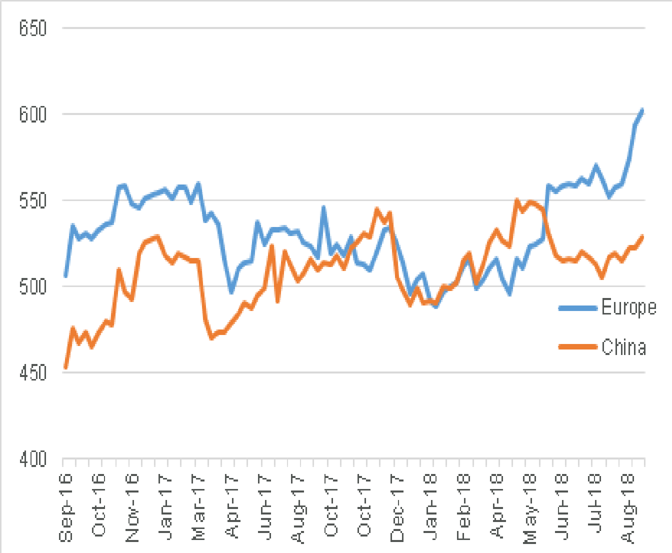
MARKET WIRE

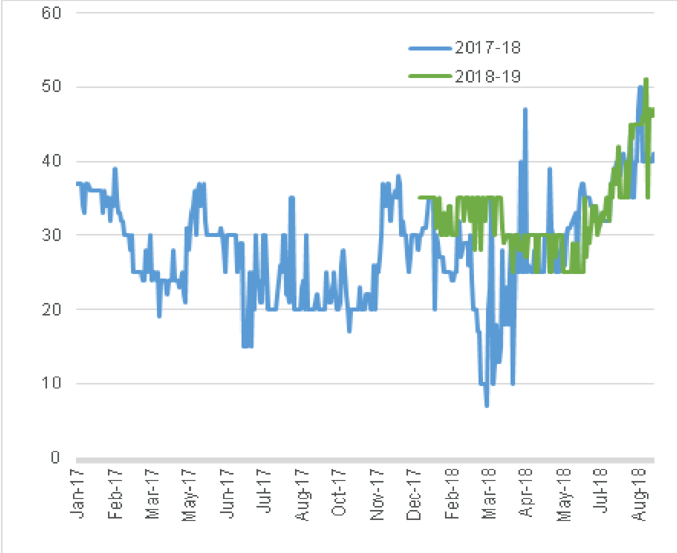
Where is the fair value?

GM CANOLA DATA DASHBOARD

EU-CHINA PRICES (A$ TRACK EQ.)



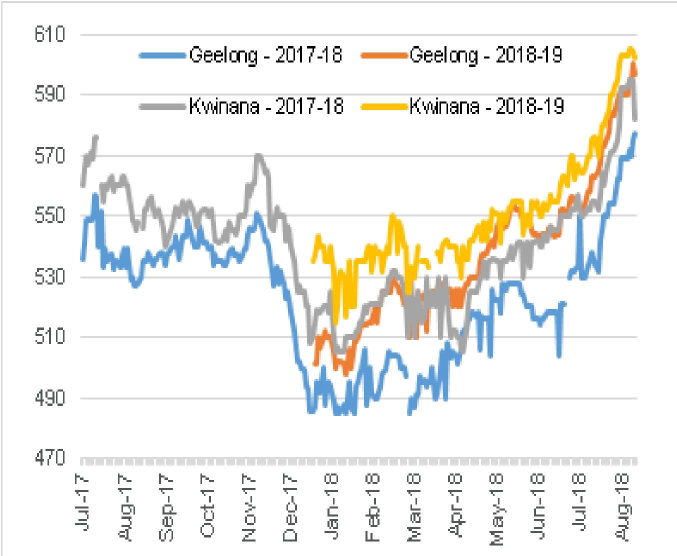
KWINANA GM SPREAD



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	20.4	0%
Canada	21.5	20.5	97%
Ukraine	2.45	2.6	0%
World	74.475	71.963	28%

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	ADM	AWB	Bunge	CBH	Riverina	ROBE
Albany	553	-	543	546	-	-
Bunbury Port - Del	-	-	548	-	-	-
Central Vic - X farm	-	-	-	-	547	-
CW NSW - X farm	-	-	-	-	574	-
Esperance	-	-	543	546	-	-
Geraldton	-	-	548	546	-	-
Goulburn Valley - X farm	-	-	-	-	551	-
Kwinana	555	561	548	546	-	-
Mallee- X farm	-	-	-	-	532	-
Melbourne - Del	-	-	-	-	574	-
Newcastle - Del	-	-	-	-	625	-
Riverina - Del	-	-	-	-	582	-
Riverina NSW - X farm	-	-	-	-	569	-
Southern NSW - X farm	-	-	-	-	569	-
Wagga Market Zone	-	-	-	-	-	555
Wimmera - X farm	-	-	-	-	542	-

PORT EQUIVALENT BID SHEET18/19

Port	ADM	AWB	Bunge	CBH	Riverina	ROBE
Albany	553	-	543	546	-	-
Bunbury Port - Del	-	-	548	-	-	-
Central Vic - X farm	-	-	-	-	547	-
CW NSW - X farm	-	-	-	-	574	-
Esperance	-	-	543	546	-	-
Geraldton	-	-	548	546	-	-
Goulburn Valley - X farm	-	-	-	-	551	-
Kwinana	555	561	548	546	-	-
Mallee- X farm	-	-	-	-	532	-
Melbourne - Del	-	-	-	-	574	-
Newcastle - Del	-	-	-	-	625	-
Riverina - Del	-	-	-	-	582	-
Riverina NSW - X farm	-	-	-	-	569	-
Southern NSW - X farm	-	-	-	-	569	-
Wagga Market Zone	-	-	-	-	-	555
Wimmera - X farm	-	-	-	-	542	-

*NB Robe prices are for January, 2019 delivery + $4/mth carry until October, 2019
Riverina delivered and ex-farm prices are for delivery between January and June, 2019
Bunge delivered prices are for delivery between November, 2018 and March, 2019

GM CANOLA MARKET REPORT

LOCAL MARKETS

There has been a little bit of a turnaround in the crop outlook for the west and parts of SA, although the east of the country continues to deteriorate, due to that fact that canola is an early crop and more vulnerable to poor soil moisture. Canola in the east is considered to have the poorest outlook in the majority of the region. NSW is certainly under pressure, with only a small area of crops in the southern and eastern areas holding on to anything that might be classified as good-poor. Everything else is dire. If you take a line from Temora/ Lockhart/Jeriderlie, generally crops north and west are looking very poor and will bring 30-40% of average yield at best. That line will creep south and east if we don't get meaningful rain in the coming weeks before the temperature heats up. With flowering underway, rain is mission critical for canola yield potential. Our national crop estimate is back at 2.4mmt now and clearly that is putting stress on the balance sheet. VIC still has potential, and the excellent conditions in southern VIC are still allowing the state to produce a modest exportable surplus. However, we are treading a fine line, and with Numurkah and Manildra increasing crush capacity, we will need to see more supply stimulated. The supply can be stimulated through both rail from SA to central NSW, or alternately an imported cargo of canola/soybeans into Newcastle.

WA: EU prices remain strong and helped push WA prices north of $600 FIS, with the GM spread widening to $45-50. There is still a lot of variability in canola crops in WA, especially in the usually reliable southern and eastern zones. In general, it looks like the WA crop is improving.

NSW/VIC: There has been a big jump up on the weather and firmer global markets in the last month. VIC canola prices are $25 stronger, pushing up to $590 in prices Geelong. We are also seeing prices at $620-630 in NSW port zones. Clearly the market needs to ensure seed stays in the country, it looks like VIC is hanging on to a slight exportable surplus but we can't tempt fate at the moment because the NSW and northern VIC crop is probably still trending south at the moment.

GLOBAL MARKETS

Global markets have been dominated by the US-China trade negotiations. Soybeans are being openly touted as an "untradeable" market by many seasoned campaigners out there. The whipsaw nature and impact that the US ban on export flow into China is considerable and is having a large number of impacts to the oilseed market.

At the moment the world is trying to solve a China protein shortage by using up all the South American beans and shifting US beans to all the other corners of the globe. If the trade dispute is resolved, we will quickly see the straight line resume, and US beans go straight into China, which is obviously supportive to US bean futures. It would likely squash destination bean crush margins (Europe and China), which might then open the door for canola crush demand that has been losing some ground at the moment on the back of this abnormal market dynamic.

The EU canola crop is done with complete estimates in the low 20mmt now. Ukraine has performed better than expected, however early seeding conditions remain below average. There is nothing to trade today, but worth watching. Canada continues its rollercoaster ride with a return of hot and dry weather recently. As a result we are seeing the worm turn, and production has, once again, retreated below 21mmt and back into the low 20s.

It still looks like the SND can be solved and the surplus still sits in Canada at this point. Clearly this can be tightened up with a meaningful lift in China demand that has been tempered due to the trade disruption, and recent poor history of export pace to China.

CASE STUDY – Fair value?

"The drought has pushed wheat to decile 10 and canola has finally reacted, but where is fair value?"

Like the wheat market, we have a couple of bands that need to be stretched to abnormal levels to make the supply and demand situation solve itself. The market is doing its thing to ration demand and re-direct supply. So the million dollar question is have we done enough?

If we can be content with the current estimates of the east coast crop, then we can start the debate. Clearly this all stretches further as crop estimates rise and fall through the critical spring. We can solve the SND by reducing crush or bringing in new supply. Crush margins are ok and bean import crush margins are actually pretty good on paper (thanks to the trade disruption and strong destination meal prices). We can also import Canadian seed, which on paper is pretty close to working. Thirdly, we can import WA and SA seed.

The probability is we:

- see SA seed into central NSW
- release the value with:
  - US beans
  - Canadian seed
  - WA seed

If Canada's price catches up to EU then we would swap WA seed and Canadian seed around. So today, we are pretty well balanced in the east, sitting at, or just under import parity, but still above WA. VIC is in no-mans land as it tries to figure out if it needs to price export or import parity, dependent on crop size, whilst WA is still a little hot, and still above where fair value for exports to the EU and the east are. Meanwhile the GM spread is an interesting one. In the east, it should narrow into $10-20 as domestic crushers take what is on offer. Conversely, in the west it remains a function of Canadian competition, $50 is too wide today, look for opportunities in the $30 range.