GIAV POST HARVEST MEETING

BALLARAT MAR 2019

NOTHING IS AS CLEAR OR AS CERTAIN AS IT APPEARS IN HINDSIGHT

2018/19- A TOUGH SEASON FOR ALL

Variable crops	Qld/NNSW – worst drought in ~20 years following a poor winter crop in 17/18
	SNSW/ Vic/ SA Adelaide zone – worst drought in 5-10 years for most areas
	SA Eyre Peninsula – variable but better than expected / WA – bumper harvest
East Coast rallies to big premiums in mid-2018 to fill supply void	Downs markets climbed to $100-120 above WA FIS
	Melb rallied against Qld on east coast wide grain tightness (-$80-90 in Jun/Jun to even in Oct)
	SA rallied and became east coast focused but globally expensive…spreads started to reverse in Oct
Farmers active sellers at harvest into the BHC system for big $$ $	Grain ownership mostly held by trade (farmer sold 85-90% of stocks in BHC in WA, SA, Vic by end of harvest)
	Trade own most of the 10 Mt WA wheat crop, 5.0 Mt barley crop AND 2.8 Mt SA wheat crop and 1.6 Mt barley crop
Trade blindsided in Dec by antidumping investigation by China	Some may have seen it coming…sharp numbers at the Saudi tender in early Nov
	Barley prices under pressure as doubts grow about homes for record large WA barley crop.
	China Australia's dominate barley market ~60-80% of total exports at $10-15 above world price (freight advantage)
Trade longs start to aggressively sell domestic markets with barley leading the way down	Barley leads market lower
	Selling soon spreads to wheat as trade grows nervous of slow WA export pace, particularly APW1 and H2
	Biggest declines in SA / Vic / SNSW

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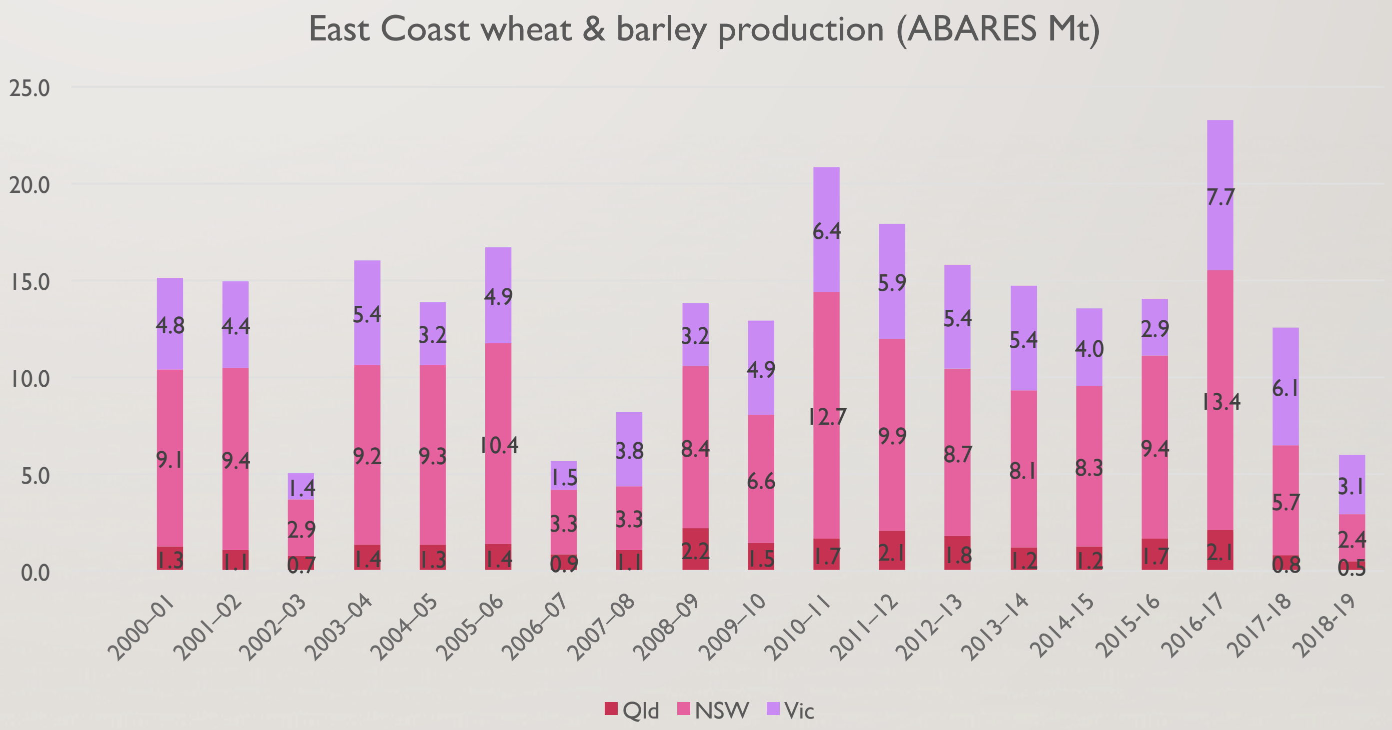
EAST COAST CROP SMALLEST IN 11 YEARS, NORTH THE SMALLEST IN 20 YEARS…SOUTHERN CROPS BETTER THAN EXPECTED!

POOR YIELDS EXTENDED TO ADELAIDE ZONE BUT EYRE PENINSULA BETTER THAN EXPECTED

HOT, DRY JAN SHRINKS SORGHUM CROP TO 1.3 MT



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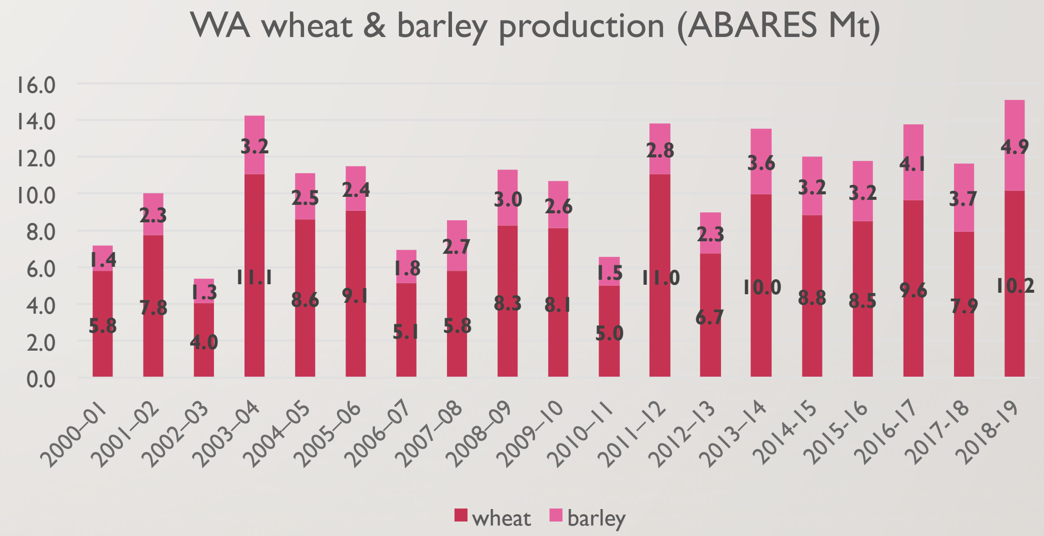
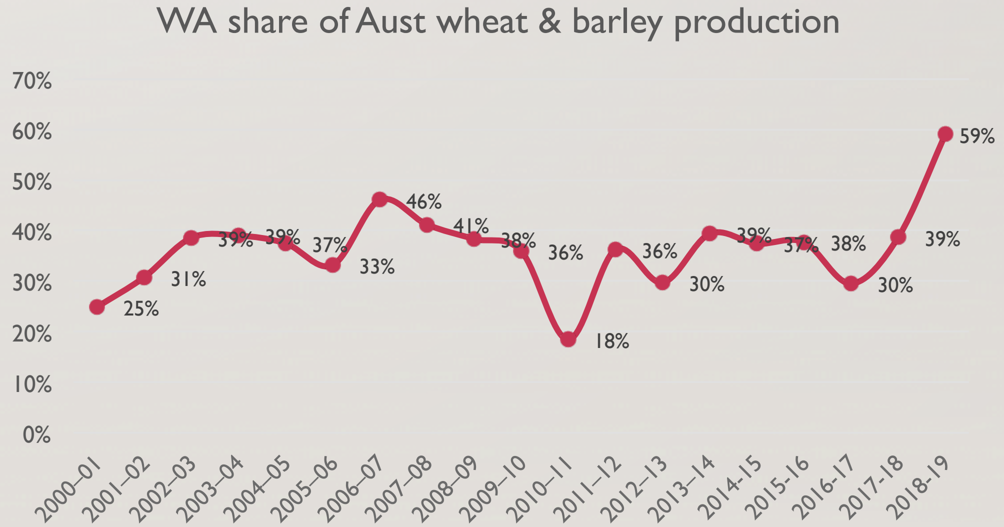
RECORD LARGE BARLEY CROP OF 4.9 MT AND 3RD LARGEST WHEAT CROP AT 10.2 MT

WA ACCOUNTED FOR 59% OF NATIONAL WHEAT & BARLEY OUTPUT VS 34% 10-YR AVE.





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THE CHALLENGE

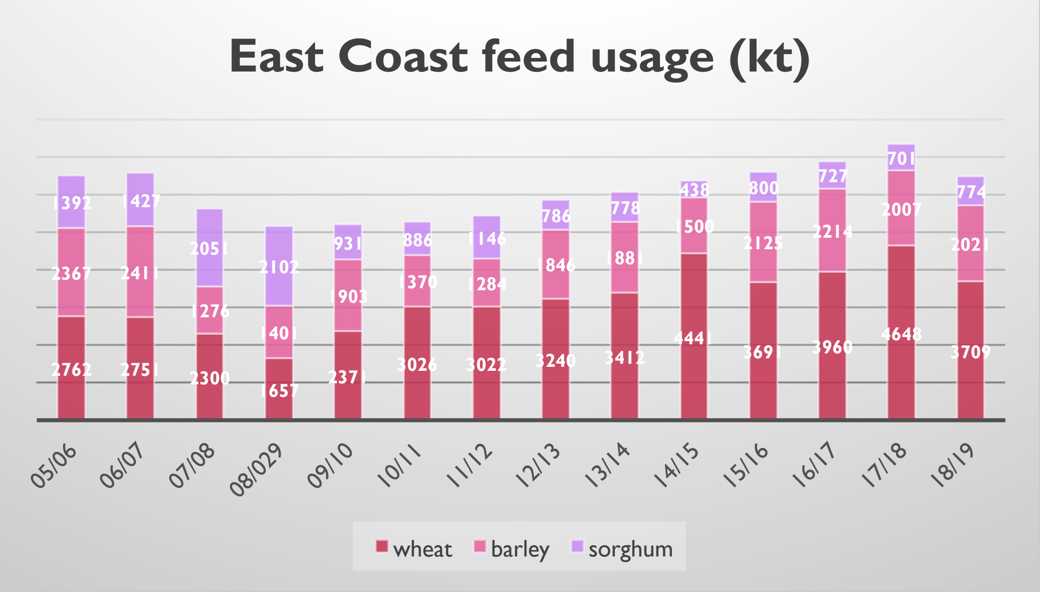
Small East Coast grain harvest since 06/07

Negligible carry over stocks…particularly in the north

Robust East coast domestic demand

What’s the cheapest way to fill the east coast supply void?

Smaller global crops adds uncertainty. Big WA crop but small reduced international supplies…



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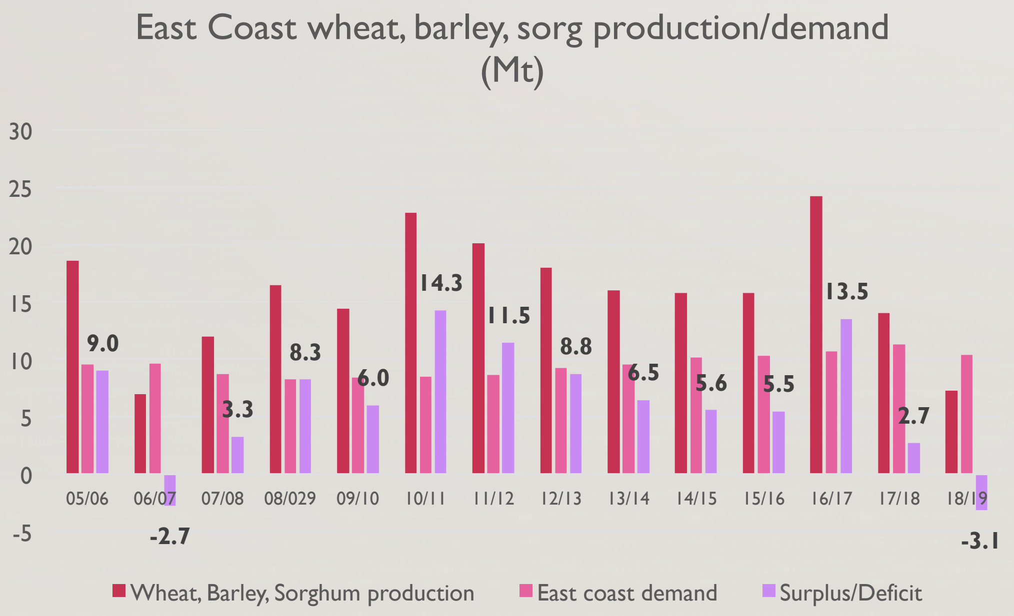
THE EAST COAST CHALLENGE

SUPPLY/DEMAND



VARIABLES

- Carry over stocks
- East coast exports
- Additional demand rationing
- Imports?
- Cheapest pipeline to correct the EC supply deficit…very regional
- A surprise!!

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SURPRISES…

Crops in Qld/NNSW terrible but SE Aust better than expected

Better that expected harvest in SA EP

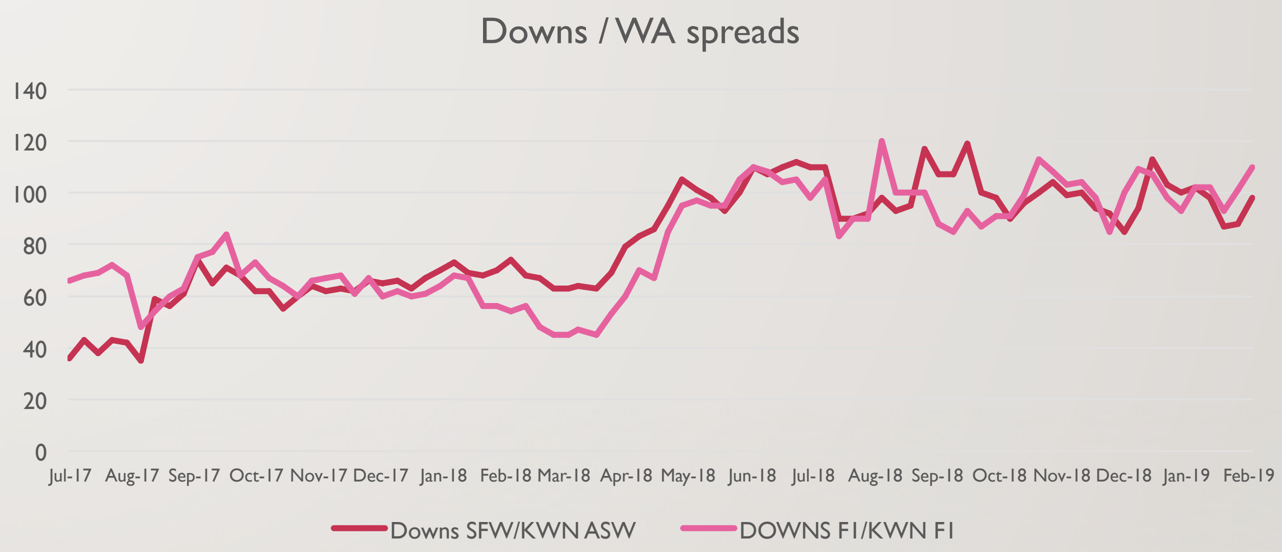
Massive WA harvest

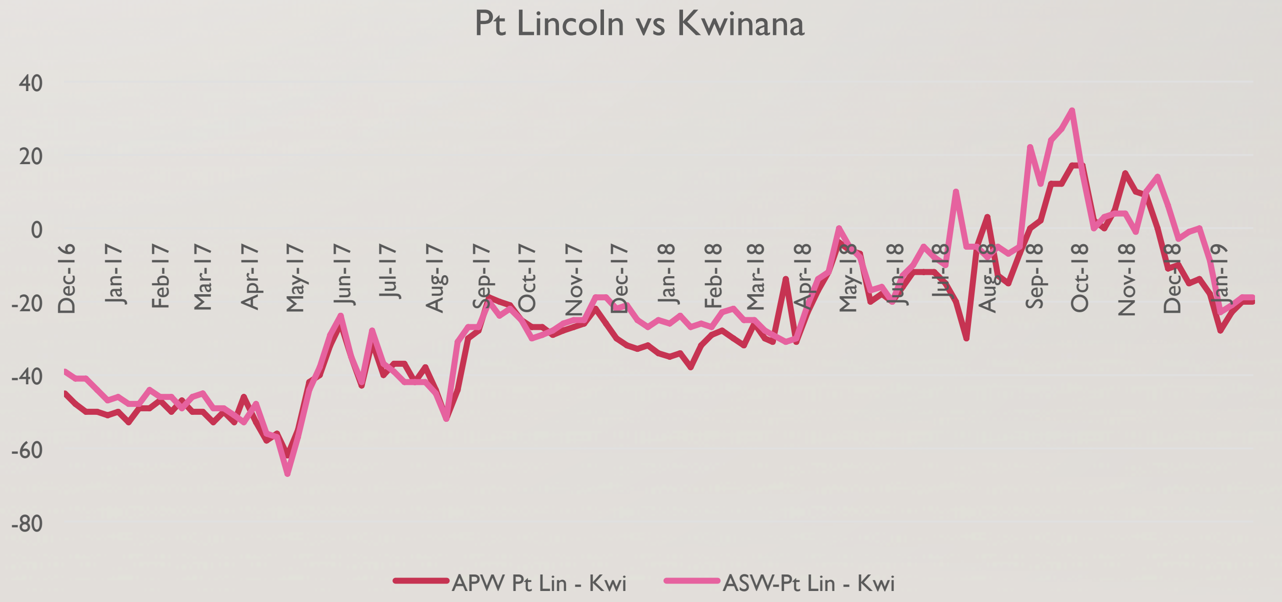
China barley antidumping investigation in Dec…global barley prices tumble

Inelastic wheat export demand difficult to find

Zone spreads started to offer insights

- Downs paying WA plus freight
- Pt Lincoln vs WA tumbles late Oct
- WA H2 and APW1 premiums falling





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SHIPS, TRAINS & TRUCKS

MASSIVE TRANSHIPMENTS

- Complex movements - very regional
- Qld taking 150-200kt month by ship…swinging towards more barley
- Smaller volumes to Newcastle / Pt Kembla
- Geelong / Melb ~100kt so far
- CBH saying total east coast movements could exceed 2 Mt
- Trains moving from SA to NSW
- Major truck movements from SA to NSW/Vic and some Vic to NSW
- Govt has 9 applications to import grains…no approvals

DIFFICULTIES

- A long way to go before new crop supplies
- Pipeline constraints…can only shift so much by train into NSW
- Two-tiered markets everywhere

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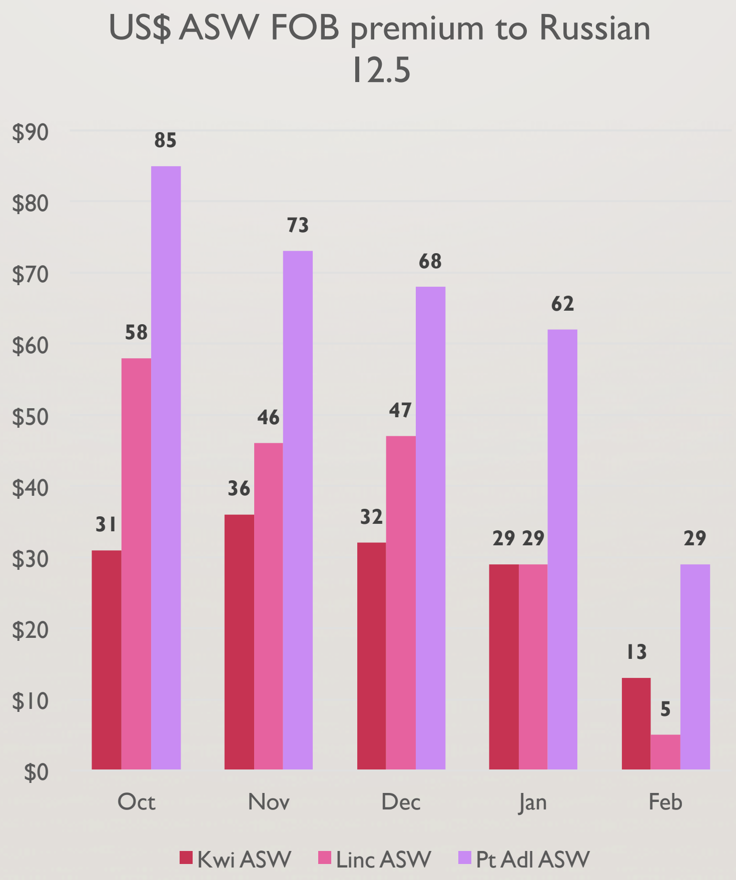
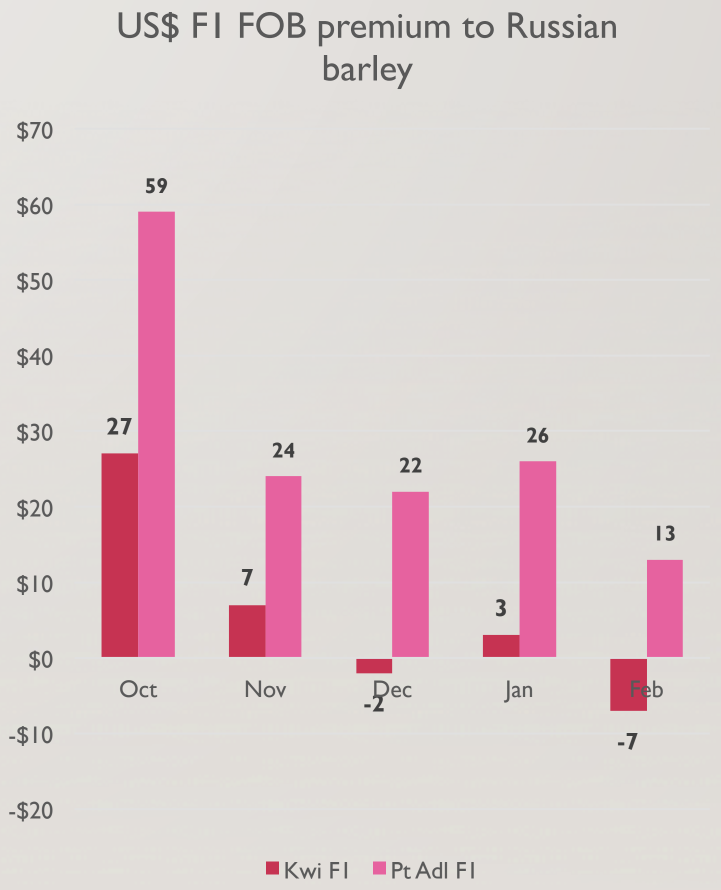
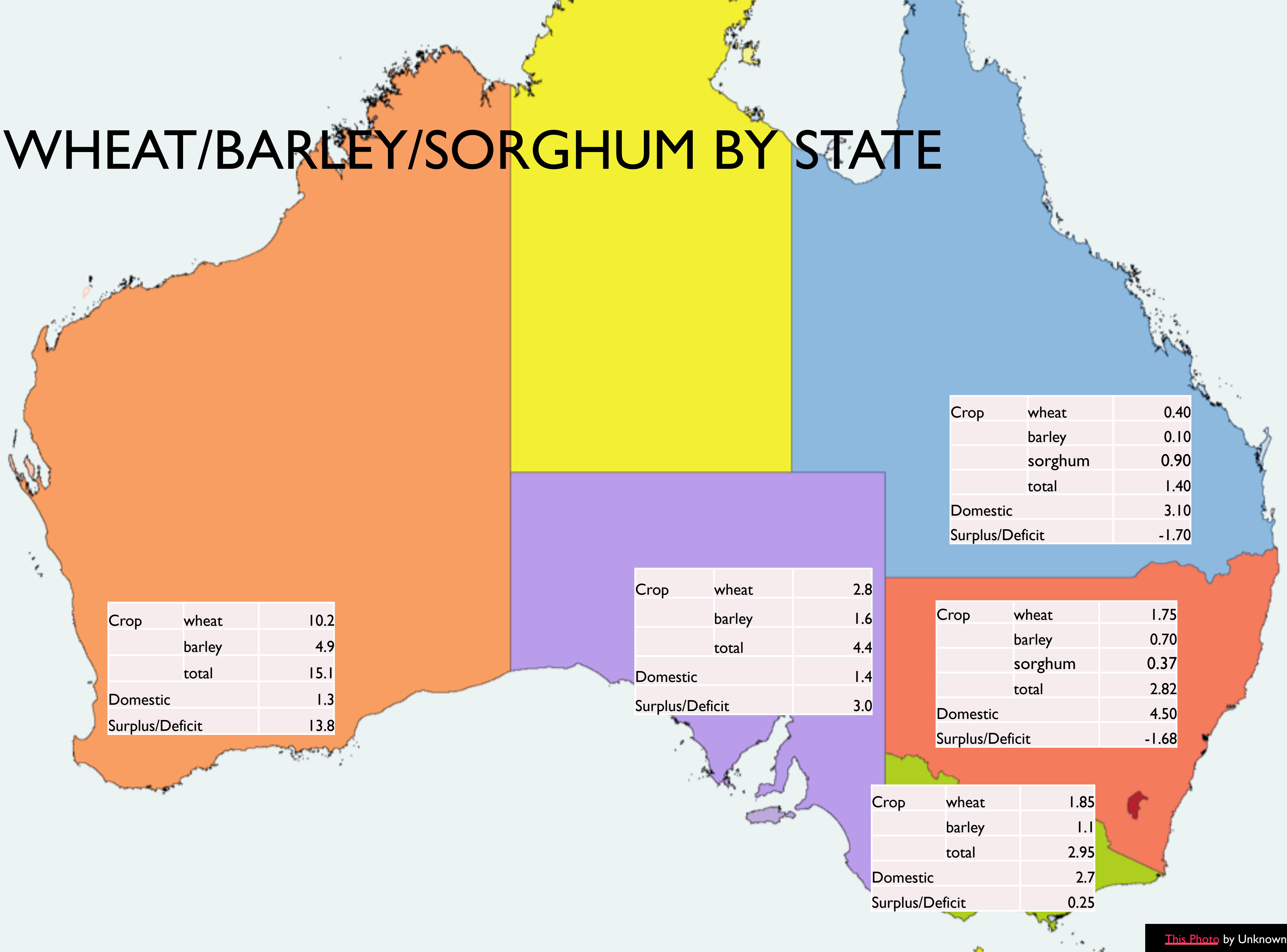
EXPENSIVE TRADE LONGS $$$$





WHEAT/BARLEY/SORGHUM BY STATE



Crop	wheat	0.40
	barley	0.10
	sorghum	0.90
	total	1.40
Domestic		3.10
Surplus/Deficit		-1.70

Crop	wheat	2.8
	barley	1.6
	total	4.4
Domestic		1.4
Surplus/Deficit		3.0

Crop	wheat	10.2
	barley	4.9
	total	15.1
Domestic		1.3
Surplus/Deficit		13.8

Crop	wheat	1.75
	barley	0.70
	sorghum	0.37
	total	2.82
Domestic		4.50
Surplus/Deficit		-1.68

Crop	wheat	1.85
	barley	1.1
	total	2.95
Domestic		2.7
Surplus/Deficit		0.25

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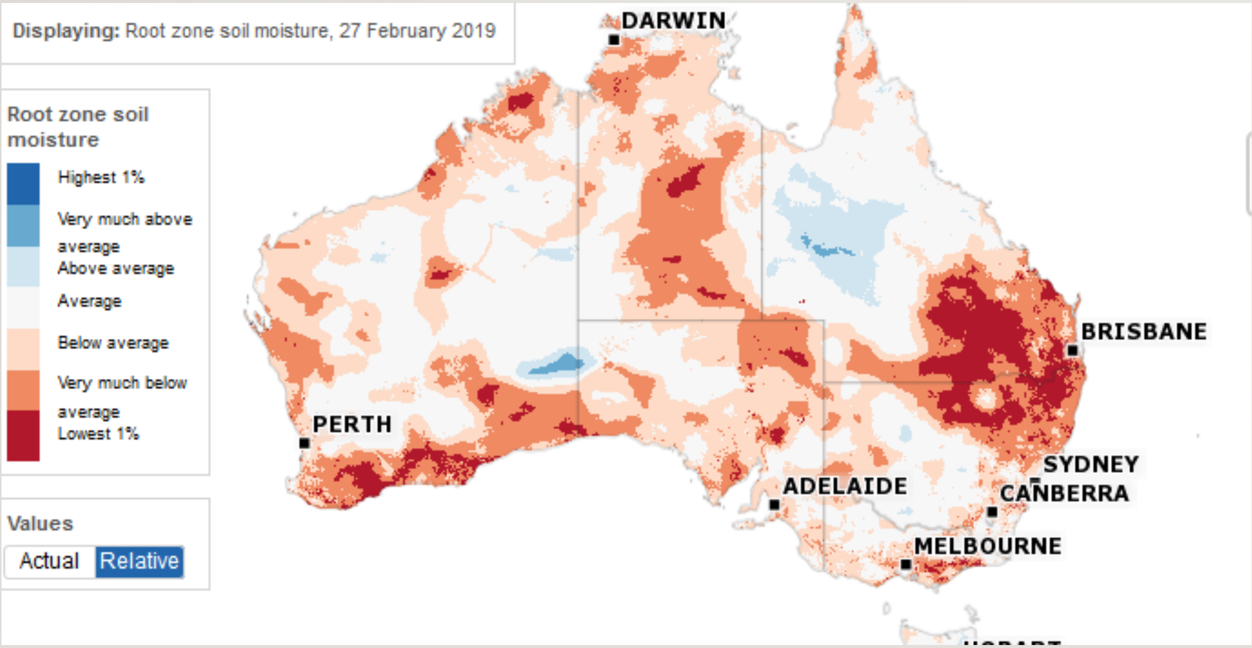
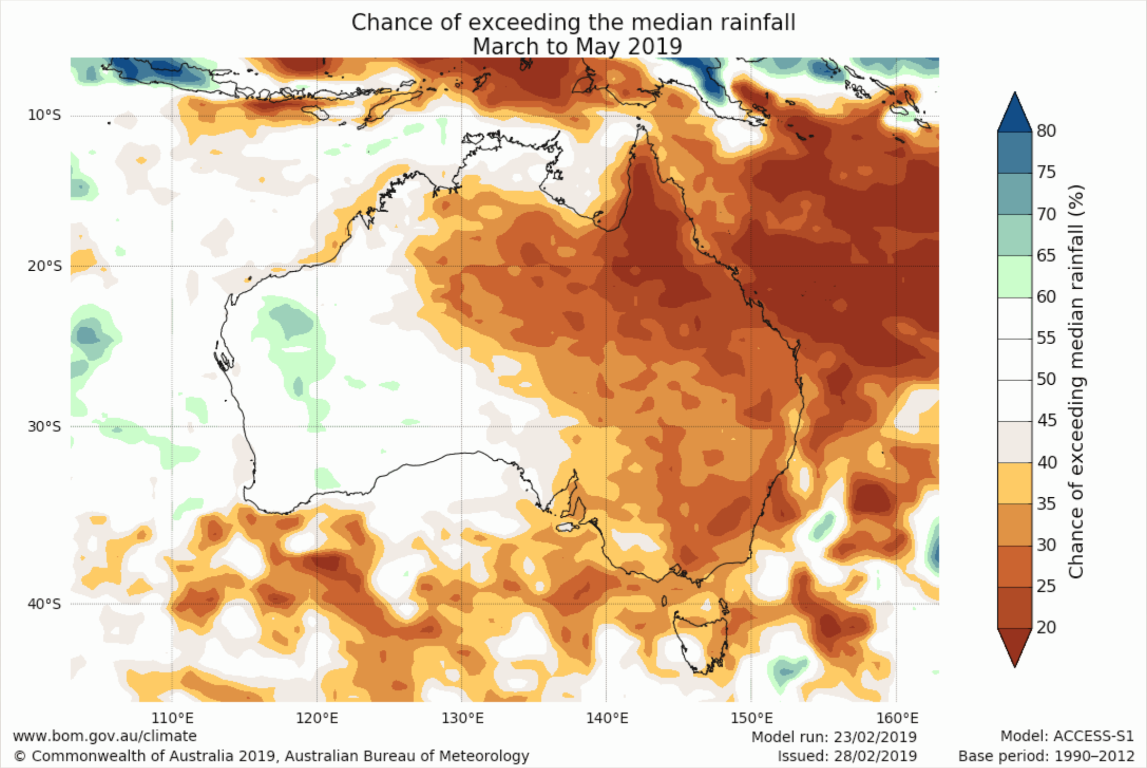
Australia 2018/19 wheat S&D	Qld	NSW	Vic	SA	WA	**Aust**
CI	0.19	0.93	0.74	0.28	0.91	3.04
Prod	0.40	1.75	1.85	2.80	10.20	17.00
Interstate	0.98	1.35	-0.10	-1.00	-1.23	0.00
Supply	1.56	4.03	2.49	2.08	9.88	20.04
Food	0.32	1.64	0.38	0.18	0.14	2.66
Seed	0.05	0.21	0.08	0.12	0.21	0.67
Feed	1.11	1.43	1.16	0.56	0.49	4.75
Exports	0.04	0.06	0.19	0.64	8.35	9.29
Demand	1.53	3.34	1.81	1.50	9.19	17.37
CO	0.04	0.69	0.68	0.58	0.68	2.67
CO change	-0.15	-0.24	-0.06	0.30	-0.22	-0.37

Australia 2018/19 barley S&D	Qld	NSW	Vic	SA	WA	**Aust**
CI	0.05	0.23	0.07	0.06	0.08	0.49
Prod	0.10	0.70	1.10	1.63	4.90	8.43
Interstate	0.73	0.13	0.28	-0.50	-0.63	0.00
Supply	0.88	1.05	1.45	1.18	4.36	8.92
Food	0.16	0.20	0.28	0.20	0.34	1.18
Seed	0.01	0.05	0.05	0.07	0.07	0.23
Feed	0.65	0.65	0.72	0.29	0.06	2.37
Exports	0.00	0.00	0.03	0.37	3.26	3.66
Demand	0.82	0.90	1.08	0.92	3.72	7.44
CO	0.06	0.15	0.37	0.27	0.63	1.48
CO change	0.01	-0.07	0.30	0.21	0.55	0.99

Australia 2018/19 sorghum S&D Oct/Sep	CQ	SQ	NSW	**Aust**
CI	0.02	0.18	0.07	0.27
Prod	0.15	0.79	0.35	1.29
Interstate	0.00	-0.10	0.10	0.00
Supply	0.17	0.87	0.52	1.56
Food/seed	0.00	0.20	0.00	0.20
Feed	0.00	0.51	0.26	0.77
Exports	0.15	0.10	0.00	0.25
Demand	0.15	0.81	0.26	1.22
CO	0.02	0.05	0.26	0.33

WEATHER CONCERNS REMAIN





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