

Grain Market Outlook

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Introduction – ARIA AAAX Australia Pty Ltd

- *JV between AAAX and ARIA Commodities*
- *First season of operation was 21/22*
- *Signed a bulk handling agreement with CBH in WA and Viterra in SA*
- *Exported over 400k in our first season, with sales to Vietnam, Philippines, Saudi Arabia, Yemen and South Africa*
- *Secured 540k of capacity with CBH for 22/23 season with 100k in SA with Viterra*



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Today's Presentation

- 1) *Global Influences on Trade*
- 2) *Australia Supply Chain – By State*
- 3) *What will improve Basis in WA – By Port Zone*
- 4) *What grades will be in demand – High/Low Pro*



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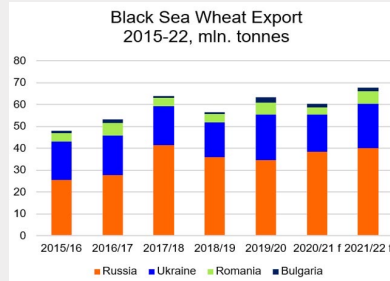
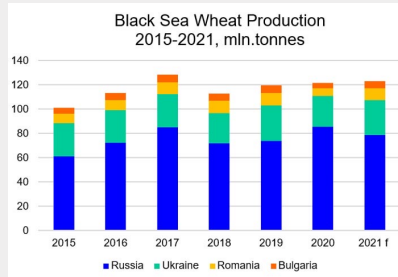
Global/Macro Influences on Trade – 3 Main Influences

- 1) *Ukraine War*
 - *Situation is very unstable, market prices swinging wildly on the grain corridor.*
 - *Russia continues to export but is restricted on destination. Insurance/Freight are both issues.*
 - *Ukraine export infrastructure destroyed will take years to recovered even if war ends today.*
 - *Ukraine production will be impacted for years. Internal logistics making farming very difficult.*
- 2) *Post Covid Global Economies*
 - *High prices are starting to see some demand destruction. Inflation causing issues everywhere, consumers looking for cheaper food alternatives.*
 - *Higher USD hurting consumers, less buying power.*
- 3) *China Buying*
 - *Bought 6mmt of Australian Wheat last season. Will be the most important market again in 22/23.*



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Black Sea Wheat – Data Explained



USDA Russia Supply (C/O & Production): 102.39 mmt
 ARIA Russia Supply (C/O & Production): 102.50 mmt
 USDA Russia Exports: 42 mmt
 ARIA Russia Exports: **35** mmt

USDA Ukraine Supply (C/O & Production): 26.41 mmt
 ARIA Ukraine Supply (C/O & Production): 26.60 mmt
 USDA Ukraine Exports: 11 mmt
 ARIA Ukraine Exports: **6** mmt



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Influences on Australian Market

- 1) Huge back to back crops in Australia – Slow harvest & quality are the major unknowns
- 2) Local Logistics –Australia needs more ports and improved internal logistics to manage these bigger crops. This has been an issue across Australia not just in WA. Transport grain to port has been difficult everywhere, wet and slow harvest making the situation worse.
- 3) Black Sea exports restricted but Canada is back – Canada will provide more competition Canola and high protein Wheat markets.
- 4) Bulk freight has fallen significantly from last season – More vessels working Australian market because of issues in Black Sea, this makes us more competitive. Saudi Barley – currently \$24 USD, was \$43 in June.
- 5) Container Market – Still very tricky, getting freight and packing still unreliable, making niche markets like lupins and oats more difficult.



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What will improve Basis in WA?

- 1) Be cautious of basis/swaps in the current market. Prices will be driven by domestic factors, so don't expect strong correlation between CBOT and local price.
- 2) Production vs Slots – by Zone. Most of the carry over is in Kwinana, other ports have a lot less supply vs slots. Kwinana is the port zone most likely to struggle. Any additional capacity releases should help prices.
- 3) Slow Pace of grower selling. With such a big crop and high prices, the trades ability to sit on grain is capped. If growers can hold off selling this will support price. Big advantage in CBH system is you don't pay TBS until August, which is different to other states.
- 4) Milling Grade Quality – Next Slide
- 5) Continued China demand or demand the market does not expected. China underpinned the market last year buying 6mmt of Wheat, there continue presence support price and puts pressure on other markets as they are soaking up the majority of the slots.
- 6) Grain Market Complacency – Prices have come off significantly from high post invasion. Any threat to Northern Hemisphere production or exports could significantly kick the market in the second half of 2023.



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What grades will be in demand in WA?

Wheat

- 1) APW1 and above – A lot of the supply from NSW and Victoria will be downgrade so customers will have to come to WA.
- 2) ASW9 and above – Standard China Spec is ASW with minimum 9% protein. Most of the forward sales have been in this grade.
- 3) ASW1/Feed – Huge amounts of Feed Wheat on East Coast, also has to compete against Corn and Feed Barley into Asia. Philippines, Vietnam will be service from East Coast

Barley

- 1) Saudi Demand – Very slow, taking significantly less than they have historically.
- 2) Huge Production – Plenty of supply of Malt, so limited upside in premium.
- 3) China is the big unknown – Waiting for improvement in political situation, malt market is likely to reopen first.

Canola

- 1) Big jump in production across the country.
- 2) Canada back on line.



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Questions?

