

Bull wheat market: How are South East Asian buyers adjusting to competitive prices

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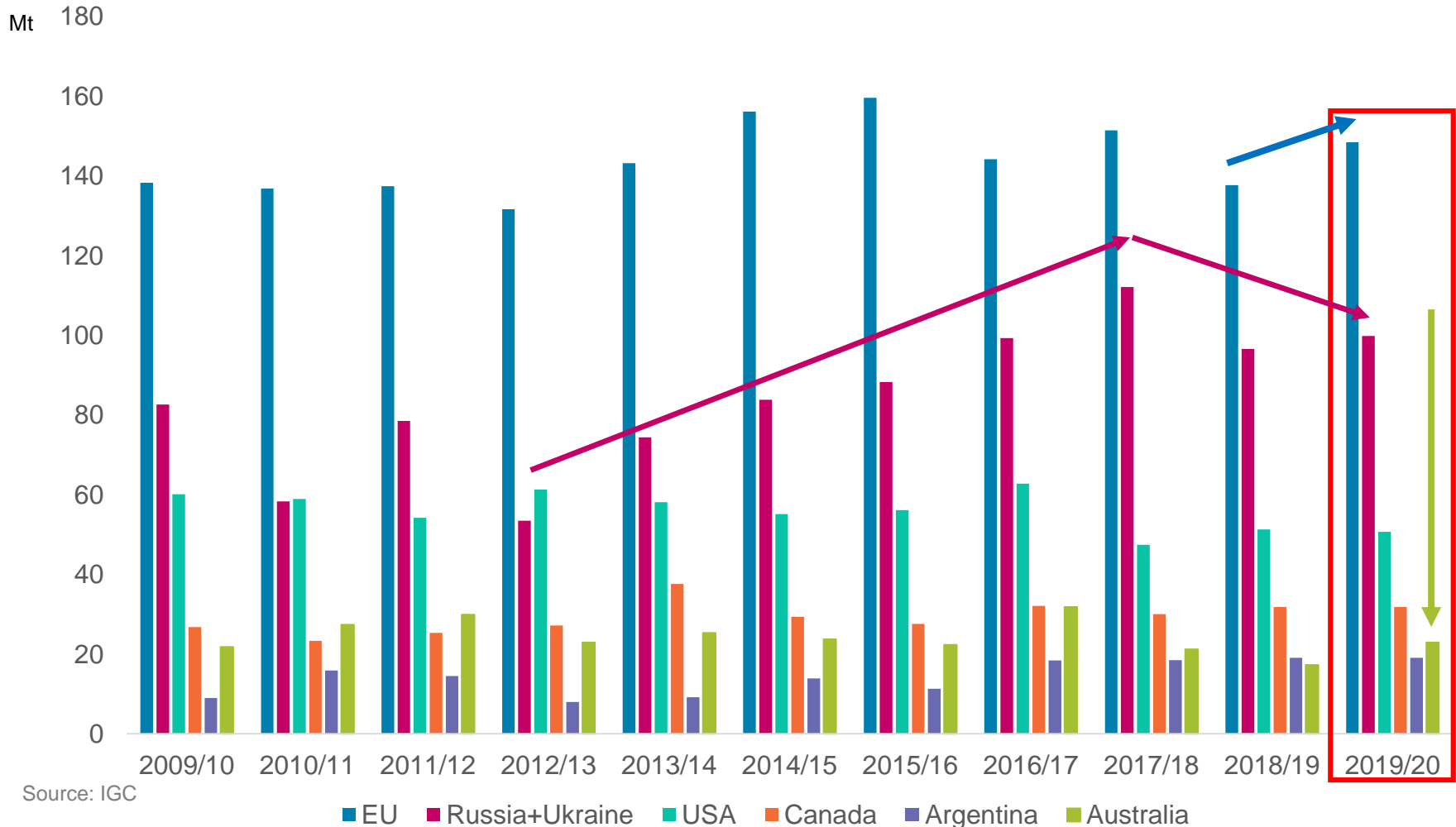
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SUMMARY

- ❑ South East Asia Market. Inelastic demand for Australian Wheat
- ❑ Elastic demand markets
- ❑ Competition from Black Sea and US
- ❑ Australian and Black Sea Wheat futures

GLOBAL PRODUCTION

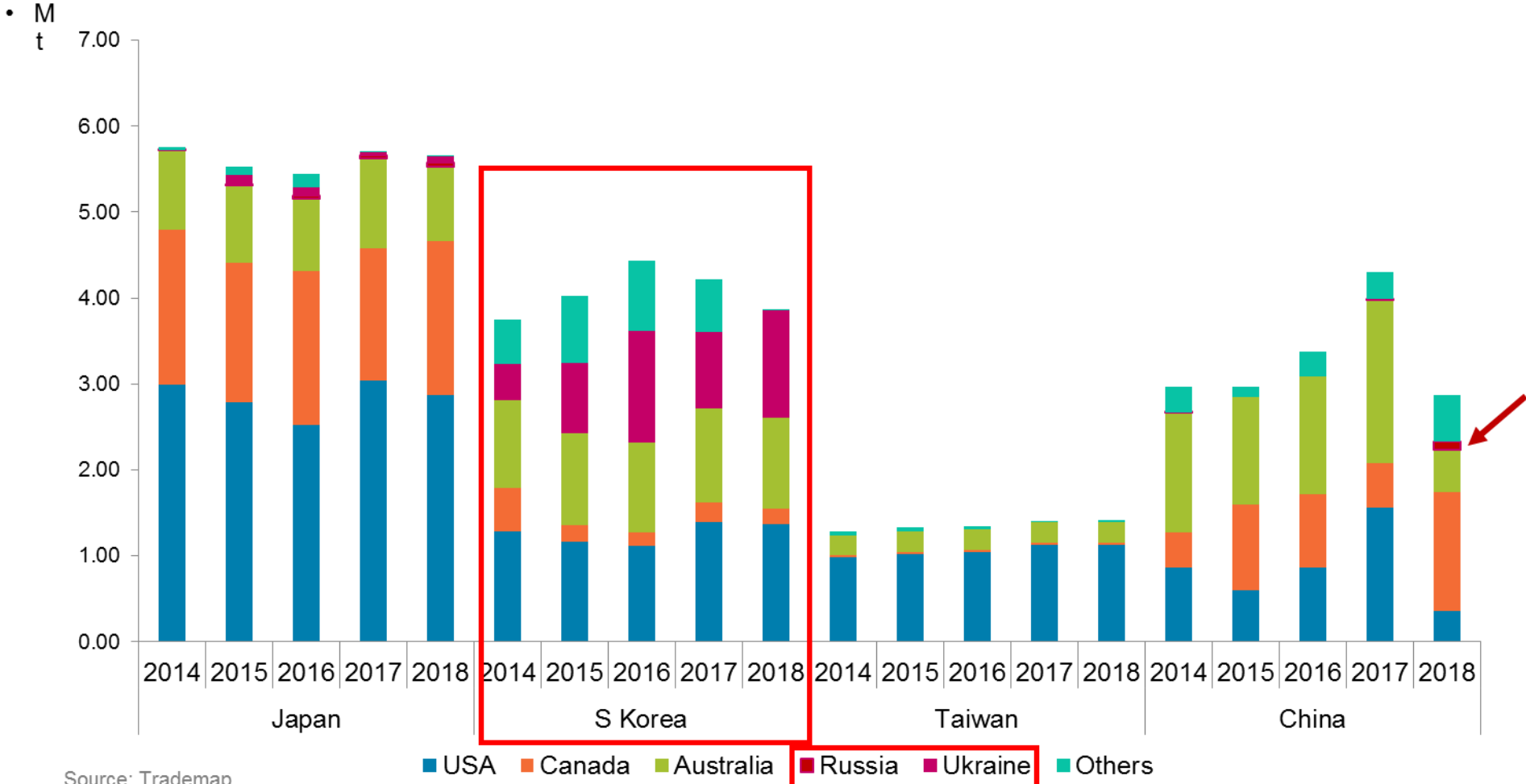
2019/20: Global wheat production forecasted at 750.8 Mt, up 1.8% y-o-y (IGC)



Source: IGC

NORTHEAST ASIAN IMPORTS

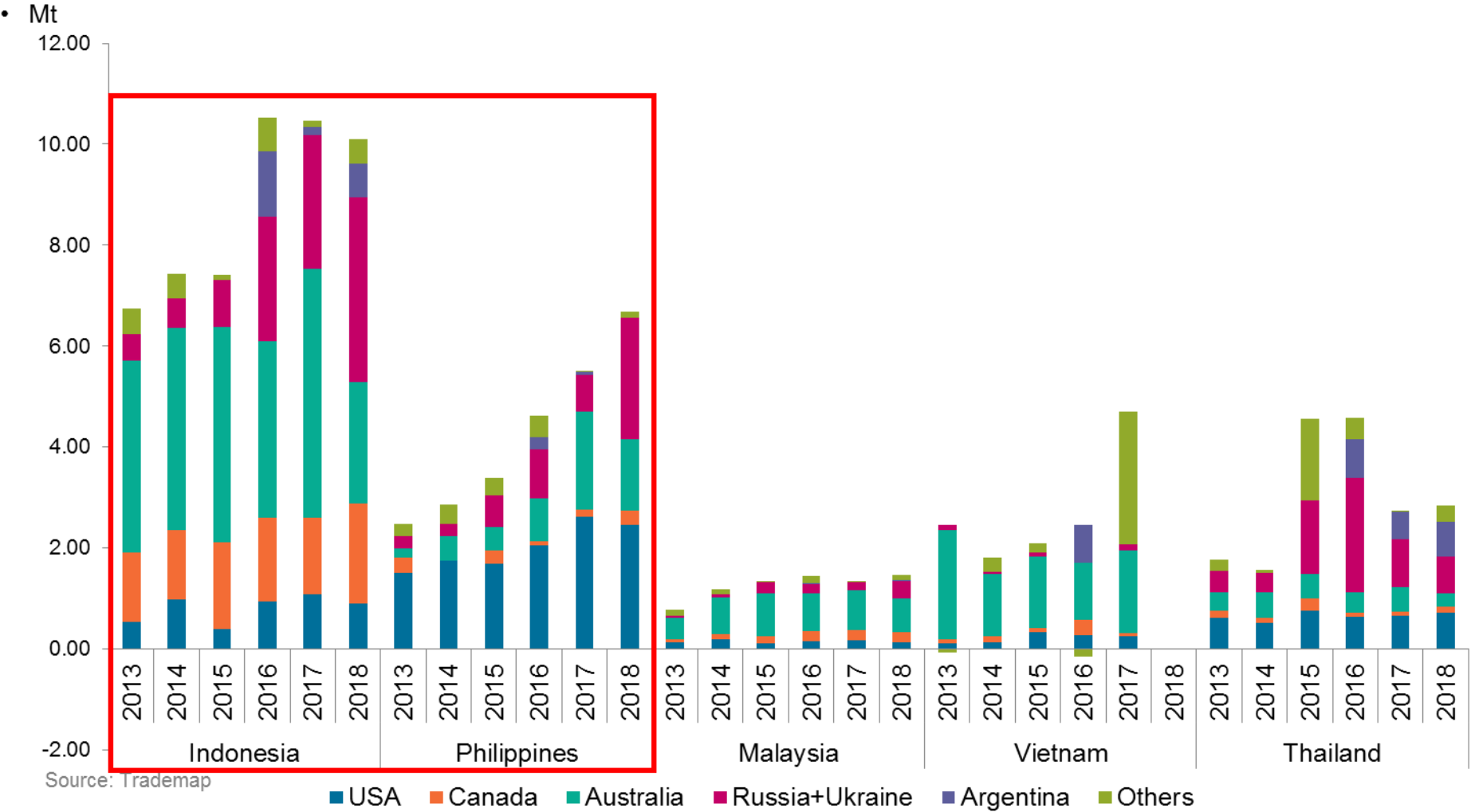
US-China trade war hits Chinese wheat imports



Source: Trademap

SOUTHEAST ASIAN IMPORTS

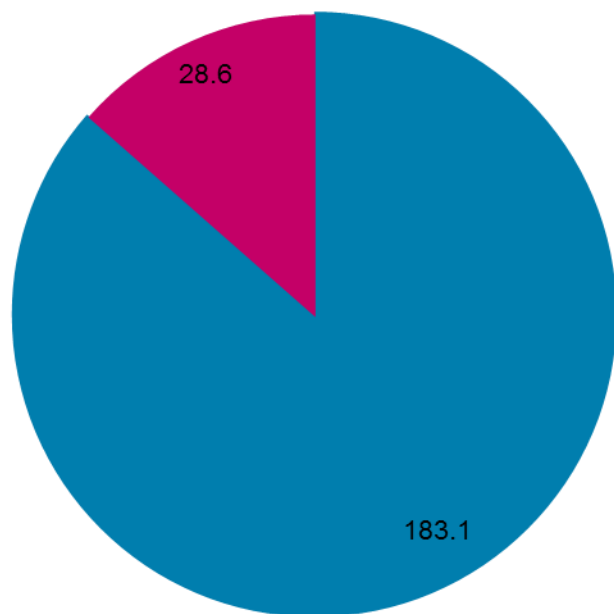
Black Sea wheat continues making inroads into the region



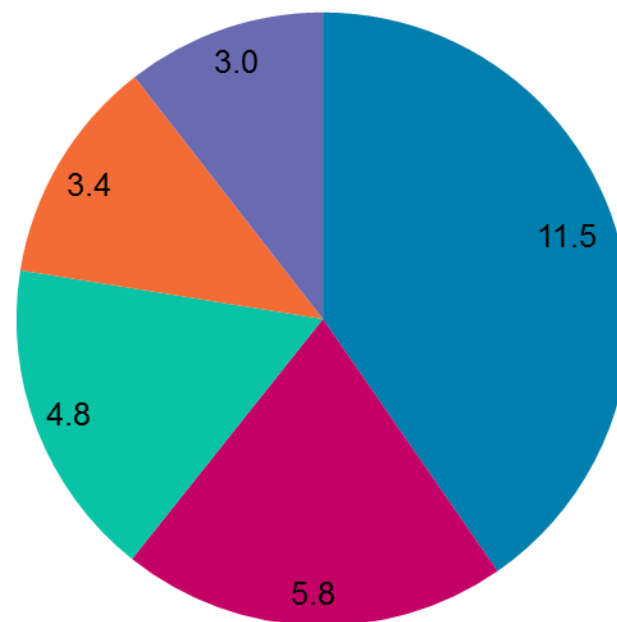
SOUTH EAST ASIAN WHEAT MARKET

- 28.6 million mt of imports for 2017/18 Marketing Year. 16% of Total
- Top 4 importers account for 90% of SEA demand

In million mt



■ World Trade ■ SE Asia



■ Indonesia ■ Philippines ■ Vietnam ■ Thailand ■ Others

Source: USDA

MAJOR ORIGINS WHEAT PRICING

- Fall from the heights of 2018 with support form US origin
- Black Sea continues downtrend, capturing all demand for Aug-Dec 2019

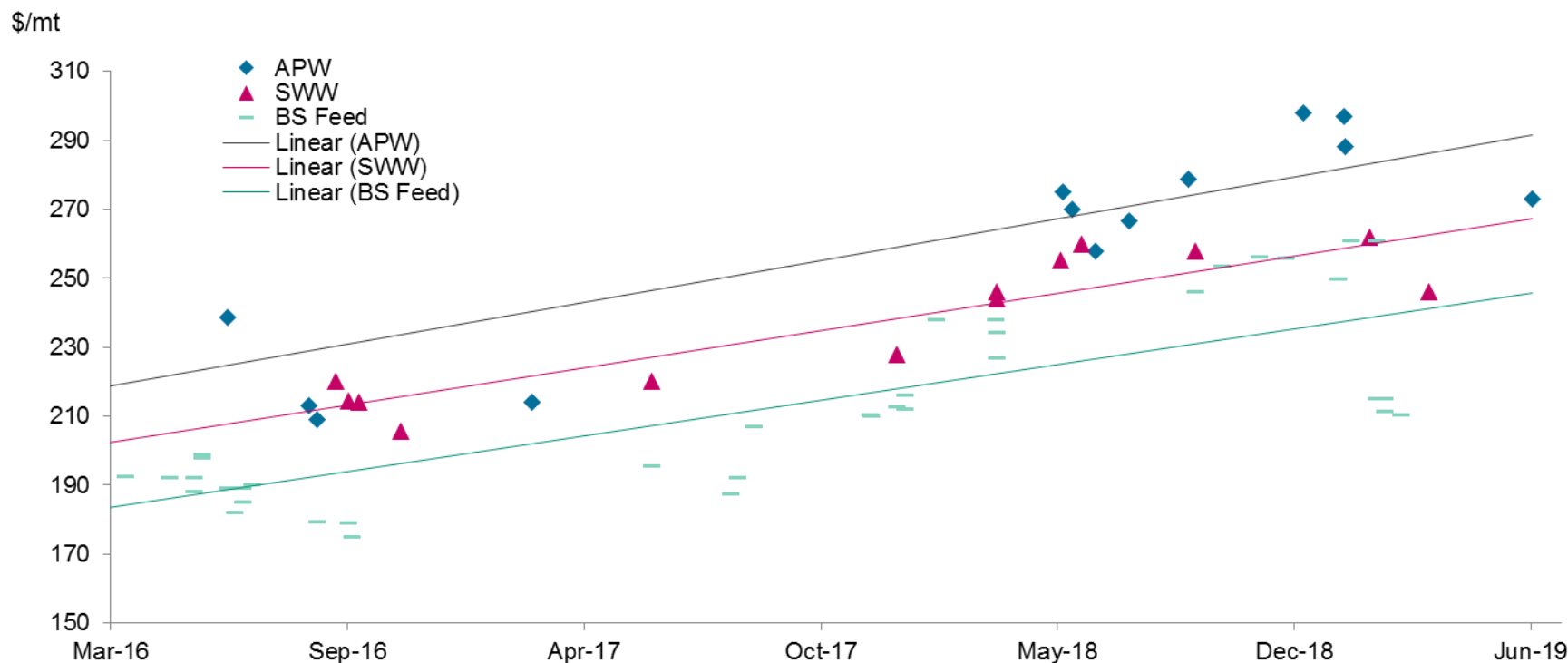


SOUTH EAST ASIA

EFFECTS ON THE DESTINATION MARKET

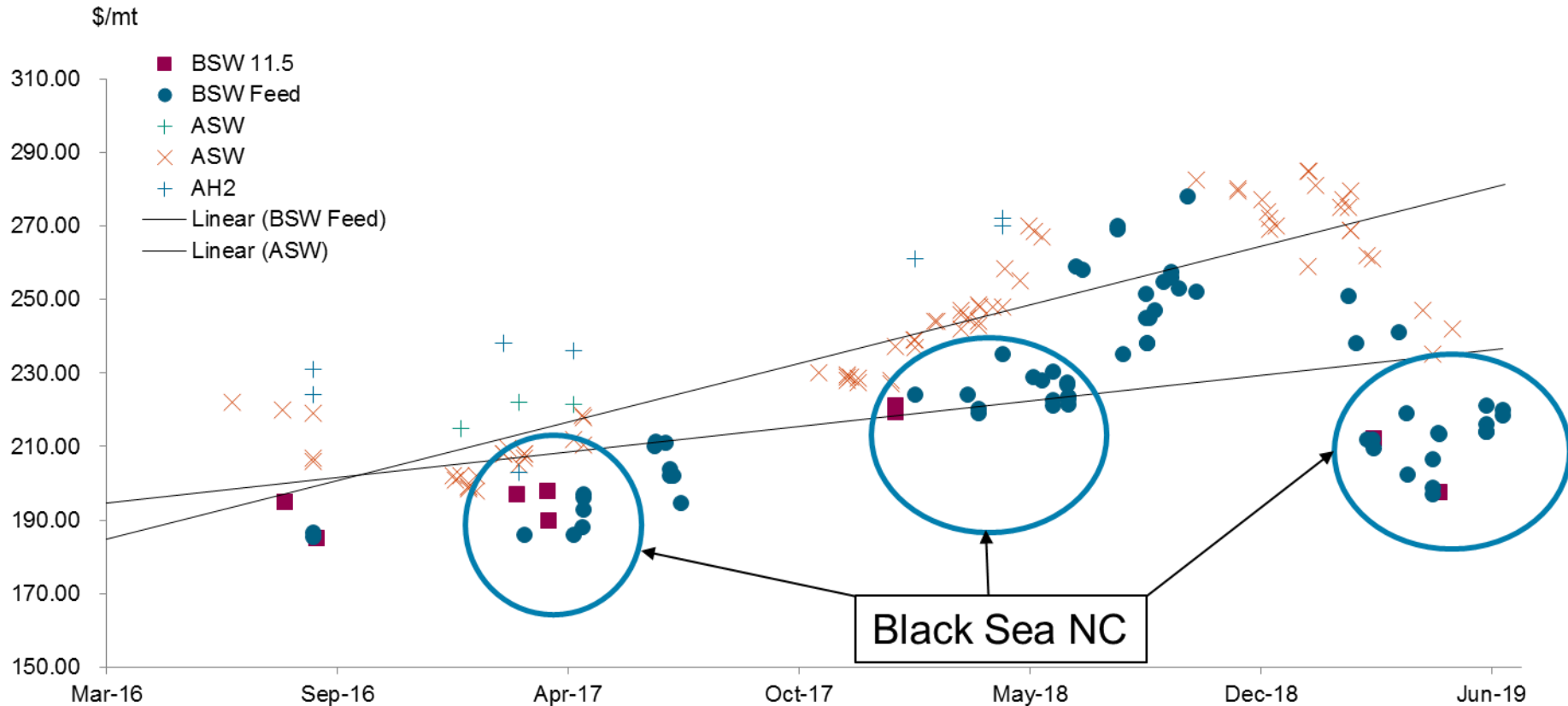
THAILAND IMPORTS

- Average Spread APW - Black Sea/EU Wheat Feed \$36/mt
- Widening from \$39/mt in 2018, to \$54/mt in 2019 (+38%)
- Similar to Vietnam, continued purchases with increased spread



PHILIPPINES IMPORTS

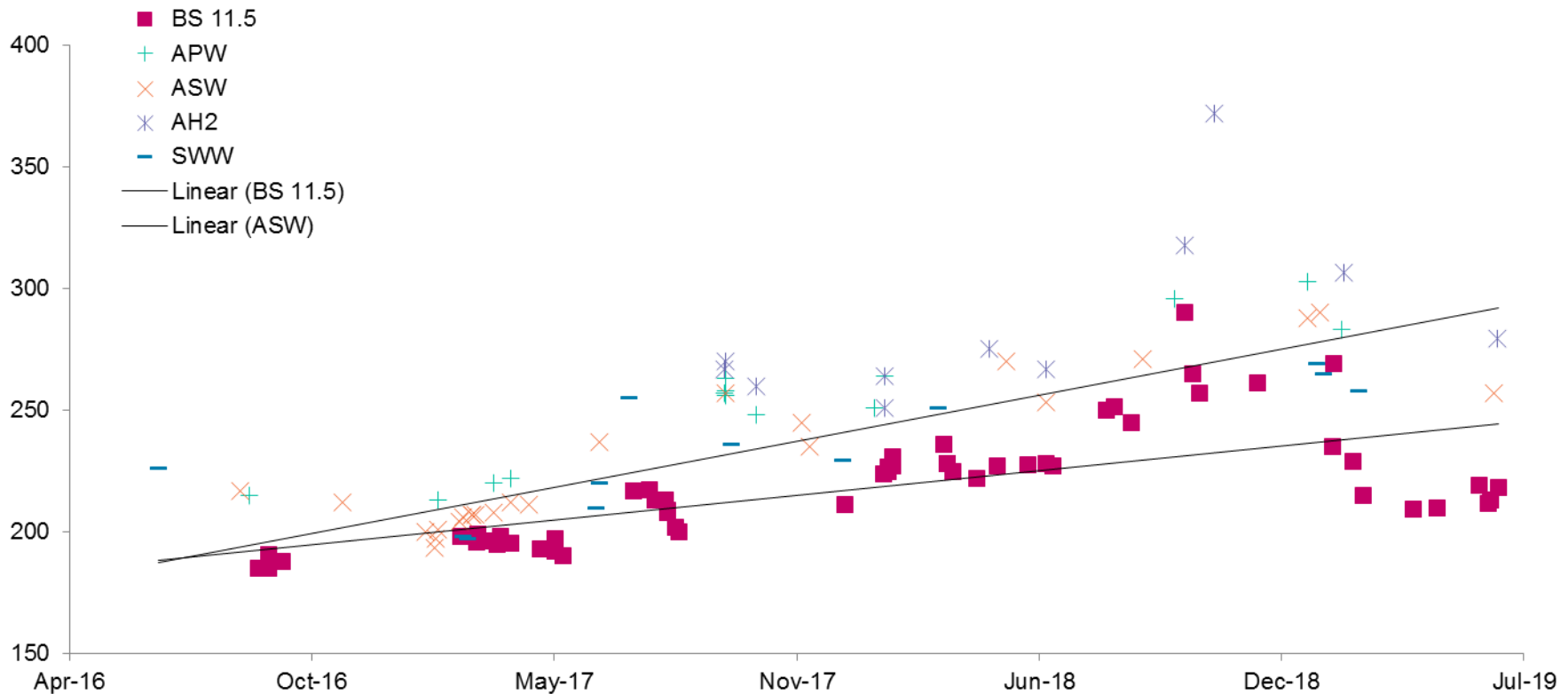
- Average spread Australian (ASW) / Black Sea Wheat (Feed) \$1/mt
- 2017: -\$3/mt, 2018: -\$2/mt, 2019: \$32/mt . Tax advantage factored in
- 2019 Black Sea New crop prices to low to compete



Source: S&P Global Platts

INDONESIA IMPORTS

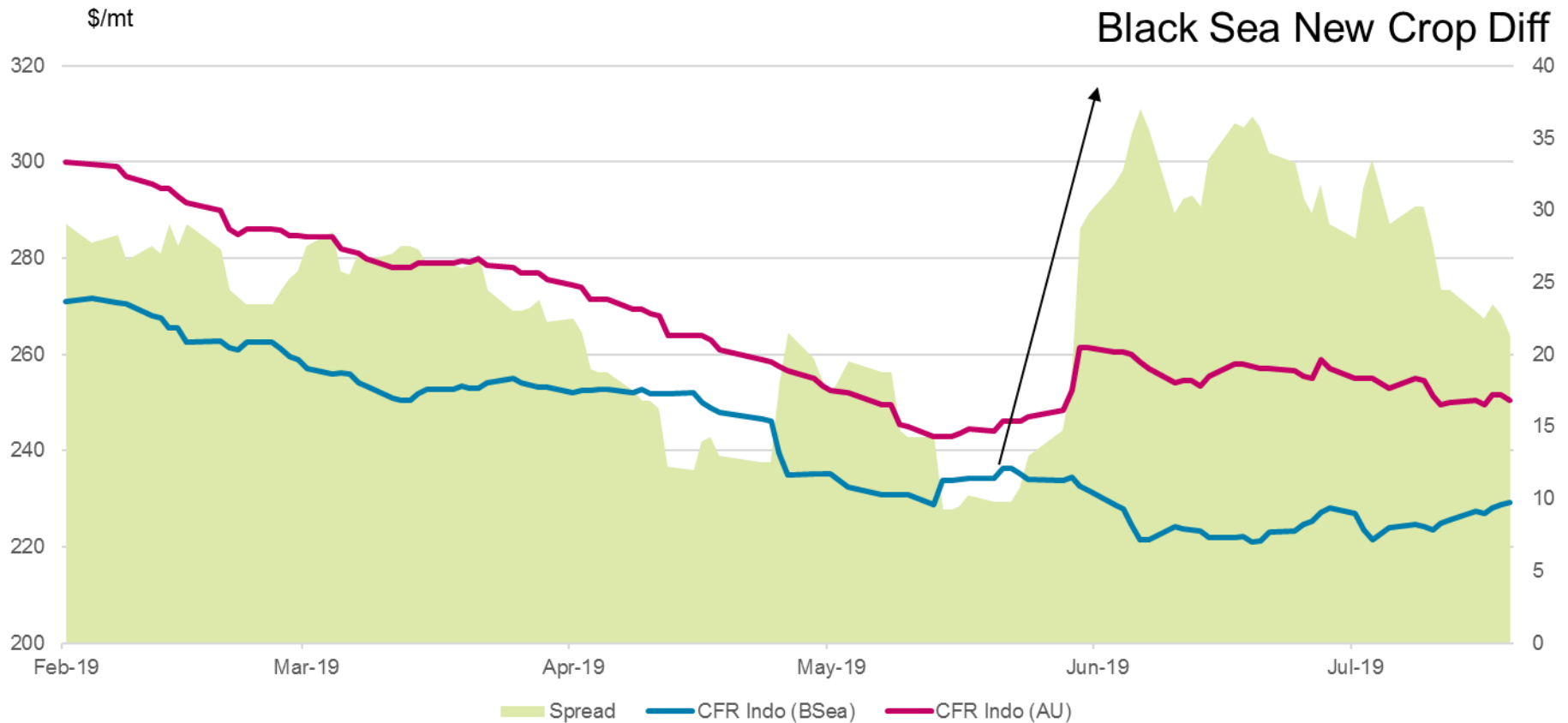
- ASW / Black Sea 11.5 average spread widening over time
- 2017: \$12/mt; 2018: \$28/mt; 2019: \$55/mt
- Black Sea new crop 2019 prices very competitive



Source: S&P Global Platts

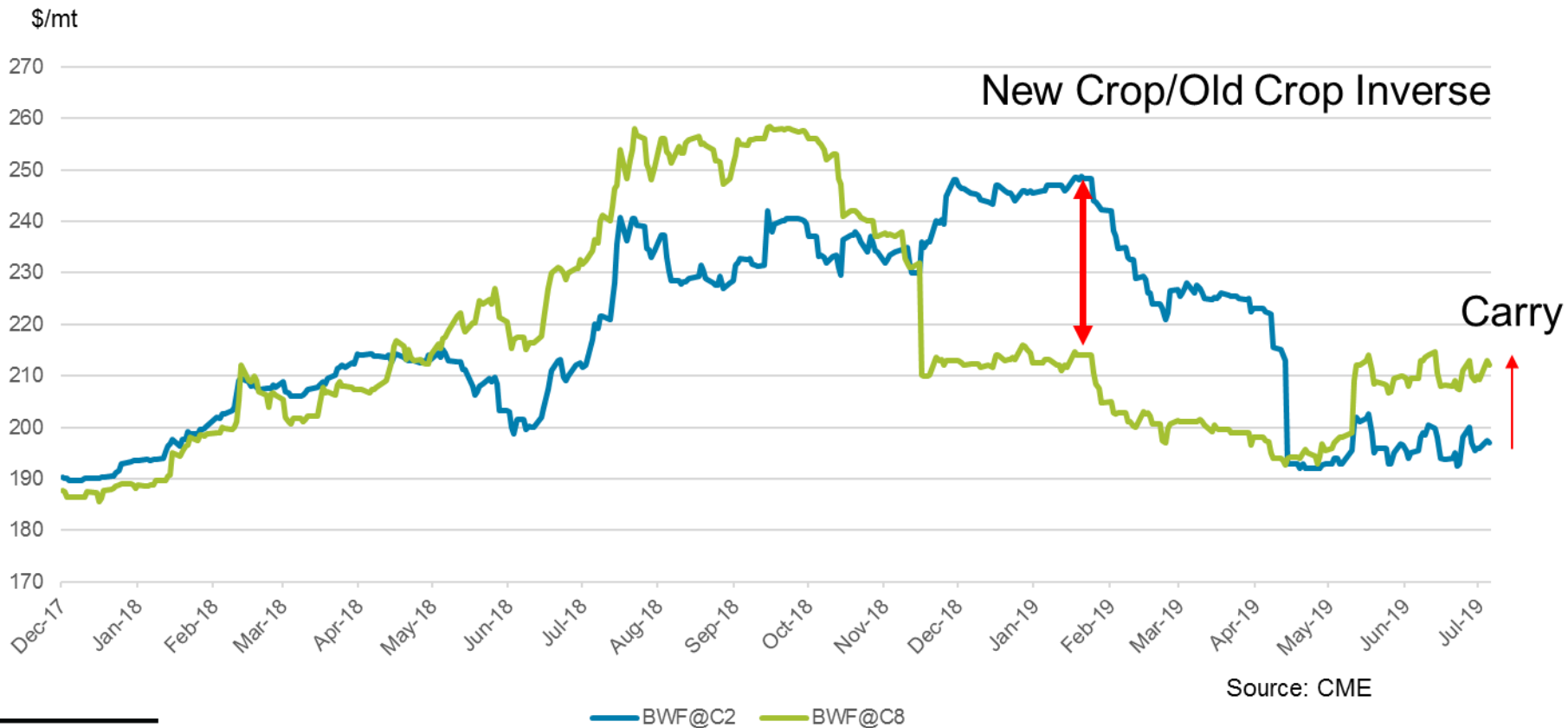
INDONESIA IMPORTS

- APW / Black Sea 12.5% replacement average spread in 2019 \$24/mt
- Black Sea steep new crop inverse forward curve vs Flat Forward curve in Australia



BLACK SEA WHEAT FUTURES

- Black Sea Wheat \$35/mt spread OC/NC
- A much more consistent carry market which can give export opportunities for Australia



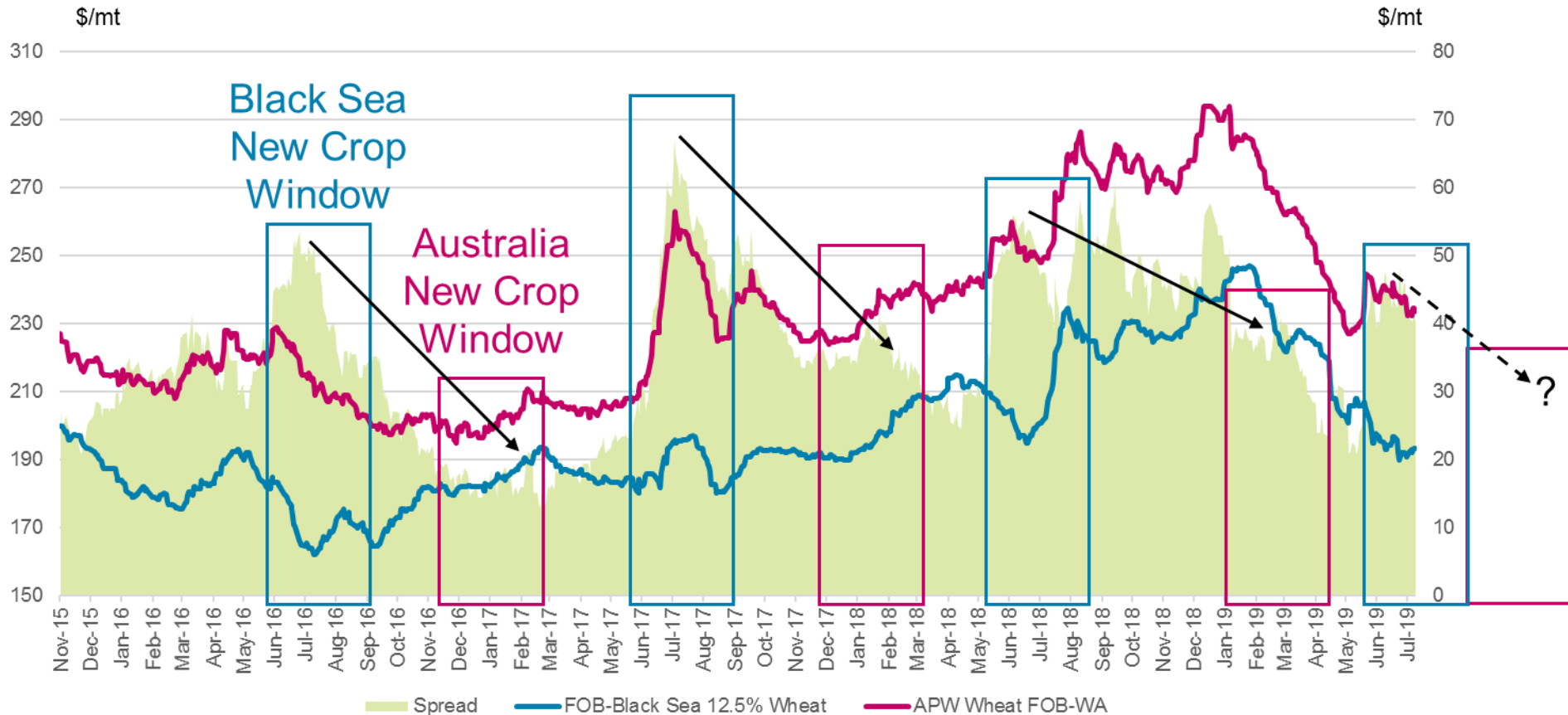
AUSTRALIAN WHEAT FUTURES

- APW flat market structure for OC and for NC shipment months
- New crop at a steep inverse which can bring demand back for cargoes shipped early 2020



BLACK SEA WHEAT vs AUSTRALIAN SEASONALITY

- Highly seasonal price movements around harvests
- Consecutive opportunity windows



CONCLUSIONS

- Australian Wheat prices continue to drift away from other origins
- More demand in captured by cheaper origins. Black Sea
- New crop potential to bring back some demand

THANK YOU!

ASIA PACIFIC

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