

AAAC Outlook

**Chela Lamond,
Grower Services
Manager**

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A shared passion for our future.

High quality strategic infrastructure assets servicing customers worldwide



International:

Global network of offices, originating grain, pulses and oilseeds from different regions and delivering to customers in over 50 countries.



GrainsConnect Canada JV:

State-of-the-art grain supply chain connecting Western Canadian grain growers to global markets.

Swaffham

Kyiv

Beijing

Delhi

Singapore

Sydney

Auckland

Calgary

Winnipeg



Integrated ECA network:

Leading bulk grain handling company in east coast Australia (ECA), storing, handling and connecting grain to customers worldwide.

Up-country network connected to seven bulk ports by rail.



Processing assets:

Leading oilseed crusher/refiner and food manufacturer in Australia and New Zealand, producing a range of oils, meals and food products for domestic and international customers.

● GrainCorp Head Office
● International offices



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Agenda:

- **Market Update – Wheat, Barley and Canola**
- **Bulk Shipping Costs**
- **Global Prices and Demand**
- **Australian Bulk Export Capacity**



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Market Update

Wheat, Barley and Canola

WHEAT

Russian Influence Driving Values

- › Russian Government intervention ongoing in agriculture.
 - Now (indirectly) a major owner of ports, rail and trading vehicles. Multinationals being pushed out.
 - Newly introduced export tax causing havoc given timelines between contracting and shipment. Will it ever be removed?
 - Consumers scrambling to adjust to just in time procurement practices, dealing with outcome of Black Sea focused benchmarking.
- › Heavy drawdown on European stocks, poor quality in France.
 - Russian situation saw heavy exports early from Europe, elevating futures prices as a wet harvest effected quality.
 - Rain during harvest saw low quality wheat sold into feed homes in Asia, China a recent buyer.
 - Europe trying to slow exports through higher prices.
- › Lower North American production adds to bullish sentiment.
 - Historic drought through Canada has reduced available stocks of world protein wheat.
 - Drought through Nth West US affected Soft White Winter (SWW) and Dark Northern Spring DNS) production.
 - Some demand forced back to Australia, although substitution limited due to end use products.
- › Southern Hemisphere production well sought.
 - Argentine crop should be at least average and is well sold into Africa, South East Asia and the Middle East.
 - Australian crop again looking to be above average and well priced, exports capped by interior logistics.
 - Large east coast carryout keeping pressure on values.
- › China as a buyer to be an ongoing fundamental shift in trade flows.
 - Despite difficult Government relations, Australian wheat exports to China still seem to be safe.
 - State Owned Entities as the major buyers gives confidence to engage.
 - APH/AH1 not completely interchangeable with CWRS/DNS, but demand should increase based on price.

BARLEY

China buying creates tight S&D for remaining consumers

- › Black Sea exports largely complete with balance affected by Russian tax.
 - Ukraine crop largely exported with majority heading to China.
 - Russian program slow and affected by tax situation, Turkey tenders filled by pre-exported tonnes into local warehouse.
 - Balance of Russian crop difficult to extract from farmers with domestic users paying better values.
- › Large French program to China limits exports, Matif futures price affecting balance.
 - Heavy French program to China at inflated values saw barley crossing over borders.
 - German price not competitive as traded as basis over Matif, needs to be watched when we progress towards new crop.
 - Offers for malting barley to China at extraordinary levels given Australia's ban.
- › Canadian drought makes barley a domestic play.
 - Feed barley sold to China had to be largely washed out or swapped to alternative origins for loading.
 - Further exports not expected as barley prices itself vs imported corn into local feedlots.
 - Difficult situation for malting barley consumers in Canada and the US. Imports?
- › Southern Hemisphere production not competing against each other.
 - Argentina will have a large program to China, for both malting and feed (FAQ). Quality is needed to replace French/Canadian.
 - Australia should price favorably to other destinations, Japan, Saudi and other Middle East. Thailand demand down.
 - Opportunities for malting barley exports to unusual destinations, Spartacus MRL's a hinderance for Europe.
 - No change on Chinese tariffs.

CANOLA

Perfect storm to benefit Australian farmers

› Ukraine crop harvested and exported.

- Ukraine crop largely exported to Europe, although several vessels found their way to Pakistan and Bangladesh, which European buyers should not have allowed.

› Drought affected Canadian crop a double hit for crushers.

- Canadian crop still being talked lower, with discussion sub 13mmt.
- Average oil around 41-42%, given energy costs it's a double hit for crushers who have to crush more seed to get the same oil.
- Several noted washouts into Europe, adding pressure to the Aussie crop.
- Traditional buyers having to turn to Ukraine and Australia.

› Australia set to save canola crushers.

- Crushers have turned to Aussie seed quickly, with noted sales to Bangladesh, Pakistan and the UAE for the coming season.
- Japan has purchased significant amounts of Aussie seed for new crop shipment, expected total around 700K.
- Europe seem well covered till March with early farmer sales backed off to eager crushers. Still a long way to go until new crop European comes on line.
- Historically high prices should see Aussie farmers liquidate the majority of their crop before the end of harvest.
- Limited chance of any shipments to China.

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Bulk Shipping Costs



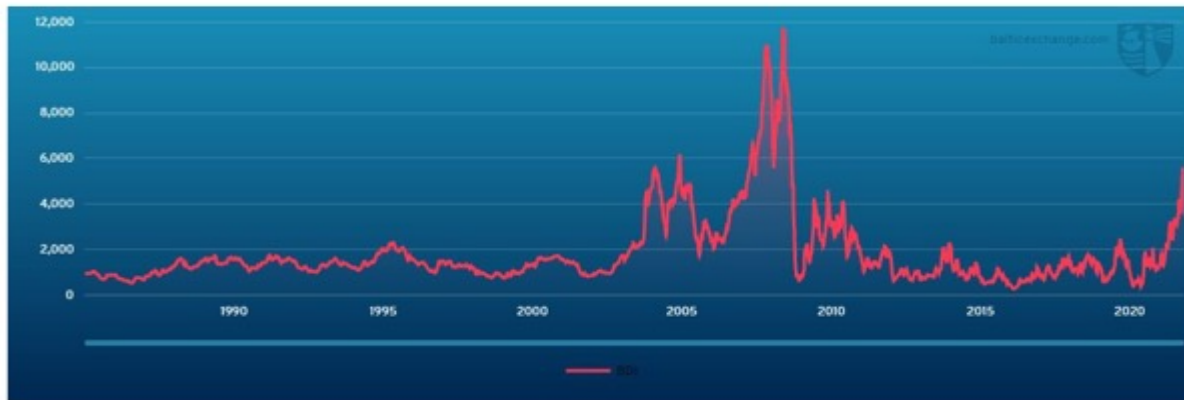
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BULK SHIPPING UPDATE

Post COVID rebound

- The freight market has witnessed a strong rebound in demand throughout 2021, which sent charter rates to multi year highs. Improving economic and industrial activity has been the backbone for the surge in demand and combined with (vessel) supply bottlenecks and fleet inefficiencies lead to a very tight and firm market.
- Not record highs by any means.

Baltic Dry Index



- The ban of Australian Coal in China has also benefited the market in many ways. The outcome was/is stronger demand for geared and Panamax type vessels and an increase in overall ton-mile demand which adds to the supply constraints. (Origins such as Columbia/USA/South Africa are further away from China compared to Australia as a result, vessels are employed for a longer period, to carry the same amount of cargo, reducing the 'supply').

BULK SHIPPING UPDATE

Congestion a major problem

- Particularly significant has been the bulk carrier congestion in Chinese ports as China is the biggest importer of raw materials. Congestion has been caused by weather events especially in the winter months of 2021, but we believe supply chain disruptions (in China and globally) and covid related measures have compounded the issue resulting in severe port congestion reducing the 'fleet efficiency' and vessel supply.

Bulk Carrier Congestion in China (average waiting time) 12 Dec 2019-1 Nov 2021

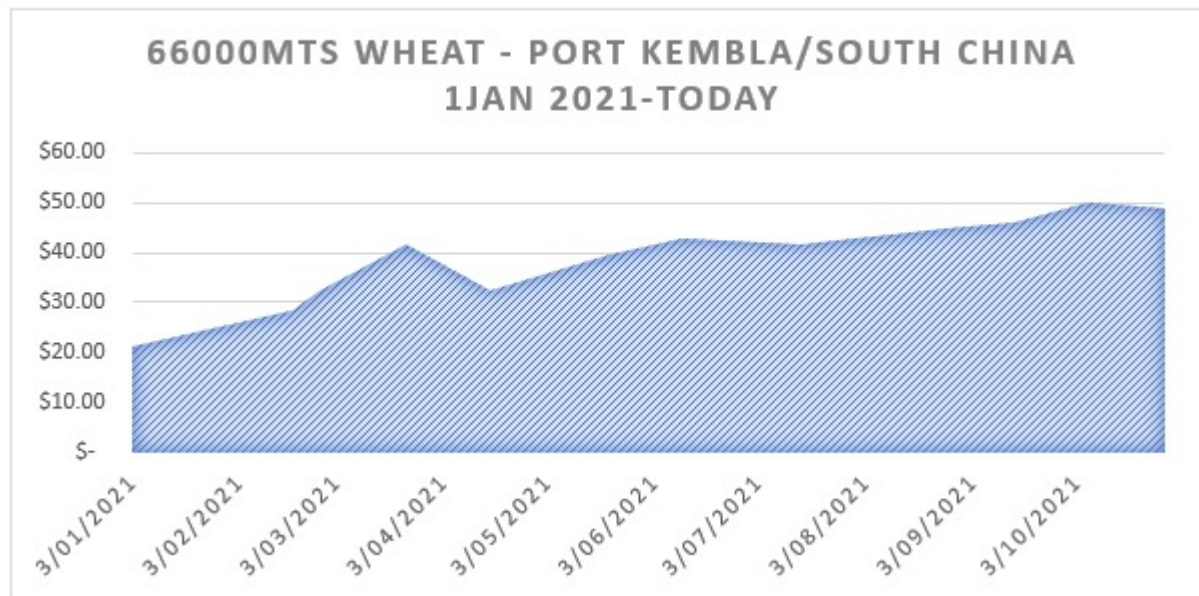


BULK SHIPPING UPDATE

Effect on Aussie rates to destination

- Lower congestion and lack of confidence in ongoing Chinese property market growth has led to a lowering of rates as more ships become available to the market.
- Rates today are at least double what was being paid this time last year.

Freight Port Kembla/1 Port South China US\$ PMT



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Bulk Export Capacity



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BULK EXPORT CAPACITY

Interior Logistics to Port is the Largest Bottleneck

› Western Australia.

- Mining resurgence and COVID restrictions has restricted available personnel, qualified or otherwise.
- Force Majeure event in 2020/21 season damaged WA reputation as reliable supplier, trade hit with huge demurrage and penalty costs.
- Increase in grower freight rates unfortunate, but necessary to correct issue and restore confidence.

› South Australia.

- Several new supply chains in place after incumbent cost structure allowed new development.
- T-Ports (Port Lincoln + Wallaroo), Semaphore (Adelaide), Cargill (Adelaide), ADM (Wallaroo) adding opportunity to growers.
- Viterra willing to push into western Victoria to ensure throughput through Adelaide.
- Removal of rail on the Eyre Peninsula forcing slower accumulation.

› Victoria.

- Recent introduction of portable loaders being tested by stretched road fleet and higher demurrage rates.
- Dual gauge rail lines makes logistics arbitration more difficult.
- Large years require a good mix of road and rail to maximize output.

› New South Wales.

- QUBE consolidating Quattro (Port Kembla) ownership by purchasing AgriGrain storage facilities and buying out Newcastle Agri Terminal.
- Limited rail pathways competing with mining, stifling possible throughput from ports.
- Port Kembla local council has a truck limit per week, slowing supplementary accumulation.