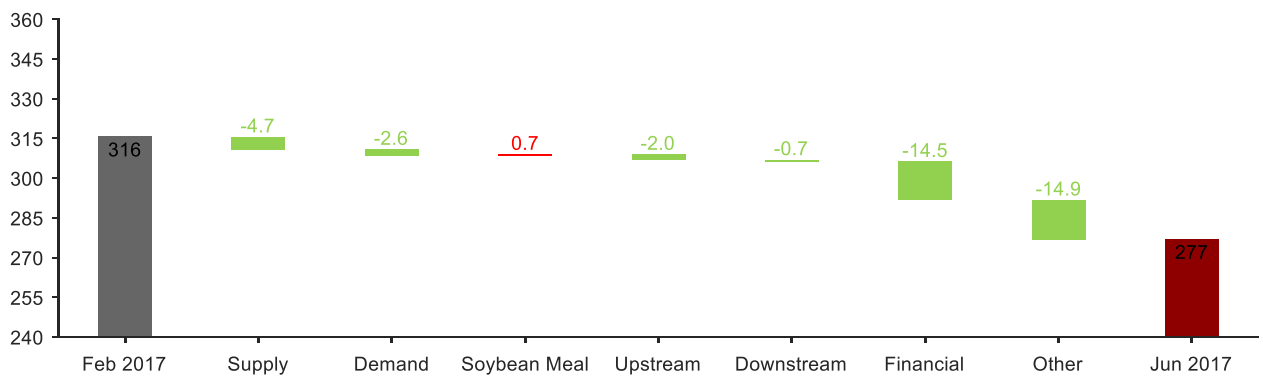
Forecasting the Price of Soybean Meal

Impact Analysis: Four Months Forecast



Our algorithm forecasts a lower price of Soybean Meal in four months: it is expectable that the price decreases 12,26% from 316€ to 277€ until the beginning of June.

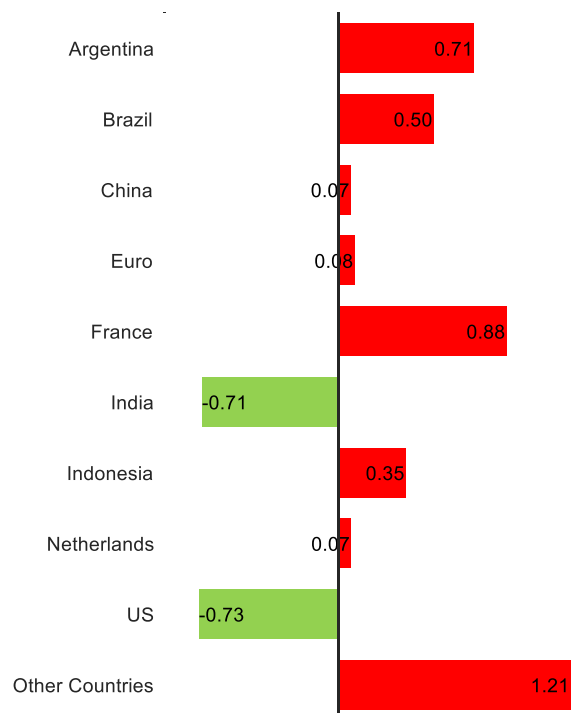
Indices of Factors



Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Slightly positive 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
- **Considerably negative pressure of the financial index**
- **Considerably negative pressure of other commodities and other factors**
- Focus on Belgium, Japan, and Germany

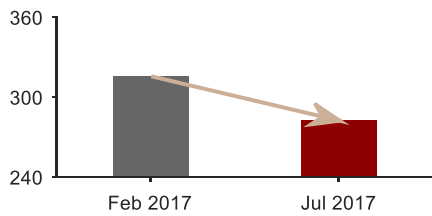
Impact per Country



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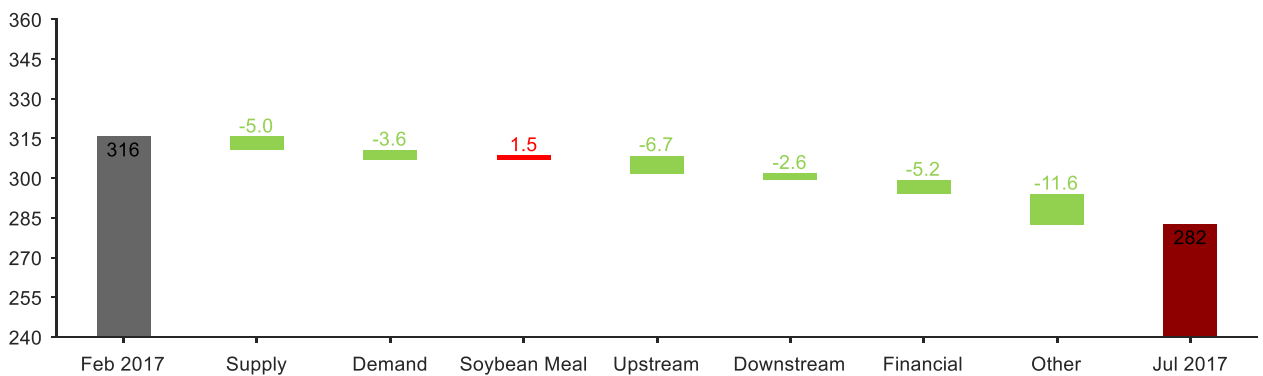
Forecasting the Price of Soybean Meal

Impact Analysis: Five Months Forecast



Our algorithm forecasts a lower price of Soybean Meal in five months: it is expectable that the price decreases 10,50% from 316€ to 282€ until the beginning of July.

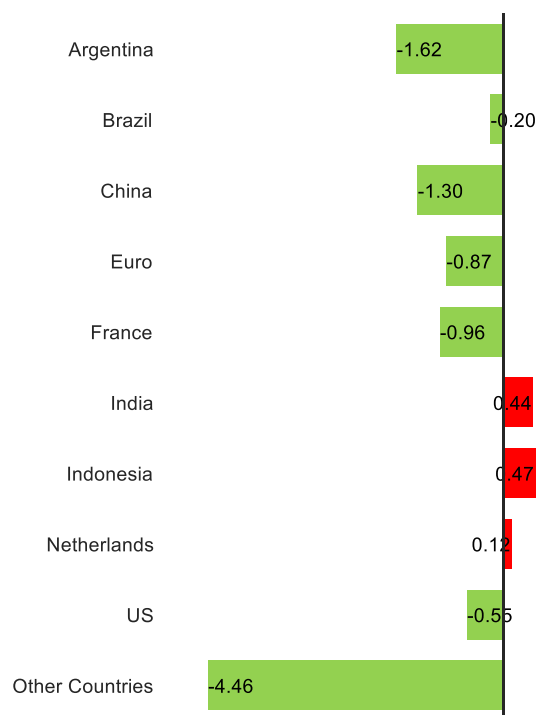
Indices of Factors



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
- 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 Belgium, Italy, and Germany

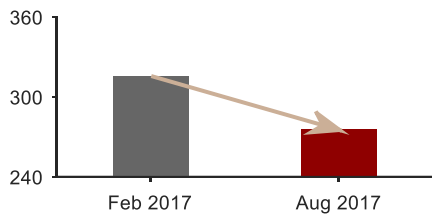
Impact per Country



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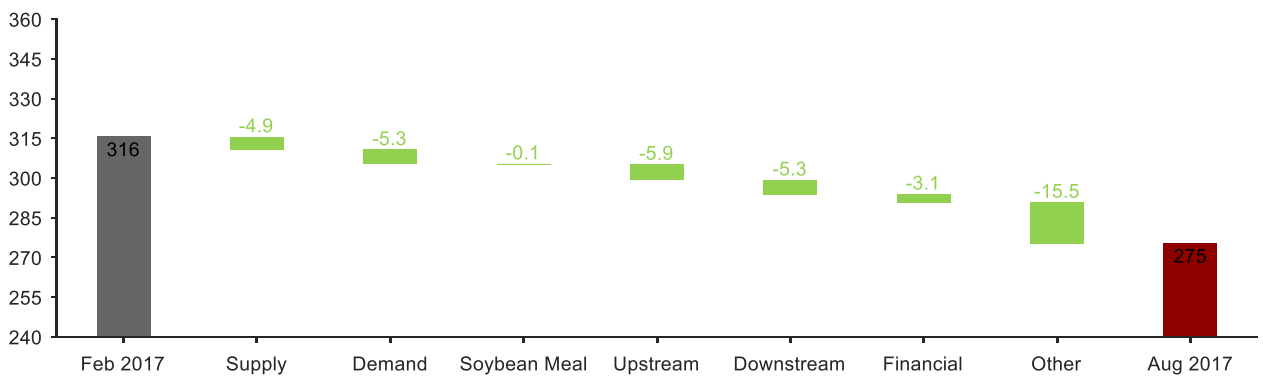
Forecasting the Price of Soybean Meal

Impact Analysis: Six Months Forecast



Our algorithm forecasts a lower price of Soybean Meal in six months: it is expected that the price decreases 12,75% from 316€ to 275€ until the beginning of August.

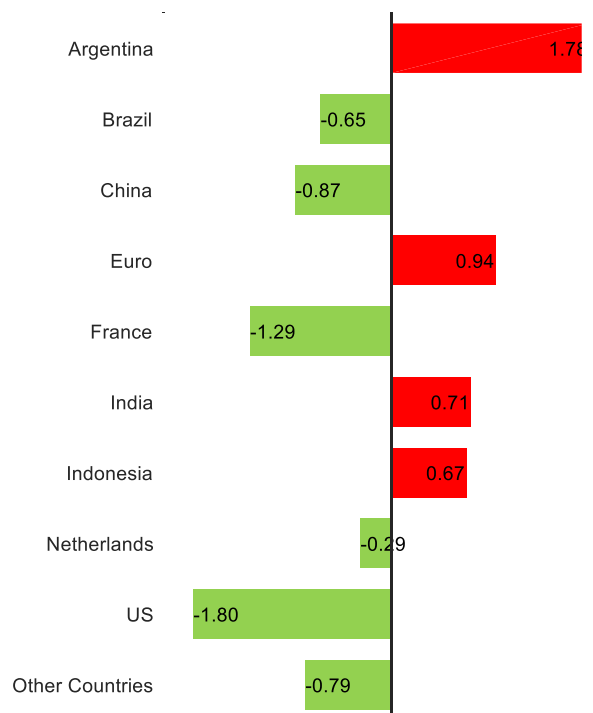
Indices of Factors



Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Slightly negative pressure of the index of Soybean Meal
- 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 Japan, Belgium, and US

Impact per Country



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Forecasting the Price of Soybean Meal

APPENDIX I – 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, futures, 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 Spain 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 Soybeans 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

Downstream index: composed of variables related to feed industries. 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 Soybean Meal producer 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 types of cereals, such as Soybean Oil, Corn, and Wheat. It includes the price, exports and imports of these commodities. For example, a positive change in the price of Corn, should (in linear, general, and *ceteris paribus* terms) imply an increase of demand of Soybean Meal, and thus, of the price of Soybean Meal.

Country Indices

Country Indices 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

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.