



MARKET WIRE

Hay or Grain?

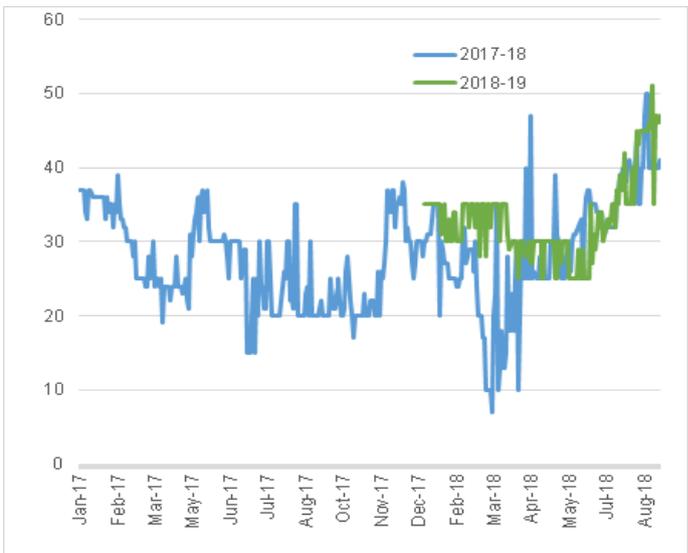


GM CANOLA DATA DASHBOARD

EU-CHINA PRICES (A\$ TRACK EQ.)



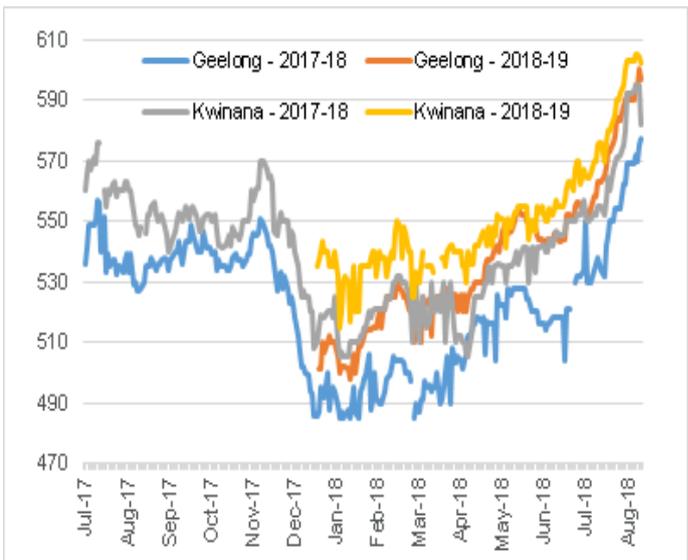
KWINANA GM SPREAD



18/19 EXPORT MATRIX ('000MT)

	Australia	Canada	Ukraine	Total
Bangladesh	0	100	20	120
China	0	4,200	0	4,200
EU-27	1,710	400	2,150	440
Japan	116	2,250	0	2,366
Mexico	0	1,550	0	1,550
Pakistan	0	600	100	800
UAE	30	820	30	880
Other	105	980	50	1,185
Total	1,961	10,900	2,350	15,501

GEELONG/KWINANA PRICE



PRODUCTION MATRIX

Canola (MMT)	2017/18	2018/19	GM %
Australia	3.544	2.414	22%
EU-27	21.8	19.5	0%
Canada	21.5	20.5	97%
Ukraine	2.45	2.6	0%
World	74.475	71.063	29%

TOTAL CANOLA HECTARES

2018/19	WA	SA	VIC	NSW	National
Area (kha)	1202	244	410	432	2290
Yields (t/ha)	1.20	1.39	1.53	1.22	1.28
Production (kmt)	1438	340	627	526	2933

GM CANOLA MARKET REPORT

GM SITE BID SHEET 18/19

Site	AWB	Bunge	CBH	Riverina	Robinson
Albany	-	540	530	-	528
Bunbury	-	540	-	-	-
Central Vic - X farm	-	-	-	568	-
CW NSW - X farm	-	-	-	586	-
Esperance	-	540	530	-	-
Geelong	-	-	-	-	570
Goulburn Valley - X farm	-	-	-	571	-
Kwinana	534	540	535	-	535
Mallee- X farm	-	-	-	553	-
Melbourne	-	-	-	-	535
Melbourne - Del	-	-	-	595	-
Newcastle - Del	-	-	-	637	-
Riverina - Del	-	-	-	581	-
Riverina NSW - X farm	-	-	-	580	-
Southern NSW - X farm	-	-	-	568	-
Wimmera - X farm	-	-	-	563	-

PORT EQUIVALENT BID SHEET 18/19

Port	AWB	Bunge	CBH	Riverina	Robinson
Albany	-	540	530	-	528
Bunbury	-	540	-	-	-
Central Vic - X farm	-	-	-	568	-
CW NSW - X farm	-	-	-	586	-
Esperance	-	540	530	-	-
Geelong	-	-	-	-	570
Goulburn Valley - X farm	-	-	-	571	-
Kwinana	534	540	535	-	535
Mallee- X farm	-	-	-	553	-
Melbourne	-	-	-	-	535
Melbourne - Del	-	-	-	595	-
Newcastle - Del	-	-	-	637	-
Riverina - Del	-	-	-	581	-
Riverina NSW - X farm	-	-	-	580	-
Southern NSW - X farm	-	-	-	568	-
Wimmera - X farm	-	-	-	563	-

*NB Riverina delivered and ex-farm prices are for delivery between January and June, 2019

GM CANOLA MARKET REPORT

LOCAL MARKETS

Conditions have clearly deteriorated further across the eastern states with frost, heat and lack of moisture all piling on top of the market. Canola markets remain firm but clearly not to the supernova levels that we are seeing in the grain markets. With strong meal prices, crushers are still looking to max out capacity, so the seed supply is now in shortage. We are close to pricing some imports around from WA into Newcastle, certainly on paper it is pricing to bring canola in from Canada but this is always a challenge from a quarantine and logistics point of view. Rumors are a plenty that this has been done, but confirmation is yet to be provided to the market, so we watch this space.

WA: WA prices have actually backed off a fraction as EU crush margins and demand continues to trail. WA prices have also moved back closer to export parity levels. Prices now sit around \$590 FIS for Non-GM and the GM spread remains overly wide at \$50. WA to Newcastle GM pricing is sitting around those theoretical spreads, however we are not seeing a lot of trade or farmer activity at the moment to really test the real value. Recent frost and a drier weather patterns in the west will keep farmer selling slow. We will then turn our focus towards harvest as farmers take advantage of extremely strong grain prices (i.e. market grain first) and then, assuming canola prices remain strong, look to quickly follow on with some canola sales too.

NSW/VIC: It's gotten ugly no doubt, crops are getting smashed and even those areas that have been able to live on a drip feed of moisture have suffered frost. With strong hay and silage markets, crops all around southern NSW and northern VIC are being cut. Prices have jumped to \$610 Geelong and \$640 in NSW, GM spreads are worth testing given the lack of firm offers around. \$20 should be an achievable target today and with strong demand into the feed sector as well, keep those avenues to market open too.

GLOBAL MARKETS

Global markets continue to be affected by the ongoing trade tension between China and the US, which has been exacerbated by a US soybean (and corn) yield that has left the country awash with product and limited avenues to market. It's so apparent that the US beans are pricing into many destination markets even after taking into account the import tariff costs!

Canola markets have done a good job of fighting off some of the global (US) bean weakness. Canadian crop estimates released by StatsCan of 19.2mmt were at the low end of the market range and we expect the actual figure to end up somewhere closer to 20.5mmt. Out of the past 12 reports they have increased their estimate from the September report 11 times...

In Europe there are concerns on the supply side with the problems now flowing into the new season planting windows as crops fight for acres against wheat and contend with below average moisture.

Whilst the global supply has shrunk a lot in the last couple of months, so to has demand. With destination crush margins for beans extremely strong, especially in China and the EU, canola is finding it hard to displace beans in the crush. As a result, crush margins have dropped and demand has ultimately reduced.

In the coming months we don't see a lot of major change coming to the recent themes. Politics remains a clear driver and the current relative value ranges will likely be respected.

CASE STUDY – Hay or Grain?

“We have gone from good, to bad, to ugly. We have to make a decision and salvage something, should I just cut my crop for hay?”

Clearly with the season doing what it has done, many of us are making decisions about how to salvage something. Certainly with the strong hay market, and incidence of frost around the place, it is providing every incentive, or excuse, to cut the crop for hay or silage.

On paper it certainly stacks up, and many feel “a bird in the hand is better than one in the bush” given the unknowns we have with what the seed may yield come harvest time. However, there are also a lot of clear unknowns in the hay job too, and it is important that assessment and due diligence are done before coming to the gut feel and impromptu decisions to cut for hay:

- 1) Trying to cure hay in September is very difficult so you may be at risk of weather damage for 2-3 weeks.
- 2) To combat that issue, consider making silage which is regarded by many as being more manageable in the sheep industry. Bear in mind, silage comes with greater wrapping and freight costs.
- 3) Know your market. To assume that there is plentiful demand for canola hay and silage in the current environment is reckless. Very quickly the demand and supply situation can switch with some late spring rain and/or the wave of supply coming into the hay market from crops being cut. The huge weight of dry matter that comes out of cropping programs can quickly dwarf the normal hay production levels. Therefore, run some sensitivity analysis and be aware of what the returns are if your price is \$50 lower than what John said over a frothy at the local on the weekend.
- 4) Know your buyer. Its not worth anything if you don't get paid and the hay market is extremely fragmented at the moment.