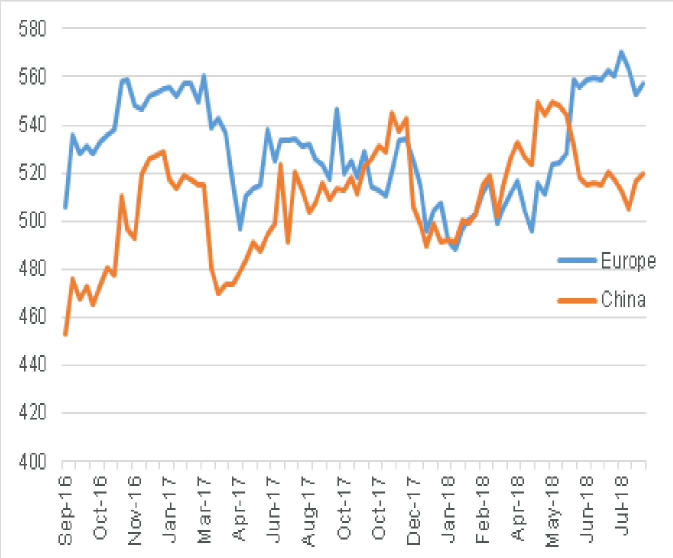
MARKET WIRE

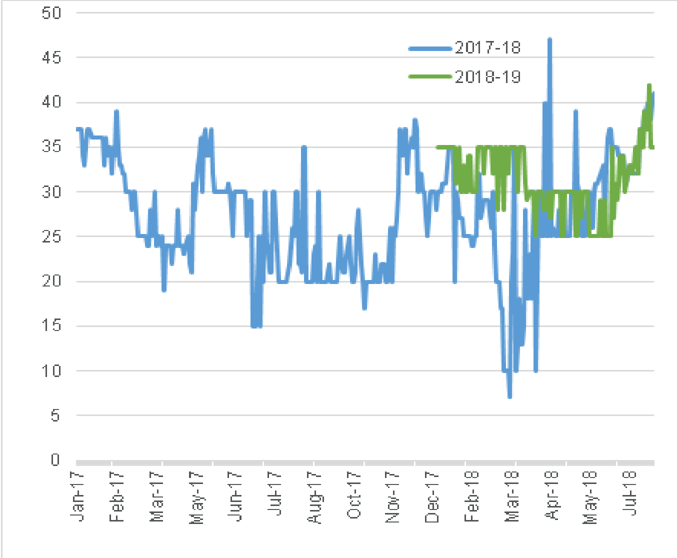
WHERE'S THE CEILING?

GM CANOLA DATA DASHBOARD

EU-CHINA PRICES (A$ TRACK EQ.)



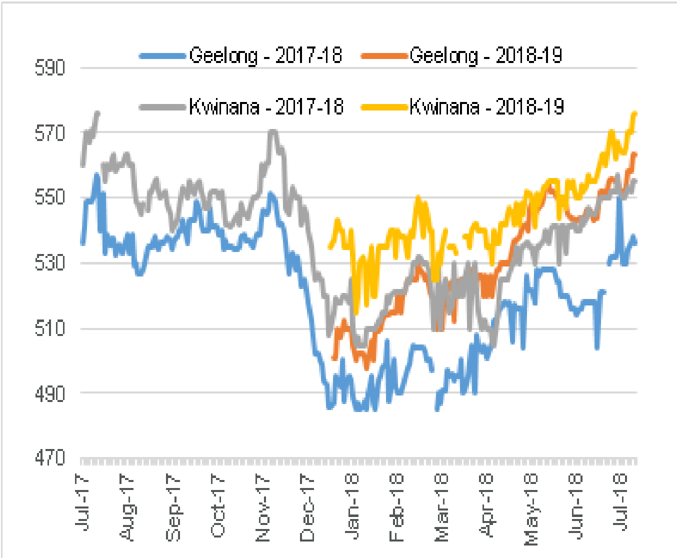
KWINANA GM SPREAD



18/19 EXPORT MATRIX ('000MT)

	Australia	Canada	Ukraine	Total
Bangladesh	0	60	60	120
China	0	5,100	0	5,100
EU-27	2,220	400	1,700	4,500
Japan	116	2,300	0	2,416
Mexico	0	1,550	0	1,650
Pakistan	0	550	150	800
UAE	60	800	50	910
Other	109	640	40	989
Total	2,505	11,400	2,000	16,485

GEELONG/KWINANA PRICE



PRODUCTION MATRIX

Canola (MMT)	2017/18	2018/19	GM %
Australia	3.544	2.700	22%
EU-27	21.8	20.3	0%
Canada	21.5	21	97%
Ukraine	2.45	2.3	0%
World	74.505	72.181	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	ADM	Bunge	CBH	Riverina	ROBE
Albany	532	536	533	-	-
Central Vic - X farm	-	-	-	513	-
CW NSW - X farm	-	-	-	534	-
Esperance	-	536	533	-	-
Geraldton	-	-	533	-	-
Goulburn Valley - X farm	-	-	-	516	-
Kwinana	534	541	534	-	-
Mallee- X farm	-	-	-	498	-
Melbourne - Del	-	-	-	540	-
Newcastle - Del	-	-	-	585	-
Riverina - Del	-	-	-	533	-
Riverina NSW - X farm	-	-	-	528	-
Southern NSW - X farm	-	-	-	520	-
Wagga Market Zone	-	-	-	-	501
Wimmera - X farm	-	-	-	508	-

PORT EQUIVALENT BID SHEET18/19

Port	ADM	Bunge	CBH	Riverina	ROBE
Albany	532	536	533	-	-
Central Vic - X farm	-	-	-	513	-
CW NSW - X farm	-	-	-	534	-
Esperance	-	536	533	-	-
Geraldton	-	-	533	-	-
Goulburn Valley - X farm	-	-	-	516	-
Kwinana	534	541	534	-	-
Mallee- X farm	-	-	-	498	-
Melbourne - Del	-	-	-	540	-
Newcastle - Del	-	-	-	585	-
Riverina - Del	-	-	-	533	-
Riverina NSW - X farm	-	-	-	528	-
Southern NSW - X farm	-	-	-	520	-
Wagga Market Zone	-	-	-	-	501
Wimmera - X farm	-	-	-	508	-

*NB Robe prices are for January 2019 delivery + $4/mth carry until October 2019
Riverina delivered and x-farm prices are for delivery between January and June 2019

Roundup Ready® CANOLA

LACHSTOCK CONSULTING

GM CANOLA MARKET REPORT

LOCAL MARKETS

Crop development has been very slow and well behind average in many areas due to frosts and the continued dry weather for much of the canola belt. August, as always, is a critical month as we attempt to rebuild moisture and provide a buffer before the crop kicks into the reproductive growth stages. Despite the higher initial NSW area, further cuts in exports are required in the eastern states. Over the upcoming weeks we will be pulling the national crop back down to a 2.6-2.7mmt range. Canola in particular is in a very poor state and without meaningful rain in August we will have to reduce our crop numbers further in many areas.

The combination of dryer weather in Europe and the improving moisture in Canada has encouraged a strong rally in European prices relative to Canadian values. As a result of this, Australian basis relative to Canadian has appreciated significantly. This has left the sub-par bargain basement levels of three months ago behind us. We are now pushing towards a theoretical import parity.

WA: Due to the local weather, prices in the EU have jumped $20 reaching $575 for Non-GM 18/19, with a $30 spread for GM. We have seen variable conditions in WA with the western areas generally showing good results, whist the southern and eastern stretchers across to Esperance displaying sub par results. These results are quite the opposite of normal although these regions can benefit better from a later and softer growing season.

NSW/VIC: Although the canola markets have surged on weather we have not seen it change to the extent in the grain markets, with the panic for consumers yet to set in. New crop Non-GM prices are pushing $565 and there is potential for domestic premiums due to the discounts in the terminals, despite being just above WA export values. GM remains at a $30 discount and due to lack of container interest and limited trader demand old crop is at wider than full carry.

GLOBAL MARKETS

Global markets saw an extremely strong lead out of the European market space. In Germany in particular, this resulted in EU values being $30 over Canadian prices as the crop started to get burnt up. Canadian crop estimates have also been in the headlines with hot weather seeing early estimates drop below 20mmt. Recently improved moisture and revisions on earlier damage have seen this push back up towards 21mmt. Overhanging all of this has been the ongoing trade dispute between the US and China. This is having a large impact on the Soybean market in particular. There has been speculation about how this will impact the canola market with some saying it will be substituted and will benefit the market. Others suggest that strong destination bean margins in China are signaling an ongoing increase on import demand of South American beans, which will keep the switchable crush supplied by beans. With the US bean crop progressing well, the risk of a supply shock in the oilseed market is diminished. The ongoing focus on volatility will be in the political space, which many traders have allowed for already. Moreover, canola specifically has continued to see ongoing tightening of the global supply and demand. Without the full impact of lower supply potentially being priced in, there is a lot of opportunity for the bulls to state their case. On the negative side, we remain concerned and unconvinced that China will be there for a large chunk of canola imports this year. We are seeing good margins, like they were this year, but we are also seeing great bean margins, and import trade flows continue to underwhelm. We expect volatility to continue as the burden now falls more to Canada than Europe and Australia.

CASE STUDY – Where's the ceiling?

"Wheat has blown up and my canola crop is half as good as my wheat crop. When is canola ready to hit the eject button on price?"

It's a very worthwhile question to ask for growers in the eastern states. The supply is certainly shrinking at a greater rate than wheat is at the moment. However canola potentially has a couple more levers to play with before the market caps out.

1. Our domestic demand (whilst it is large percent of total demand) is still small in tonnage size.
2. To economically process crush, plants also need to be provided a margin taking into account the expense of covering fixed costs. When margins are negative they have the ability to decrease their crush or increase down-time.
3. For beans or Canadian canola, the theoretical impact of one single cargo will have a much bigger impact on relative supply and demand than what 10 wheat cargos from WA will have.

Without being ground breaking, the economics of crushing at the moment is still ok. This is largely due to the meal market remaining strong as a result of strong South American Soybean values, dry weather and a lack of alternative protein options in the domestic feed space. So today, we are probably not turning crush capacity off. With Graincorp and MSM expansions due to come on-line this season, there is more capacity (demand) available…. In regards to imports, it takes time for paperwork to get done and plants to get ticked off. However on paper, a plant like Newcastle is not far away. Could the function be to see Newcastle prices $20 higher, watch the rest catch up a bit and then cut the pie on meal and oil from there? Certainly worth watching….