



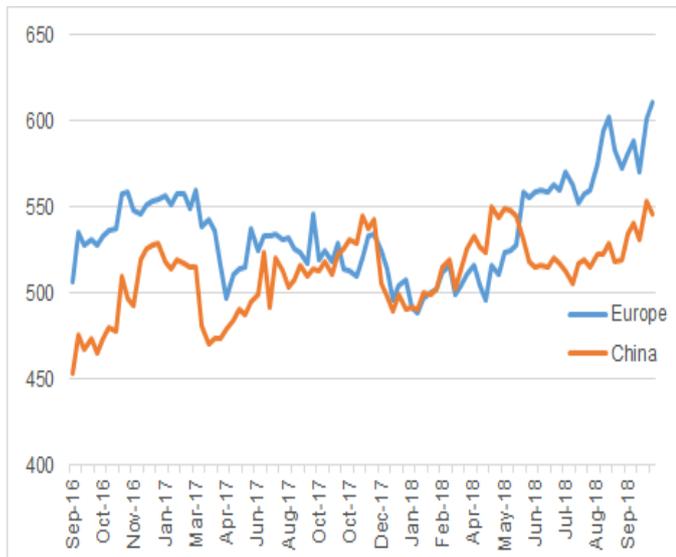
MARKET WIRE

Buy, hold or sell?



GM CANOLA DATA DASHBOARD

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



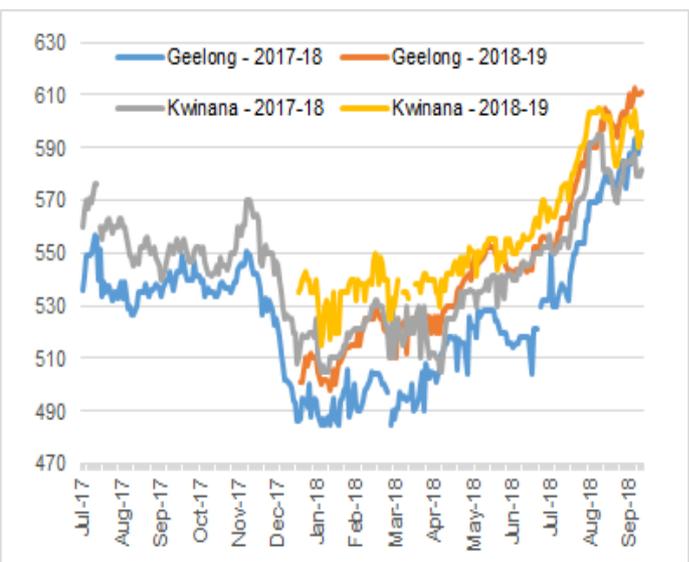
KWINANA GM SPREAD



18/19 EXPORT MATRIX ('000MT)

	Australia	Canada	Ukraine	Total
Bangladesh	2	100	20	122
China	3	4,200	0	4,203
EU-27	1,510	400	2,150	4,200
Japan	144	2,250	0	2,394
Mexico	0	1,550	0	1,550
Pakistan	0	600	100	800
UAE	0	820	30	850
Other	59	980	50	1,139
Total	1,718	10,900	2,350	15,258

GEELONG/KWINANA PRICE



PRODUCTION MATRIX

Canola (MMT)	2017/18	2018/19	GM %
Australia	3.57	2.22	22%
EU-27	21.80	19.95	0%
Canada	21.50	20.75	97%
Ukraine	2.45	2.60	0%

TOTAL CANOLA HECTARES

2018/19	WA	SA	VIC	NSW	National
Area (kha)	1202	244	410	432	2290
Yields (t/ha)	1.20	1.07	0.94	0.34	0.97
Production (kmt)	1437	260	384	147	2229

GM CANOLA MARKET REPORT

GM SITE BID SHEET 18/19

Site	ADM	AWB	Bunge	CBH	Riverina
Albany	552	-	570	567	-
Bunbury	-	-	575	-	-
Central Vic - ex-farm	-	-	-	-	614
Esperance	-	-	555	562	-
Geraldton	-	-	545	562	-
Goulburn Valley - ex-farm	-	-	-	-	623
Kwinana	562	569	570	567	-
Mallee - ex-farm	-	-	-	-	615
Riverina NSW - ex-farm	-	-	-	-	619
Southern NSW - ex-farm	-	-	-	-	606
Wimmera - ex-farm	-	-	-	-	614

PORT EQUIVALENT BID SHEET 18/19

Port	ADM	AWB	Bunge	CBH	Riverina
Albany	552	-	570	567	-
Bunbury	-	-	575	-	-
Central Vic - ex-farm	-	-	-	-	614
Esperance	-	-	555	562	-
Geraldton	-	-	545	562	-
Goulburn Valley - ex-farm	-	-	-	-	623
Kwinana	562	569	570	567	-
Mallee - ex-farm	-	-	-	-	615
Riverina NSW - ex-farm	-	-	-	-	619
Southern NSW - ex-farm	-	-	-	-	606
Wimmera - ex-farm	-	-	-	-	614

*NB Riverina ex-farm pick-up "Buyers Call" prices are for delivery between January and June, 2019

GM CANOLA MARKET REPORT

LOCAL MARKETS

More of the same, unfortunately, in the eastern states with crop sizes continuing to dwindle to our lowest level in over 10 years. With a dry September, large amounts of frost, along with a strong silage and hay market in NSW, resulted in a lot of crops getting dropped and baled. We now estimate the NSW crop will be 150kmt in size, which is well below the 550-600kmt of domestic consumption, even before we include Numurkah, just south of the border. As a result, the prices are redirecting the drawing arcs of canola and sending it north, much like we have seen in the grain markets.

WA: WA prices have remained steady in line with global markets, generally sitting around the \$600 FIS level and being supported by the rapid price increase in the east, whilst still sitting above global export parity. We would expect a little bit of harvest pressure if prices stay above \$600, given the real export volume is probably \$10-20 below these prices and there is not as much depth in the east coast import market. Farmer selling behavior will be interesting given the record prices in grain that we are seeing. Will farmers sell grain and hold off on canola or just let it all fly? The GM to NON- GM spread remains overly wide at \$50. Most people are suggesting that this is a reflection of the global markets, but we have seen many times where the Canada-Europe price spread has narrowed up. The east coast market can certainly handle GM so its likely more of a lack of liquidity issue, for example, farmers are not really selling yet and buyers are remaining pretty cautious until we see things liven up.

NSW/VIC: It was ugly when we last spoke about it and now prices are another \$50 higher at \$650-660 port. It's all about delivered prices to the main plants this year with port pricing being a little less relevant, albeit that one is in Melbourne. There has been very little farmer selling across the region recently and this will remain the case until harvest. Farmers are too concerned about overall production and not seeing any rush with markets as they are only going one way. GM markets are also quiet, with a \$20 spread seeming general.

GLOBAL MARKETS

Global markets have been pretty dull as we work through the backend of the northern hemisphere harvest and start working on getting the next crop for Europe in the ground.

Harvest has been delayed across North America due to wet conditions, but generally it seems that most analysts are happy with a Canadian canola production number of 20.5-21mmt - which is well above the earlier StatsCan number of 19.2mmt. In the US, the crop seems to keep getting bigger and the USDA report during the month did nothing to abate the burdensome soybean situation. Trade tension between China and the US remains, and seems to be here for more time to come.

In the current marketing year, there is certainly a lot still to play out, with the Australian supply crunch front and centre. However, with crops going in the ground for the following year we are starting to also take on some thoughts about what the distant future may hold.

In Europe, conditions have been dry and we expect to see some losses in Canola area to the tune of 2-3% at this stage. We will likely see a bit of a switch out of canola and into wheat and barley due to the way the grain markets are in Australia along with how poor the sub-soil moisture is today. This could be as much as 10-20% in some states. We always need to see how the March-April autumn break comes in, but at this point in time we think that many rotations will be dialing back canola area. We will continue to monitor and update as we get closer as there are certainly a lot of unknowns on the demand side too.

CASE STUDY – Buy, hold, sell?

“It is getting close to harvest, should I be holding on or selling?”

As always there are a lot of factors that make up a marketing decision. Cash flow, logistics, emotion and price are all thrown into the boiling pot for us each to come up with a solution. Everyone will have varying levels of each ingredient to contend with, however cash flow and logistics should be pretty objective for each farmer to measure in their own mix.

So what about price? This is tied in with the emotion factor and obviously what the supply and demand situation suggests. Supply and demand has shown us that the east coast will be in deficit, so we will need to see some seed move from SA and WA to the east. As a result the east coast price premiums are here to stay for the next 12 months. The caveat is if it becomes cheaper for someone to import seed from Canada (which it is on paper), however so far has been more of a sandbagging tactic in the market place and not been validated. If there is a year for it to happen, this is it, but quarantine and other factors take time so we will wait and see.

Substitution can also happen for demand. Canola meal markets remain very strong, holding up seed demand. At these prices we have seen a lot of soybean meal out-compete canola meal for demand. We have also seen a huge drop in pulses, hay and other protein sources. With larger crush it will be interesting to see if the canola meal market can hold into a more normal Autumn break, and if it can't, what happens to crush margins and seed demand?

“But grain markets are huge and canola prices should be double my wheat price, I think I will sell grain and hold canola”. No doubt grain prices are strong and with huge inverses there is not much reason to hold grain. Canola prices are still strong and there is a fine line between too much and too little, so be careful if you hold.