



AAAC Presentation

17 November 2023



GrainCorp

2022/23 – What Did We

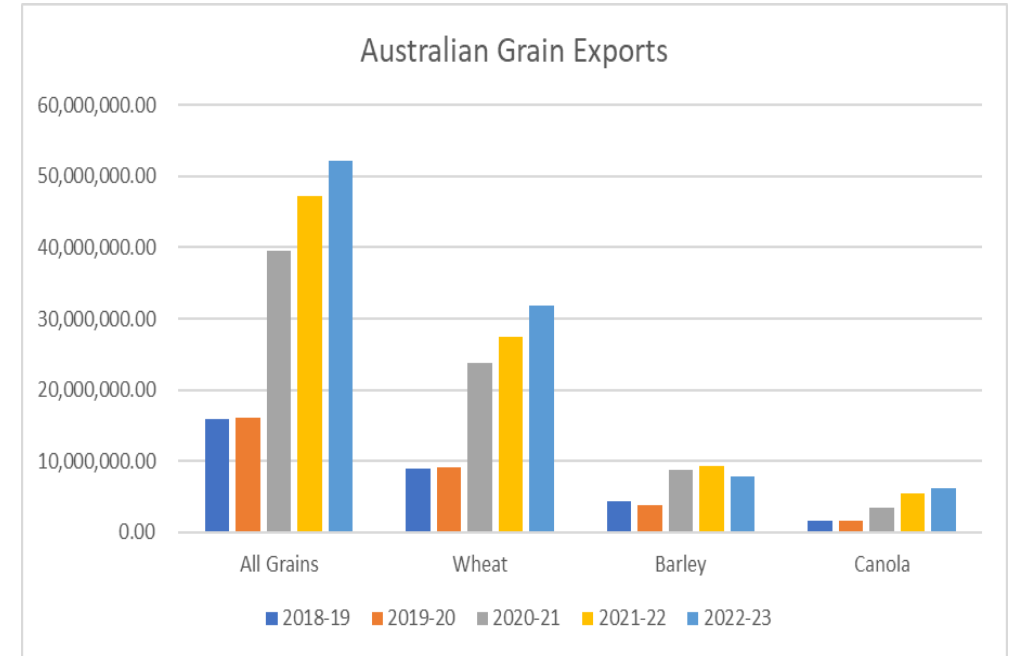
Learn?

Supply vs Demand or Grain vs Capacity?

“Margin” became a buzz word.

“Dynamic Pricing” was born...and died?

Supply Chains were pushed to the limit.



Source: ABS

	2018-19	2019-20	2020-21	2021-22	2022-23
All Grains	15,963,665.72	16,143,815.51	39,610,197.94	47,138,921.89	52,087,179.19
Wheat	8,976,665.29	9,126,898.17	23,751,241.32	27,502,729.27	31,813,928.20
Barley	4,373,113.09	3,873,954.12	8,700,047.62	9,298,926.59	7,837,633.58
Canola	1,562,024.19	1,559,302.81	3,441,845.41	5,508,654.61	6,156,820.36
Sorghum	89,760.71	185,200.05	1,093,685.64	2,143,596.31	2,315,051.45
Lentils	361,071.69	691,163.38	859,686.78	937,849.93	1,745,333.64
Lupins	219,519.56	217,907.49	428,520.40	545,229.94	845,560.85
Oats	12,720.55	82,196.63	390,962.06	513,217.93	574,653.37
Others	368,790.64	407,192.86	944,208.70	688,717.31	798,197.74

Source: ABS



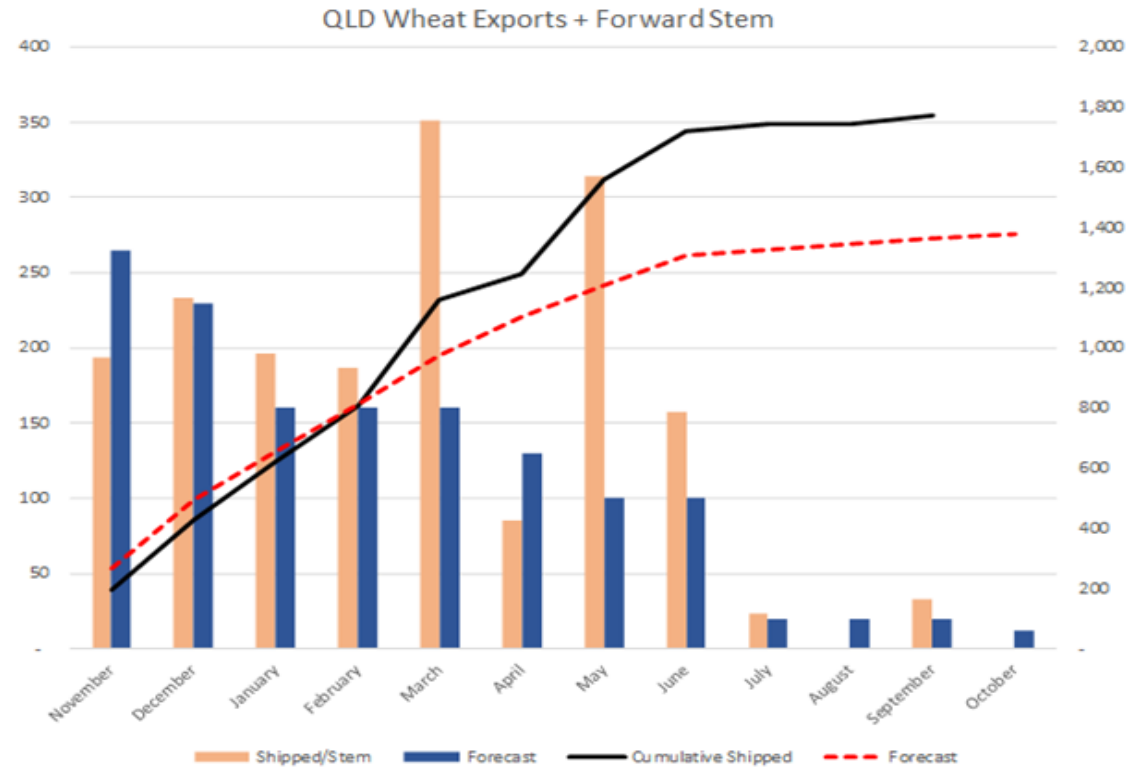
2022/23 – What Did We

Learn?

China changed buying behaviours.

Barley made a late season comeback after several years in the wilderness.

From exports to imports – QLD overshoots.



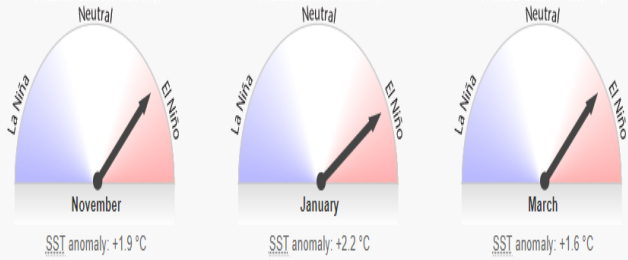
Source: GNC



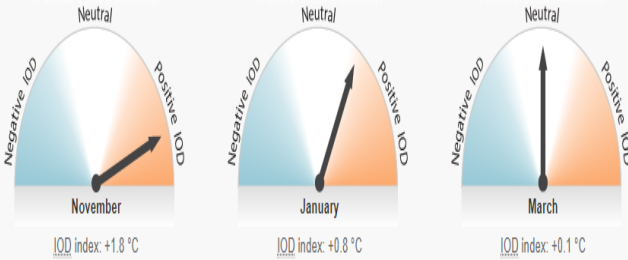
2023/24 WINTER CROP CONDITIONS

Tale of 2 years

Average of international model outlooks for NINO3.4



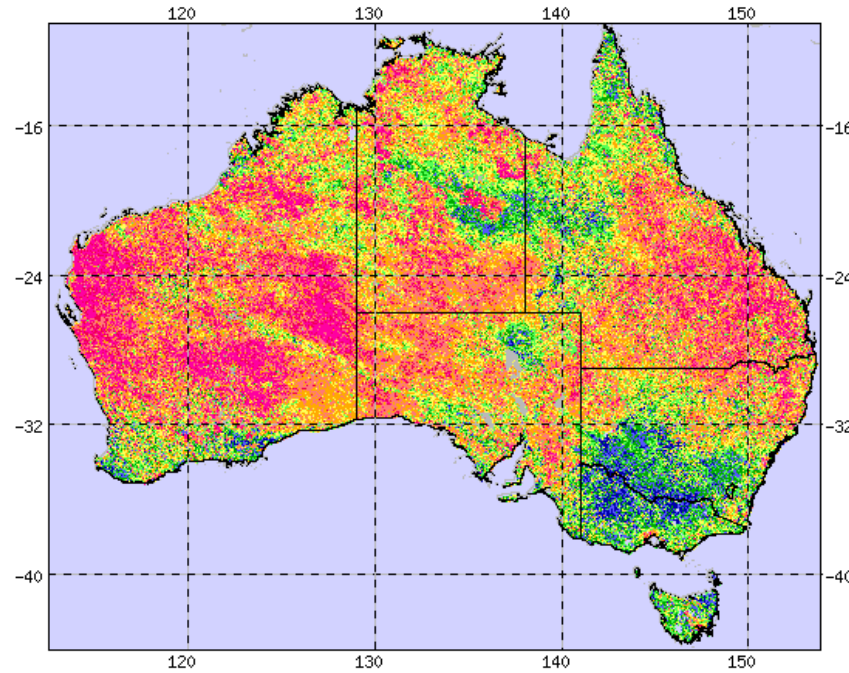
Average of international model outlooks for the Indian Ocean Dipole (IOD)



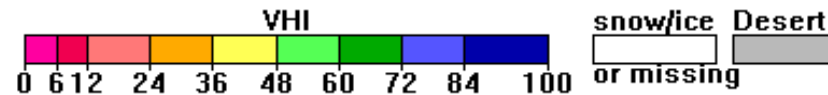
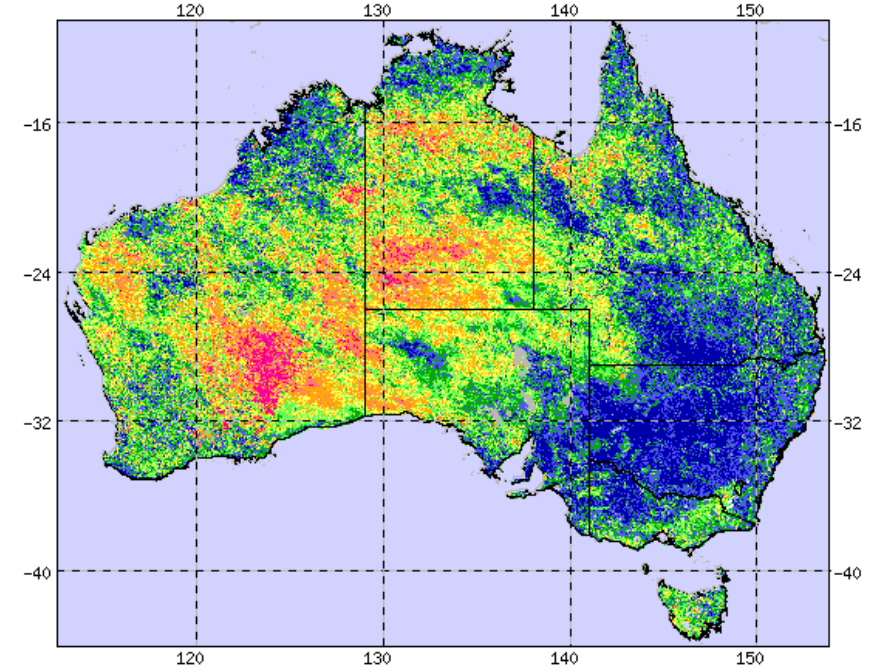
Source: BOM

Vegetation Health Index – 2023 v 2022

VHI of current year, Nov. 4, 2023 (week 44)



VHI of previous year, Nov. 4, 2022 (week 44)

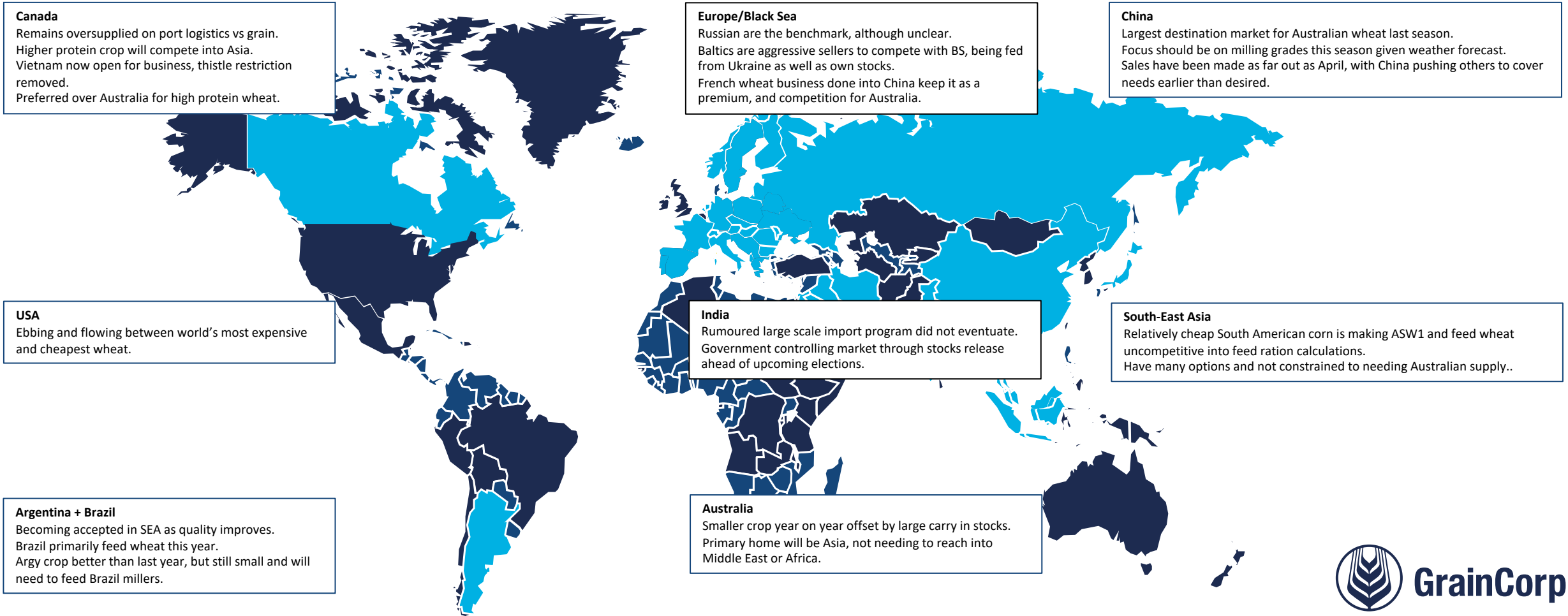


Source: NOAA STAR

| Wheat



GLOBAL OVERVIEW



Wheat

China driving Aussie market due to long term, scaled buying.

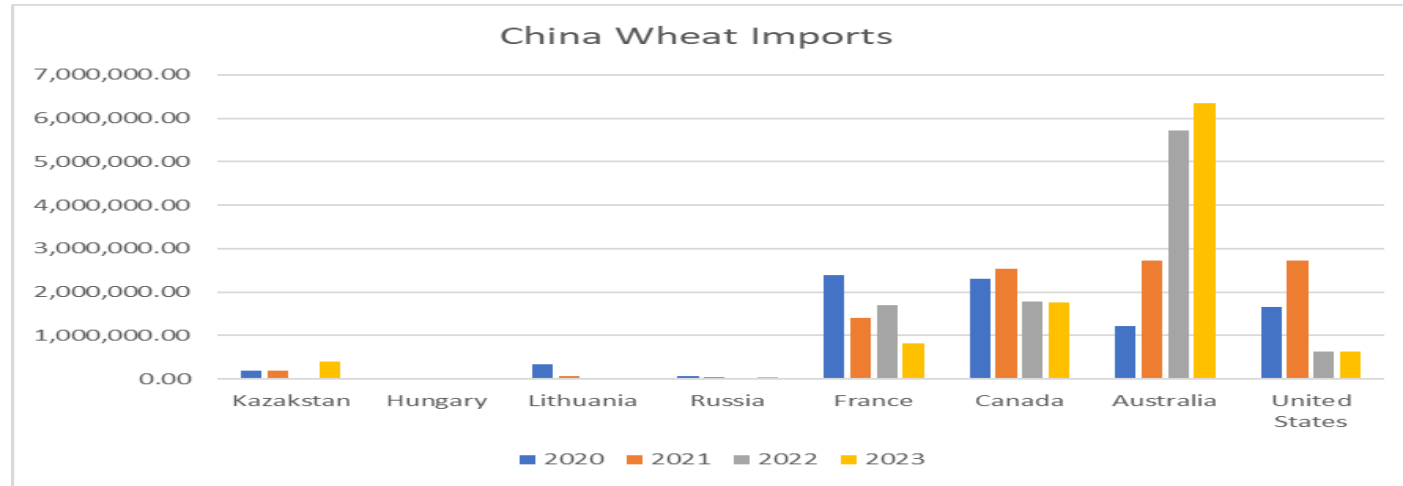
Forcing other SEA buyers to move earlier than desired, and at prices higher than desired.

Eastern Asia includes China, Japan, Korea and Taiwan.

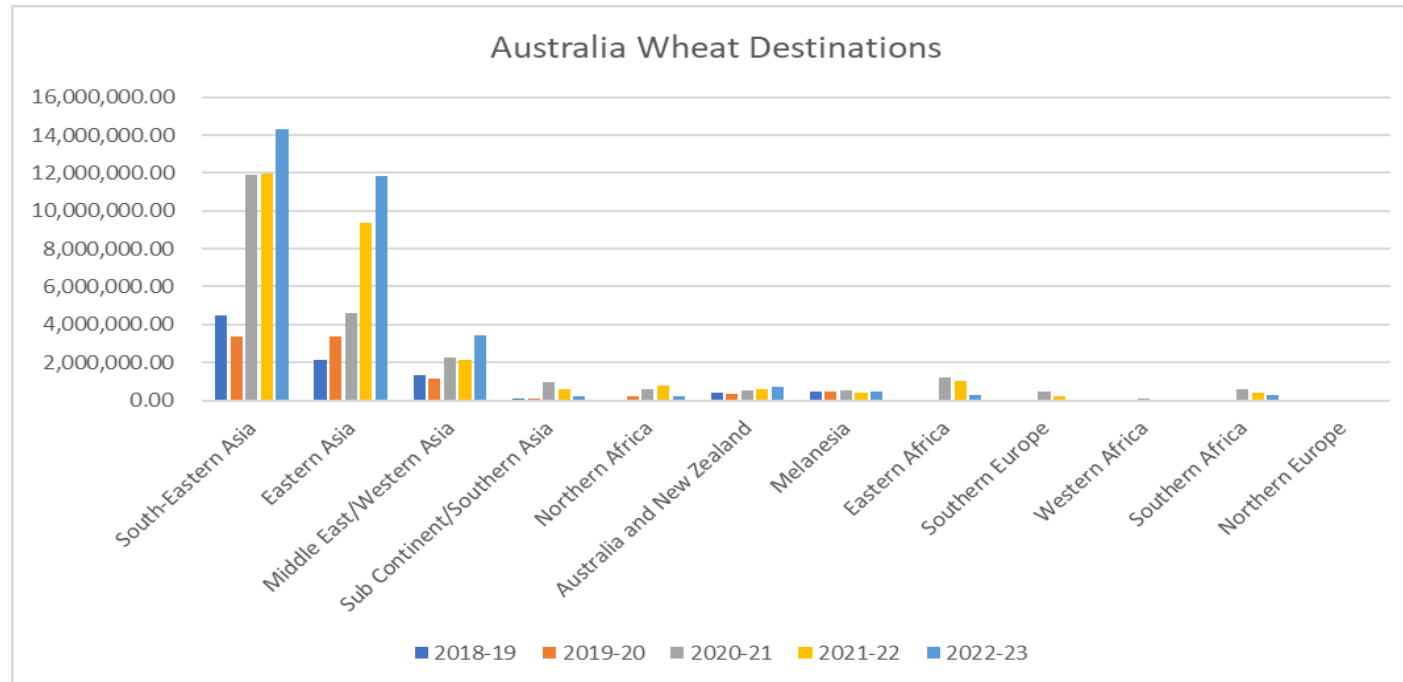
Feed wheat into Korea on top of Chinese buying pushing Eastern Asia numbers higher.

South-East Asia also the beneficiary of the low protein ASW1 crop in WA, with Vietnam and Philippines major feed wheat buyers.

Large carryout across the country held by trade, growers and pools.



Source: ABS



Source: ABS



Wheat - Outlook

China to drive Aussie market due to long term, scaled buying.

Buyers of ASW9 and higher, limited demand for feed wheat given interior quality issues and cheaper options.

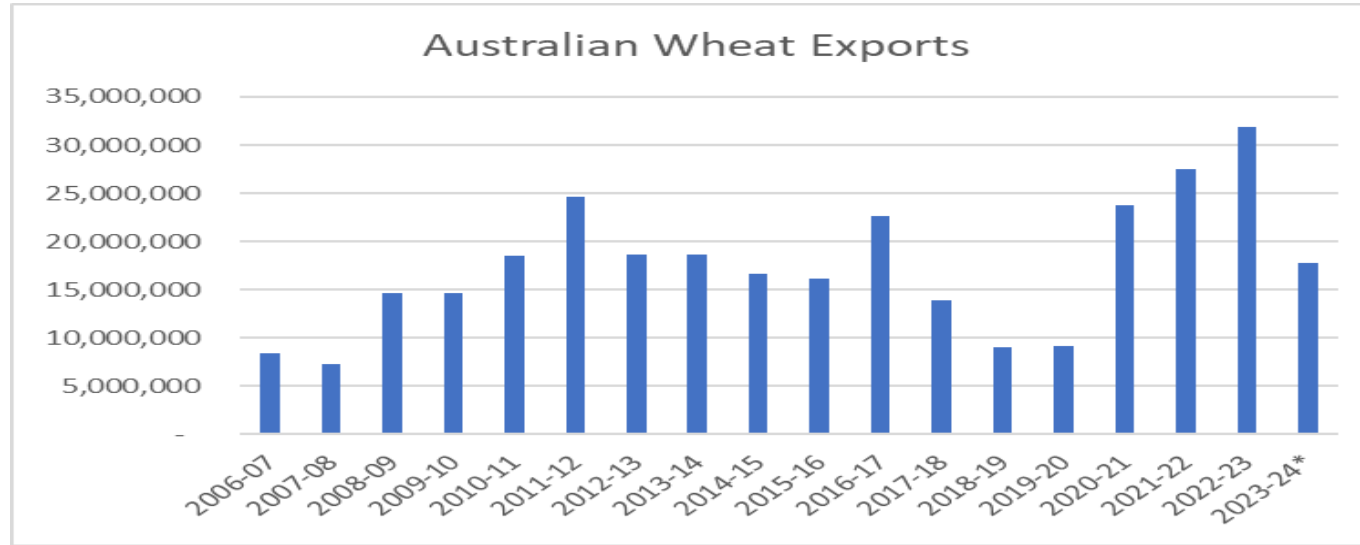
Chinese withdrawal from the market would see an instant step change in pricing to farmers.

Australian crop and exports to “normalise” with northern East Coast ports functioning at low capacity.

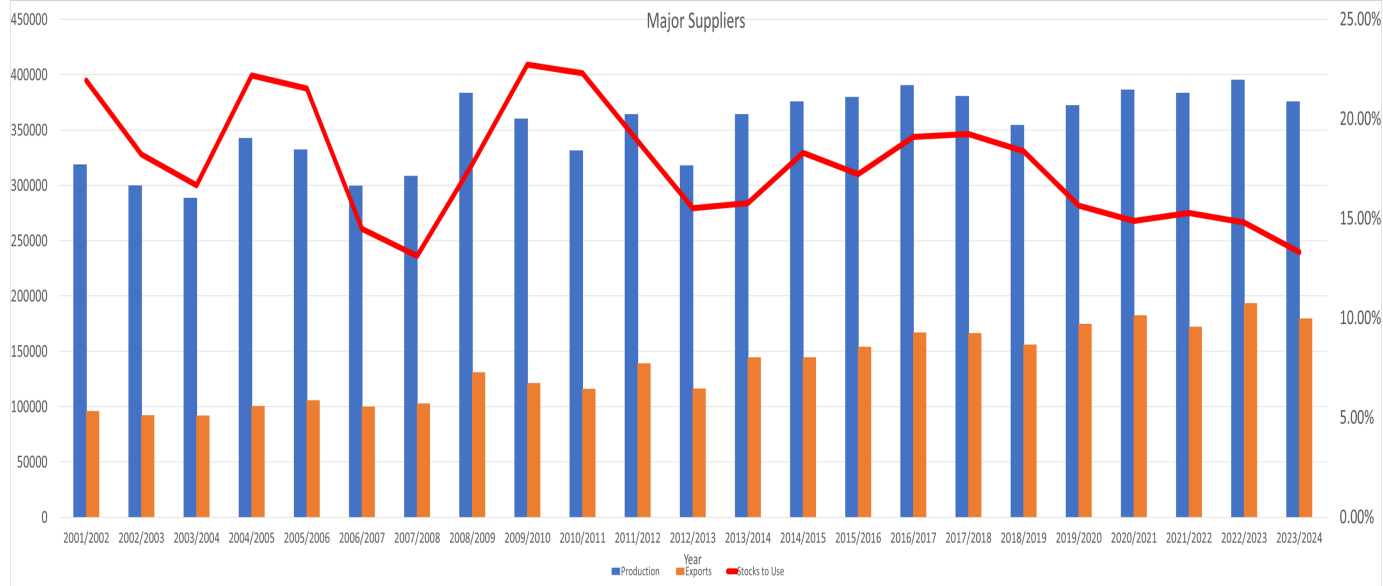
Feed wheat will struggle to find demand with South American corn and Northern Hemisphere wheat much cheaper.

AWWT, AUP1, AUH etc tough to price until post QO and final port zone averages from CBH.

Transhipments to QLD still possible at some point.



Source: ABS



Source: USDA



| Barley



GLOBAL OVERVIEW

Canada
Barley remains competitive to China on feed, currently malting barley the best chance of business.
Feed barley competing with US corn rallied into Canada.

Europe/Black Sea
Russian are the benchmark, offering sub USD200/t FOB.
German finding it hard to compete given it trades as a spread to Matif wheat, largely a domestic affair.
French sold early to China and appear well committed.

China
Have re-opened to door to Aussie supply.
Feed demand feels endless, at a value.
Malt1 demand is low for Australia, preferring FAQ.
Maltster negotiation with brewers expected in next 30 days.

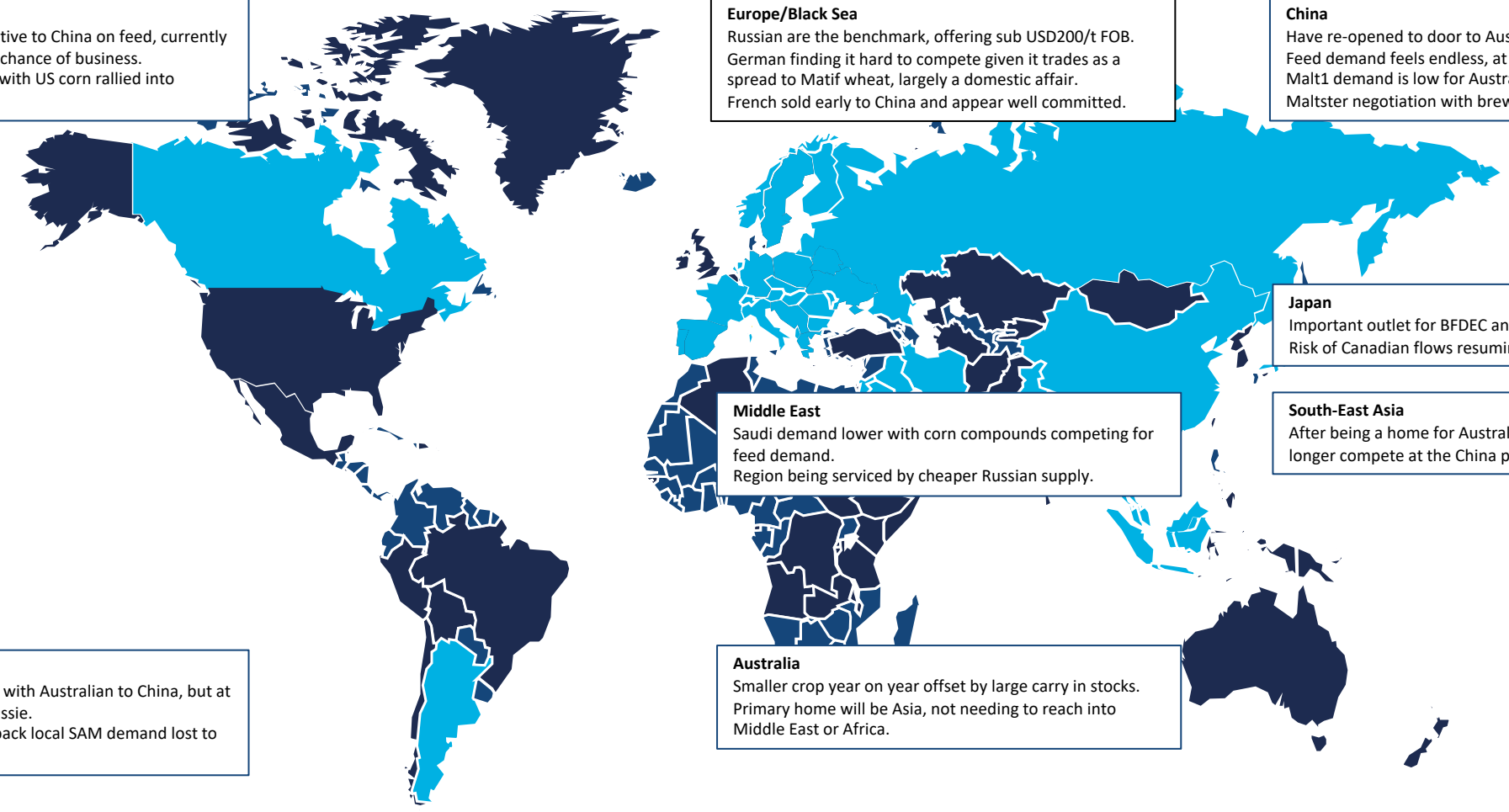
Argentina
FAQ pricing to compete with Australian to China, but at same value they buy Aussie.
Will likely try and take back local SAM demand lost to Australia.

Middle East
Saudi demand lower with corn compounds competing for feed demand.
Region being serviced by cheaper Russian supply.

Japan
Important outlet for BFDEC and off-spec barley.
Risk of Canadian flows resuming.

South-East Asia
After being a home for Australian barley over the last few years, can no longer compete at the China price given alternatives.

Australia
Smaller crop year on year offset by large carry in stocks.
Primary home will be Asia, not needing to reach into Middle East or Africa.



Barley

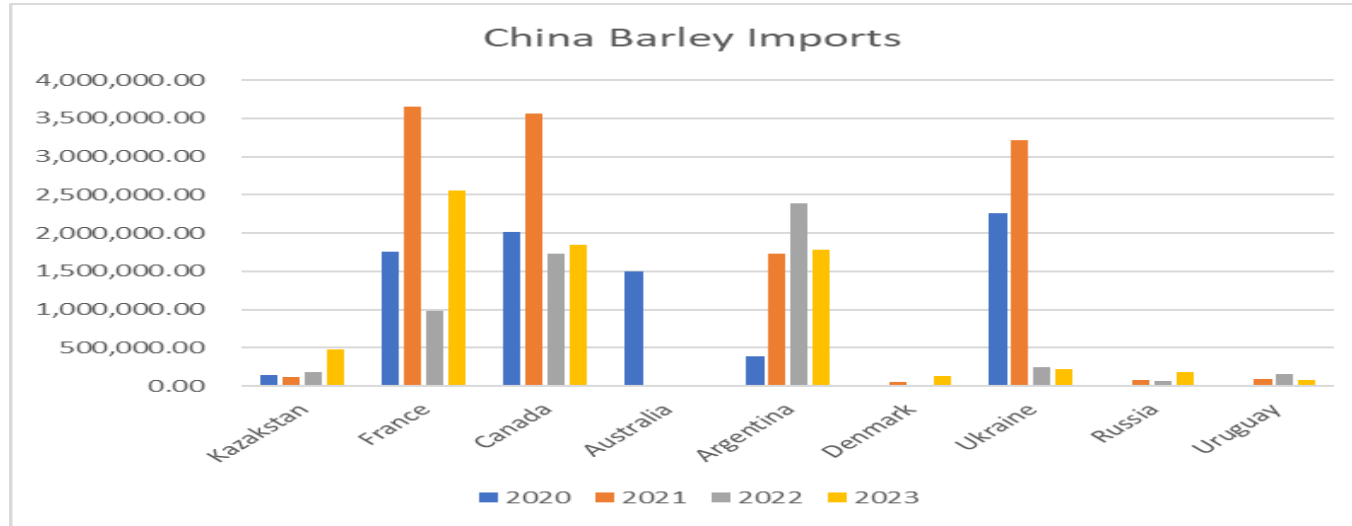
Australia has been having to tap feed markets across Asia and Middle East for the past few years to find demand.

Have found new homes in Vietnam, Thailand and Philippines where they didn't exist in regularity before, price driven.

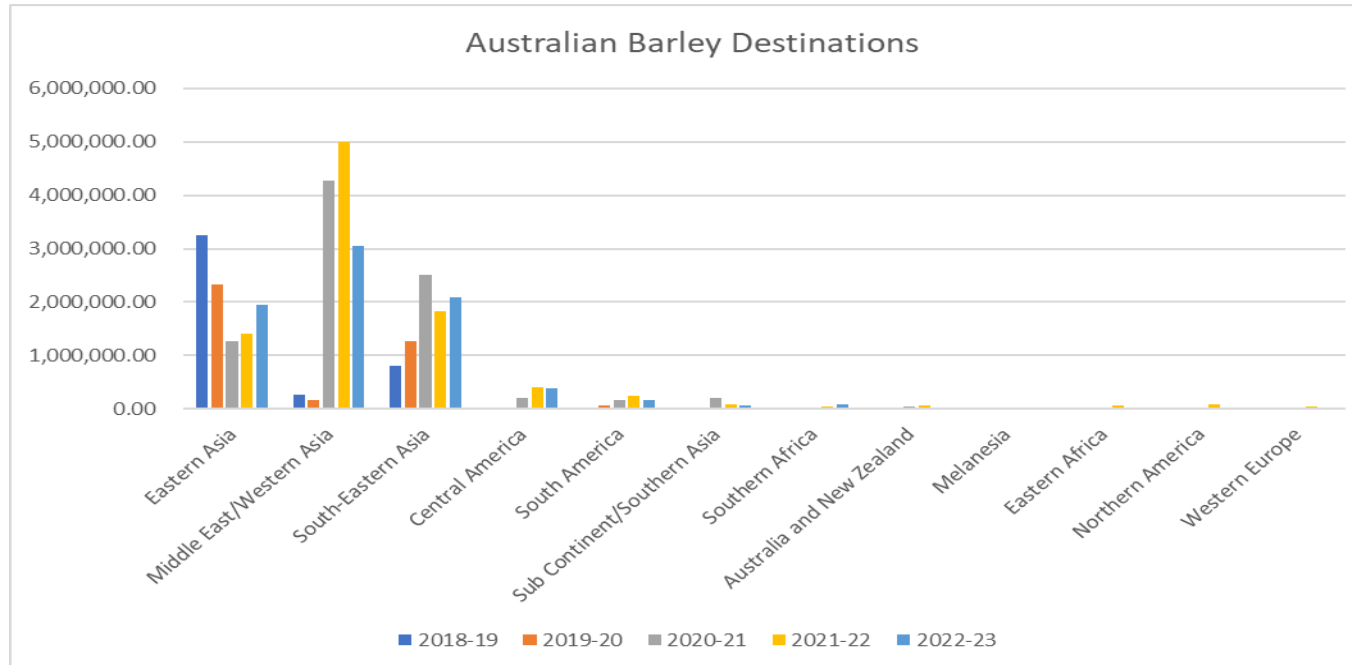
COVID inspired buying allowed Australia to oversupply Saudi Arabia, results of which have been ongoing as corn demand increase.

Sugar rush on values from Australia once China removed the tariffs.

“All in” approach on China by most of the trade in the back half of the year after a couple of false starts.



Source: ABS



Source: ABS



Barley - Outlook

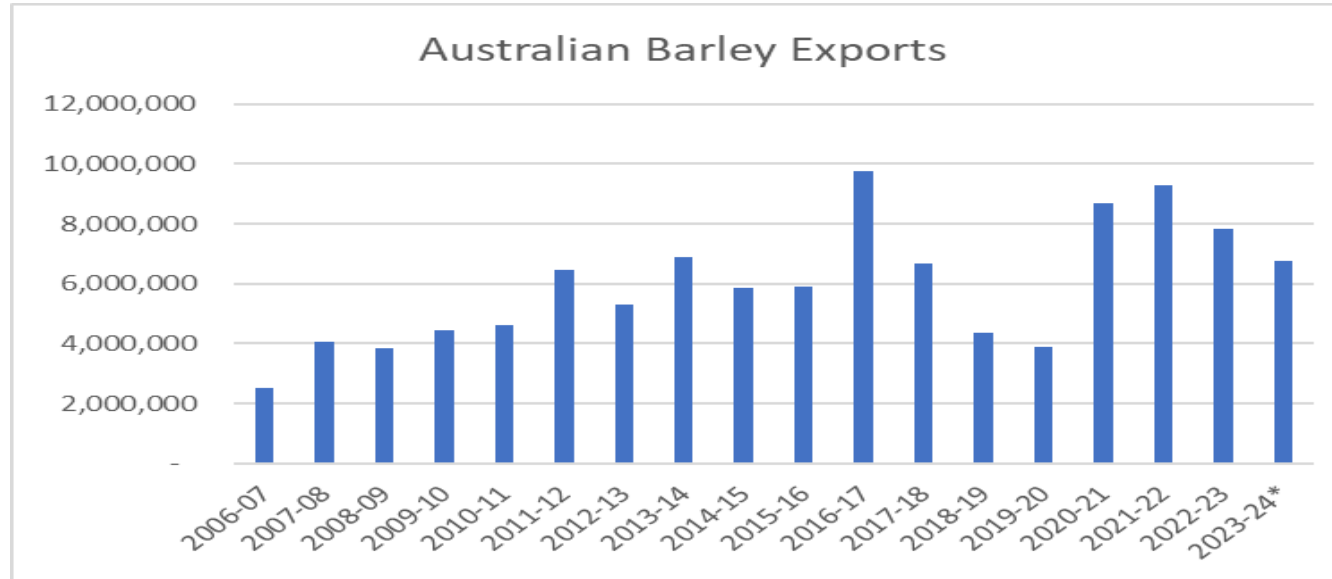
Australia currently maintains the Japanese feed barley market over Canada, approx. 1mmt per year. Feed wheat availability part of the picture, canola also helps.

China represents our only other demand at these levels, but is a significant presence based on historical imports.

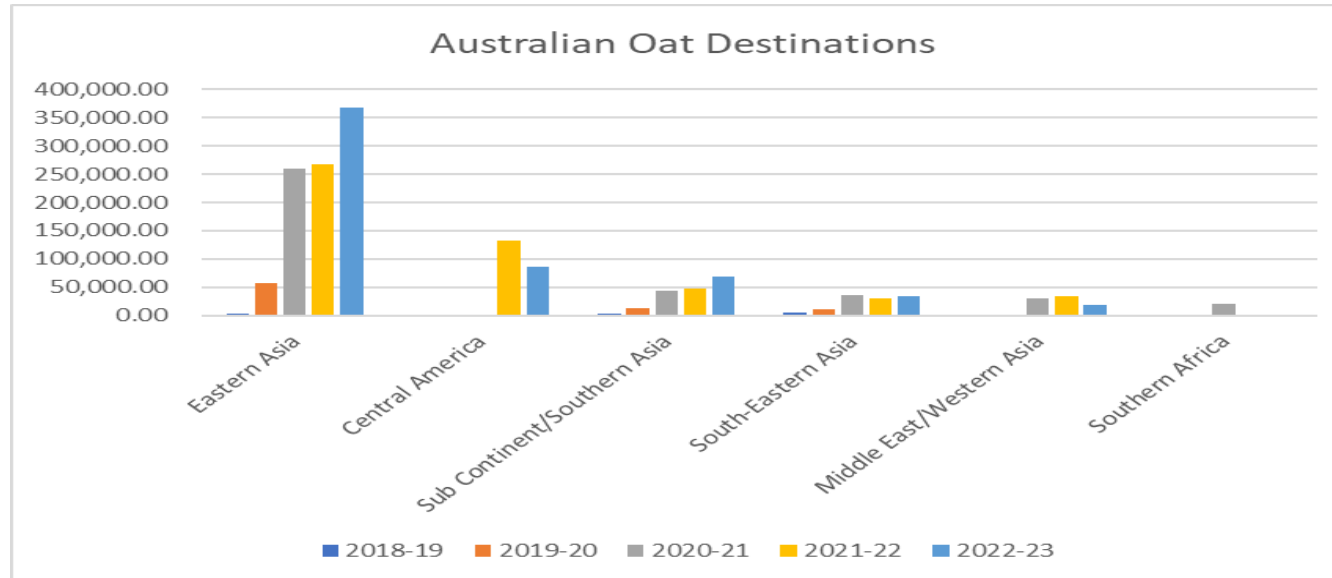
Middle East markets trading USD50/t under the current Chinese value, fed primarily by cheaper Black Sea supply and stagnant demand.

SEA would need values cheaper again to compete with imported corn from Sth America.

Malting premiums to remain low with limited malt1 demand from China, assuming normal selection rates.



Source: ABS



Source: ABS



| Canola



CANOLA OVERVIEW

Canada

Domestic crush continues to be the driver of this market given strong North American biofuel markets. China is the second largest market taking the majority of the production balance. Export program remains minimal beyond November 2023. Canola production higher than initial expectations – sitting between 19mmt and 20mmt.

Europe/Black Sea

~20mmt EU rapeseed production for the 2023 season. Record Ukrainian rapeseed production at 4.2mmt. Ukrainian supply will mostly be exhausted by early Q1 2024. Crushers have been switching between canola and soybeans, basis margin structures whilst overall crush margins remain positive. European seed has traded to Canada ex-Romania when the Matif/WPEG spread was at its lows. European demand for Australian seed has been slower than normal given the availability of local and Ukrainian stocks.

China

Removal of tariffs on Australian barley is positive for a resumption of canola trade. Resolution (if any) unlikely to be until 2024 as other commodities such as wine and live crayfish. Chinese crush margins have been weak, slowing demand.

Japan

Remains a strong importer of Australian canola whilst price remains well below Canadian values. Import volumes dependent on protein and oil content between Canada and Australia. Most Japanese crushers have covered their Australian requirements out to the middle of 2024

United Arab Emirates

Volumes from Australia likely to remain steady into 2024 given comparative Canadian price levels. Unable to take 100% Australian origin.

Pakistan

Banning of GMO imports and political/financial instability causing issues for trade.

Bangladesh

Steady import flow, but high value of canola has slowed demand

Australia

Australian canola remains competitive to most export destinations. Some markets prefer ECA over WA as oil and protein levels are closer to Canadian and meet domestic meal specifications. Early harvest in the Northern regions producing oil content around 42-43%. Levels expected to increase as harvest begins in the Southern areas. Australian canola values will need to converge towards European values.

South America/Africa

Seed from Paraguay and South Africa have worked into Europe at the over the past two years given the high prices globally.

Canola

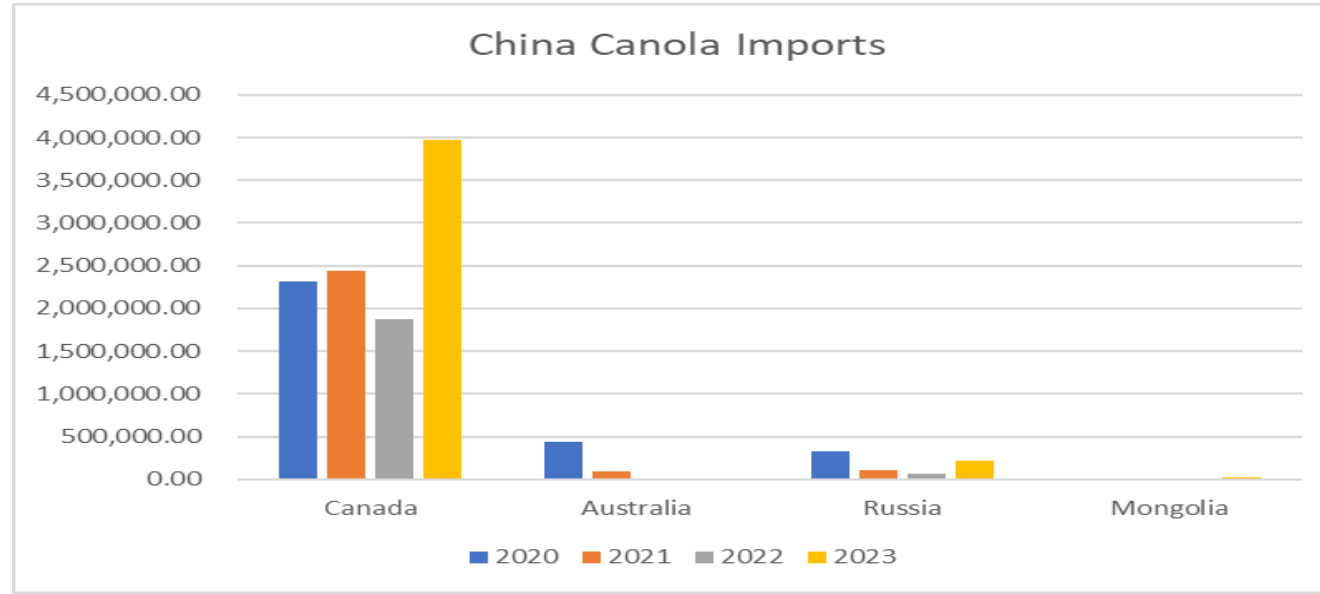
EU maintains the majority of non-GM seed demand, Pakistan now required due to Government policy.

ISCC requirements causing noise, but it is our access to market for the “traditional” premium into Europe.

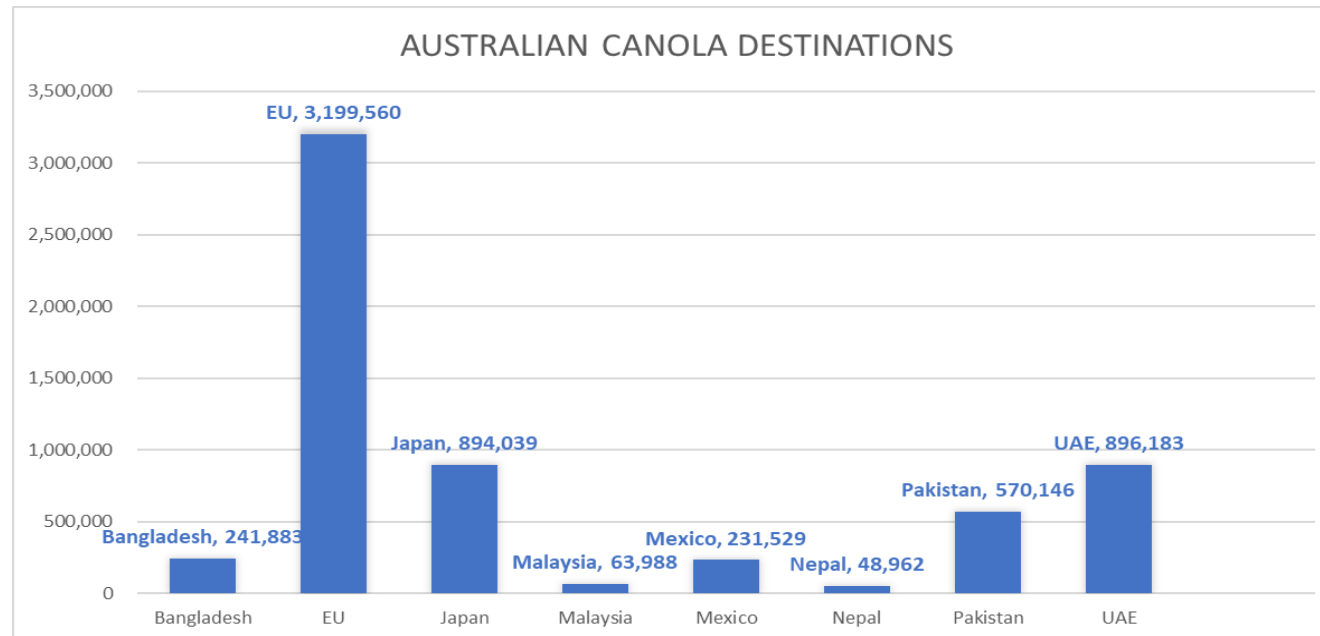
GM seed demand limited at current spread to non-GM, needs to be a significant discount into Europe to work.

Mexico reluctant to engage in Australian canola seed as Canadian more familiar, more options with products.

China would present a significant opportunity should imports re-commence.



Source: ABS



Source: ABS



GM Canola

GM production increasing, agronomics appear a major factor, price also supporting.

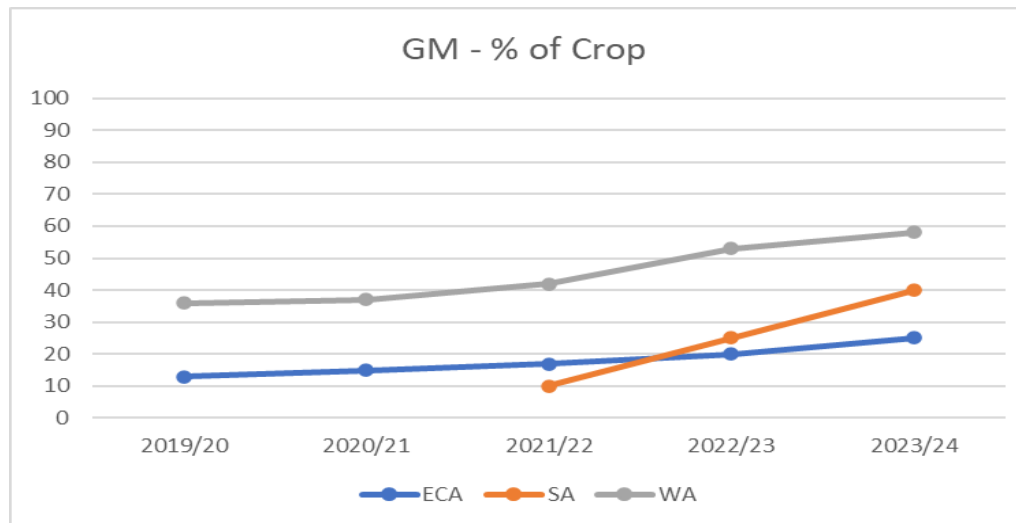
SA making large GM market share gains in 1st 3 years of ability to plant.

Demand will start to become an issue if increases continue. Australia currently forcing its way into markets via price (negative basis).

Majority of crush plants are built to crush Canadian seed, 43%-45% oil.

Japan selective on region of supply basis oil content and protein levels.

Pakistan a chance to reverse GM ban at some point, but limited guidance or possible timeline.



Source: GNC estimates

UAE

- Can handle 700K Australian per year, approx. 65-70% of crush.
- Canada gives access to US market for EPA oil.
- Canada less politically sensitive into some product markets.

Japan

- Can handle 1mmt Aussie based on 47-48% oil, 45% of crush.
- Will take more ~30% more if 43-45% as protein likely higher, will differentiate by state.

Mexico

- Aussie moisture too low, oil too high.
- Canadian offers more optionality on products.

China

- Hamstrung by ongoing "Black-Leg" quarantine concern.
- Would displace Canadian, probably affecting Winnipeg futures.



GM Canola

New mandates creating opportunity, however requires buy in from growers and industry to realise rewards.

CORSIA not overly onerous compared to existing ISCC parameters, but still requires implementation and administration.

EPA shows promise for price premiums, but traceability requirements are intense and almost requires a dedicated supply chain.

Canadian seed already at an advantage with these types of programs already in place and functioning.

DUBAI, UAE 6 November 2023 – The first Emirates flights operating with sustainable aviation fuel (SAF) provided by Shell Aviation have taken off from Dubai International Airport (DXB). Emirates' flight EK 412 bound for Sydney on 24 October was among the first to operate with SAF.

Shell has supplied 315,000 gallons of blended SAF for use at the airline's hub in Dubai. This first ever supply of SAF to Emirates in Dubai has enabled the airline to power a number of missions over the course of the last few weeks.

The blended SAF supplied by Shell into the DXB airport fuelling system was comprised of a ratio of 40% neat SAF and 60% conventional Jet A-1 fuel. The chemical characteristics at this ratio are identical to conventional jet fuel, and can seamlessly be integrated into the existing airport fuel infrastructure as well as in the engines of the entire Emirates fleet with no modifications required.

In its neat form, SAF reduces greenhouse gas emissions by up to 80 percent* over its life cycle when compared with conventional jet fuel. Emirates has also been tracking the delivery, use and environmental benefits of SAF through Avelia, Shell Aviation's blockchain powered book and claim solution.**

- ISCC EU
- ISCC PLUS
- ISCC CORSIA – Sustainable Aviation Fuel (SAF).
- EPA – US Government Biofuel Mandate.

Canola - Outlook

Ukraine showing growing capability to supply Europe with non-GM seed through planted area and yields.

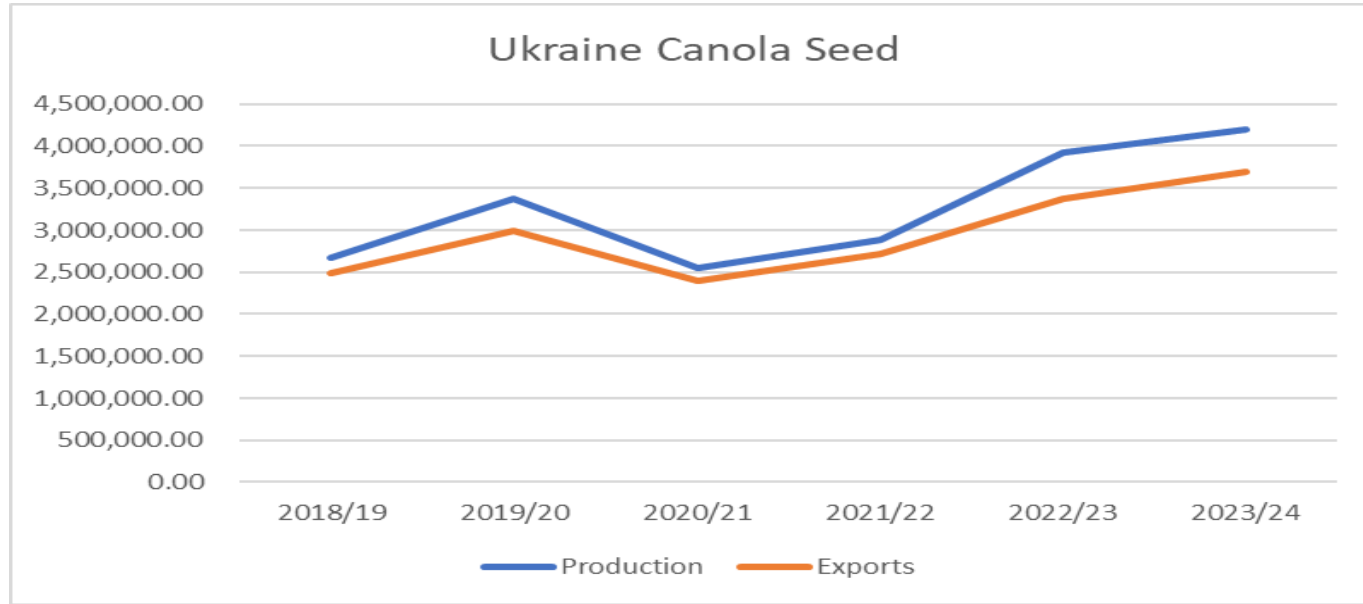
Canadian renewable fuel demand to increase over time, keeping S&D tight.

GM seed demand limited at current spread to non-GM, needs to be a significant discount into Europe to work to clear surpluses.

Winnipeg premium to Matif could last, likely solved by a supply issue for Europe.

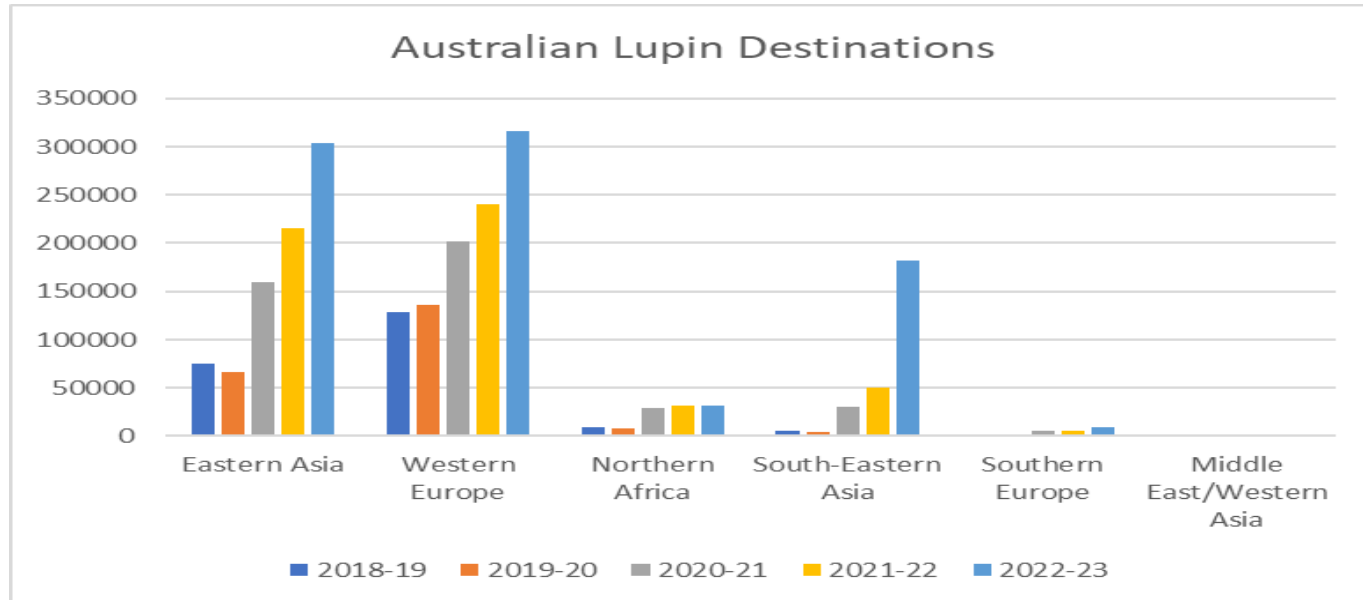
China presents a significant opportunity for Australian seed should imports re-commence.

Oct- Dec 2023 exports to Europe will be lower than usual due to strong sales of wheat and barley.



Source: GNC estimates

Source: ABS



Source: ABS





GrainCorp