CREATING AND
RETURNING VALUE
TO GROWERS

# Differentiation of Australian Barley

Presented by Drew Robertson – Barley Trading Manager
CBH Group

CBH GROUP

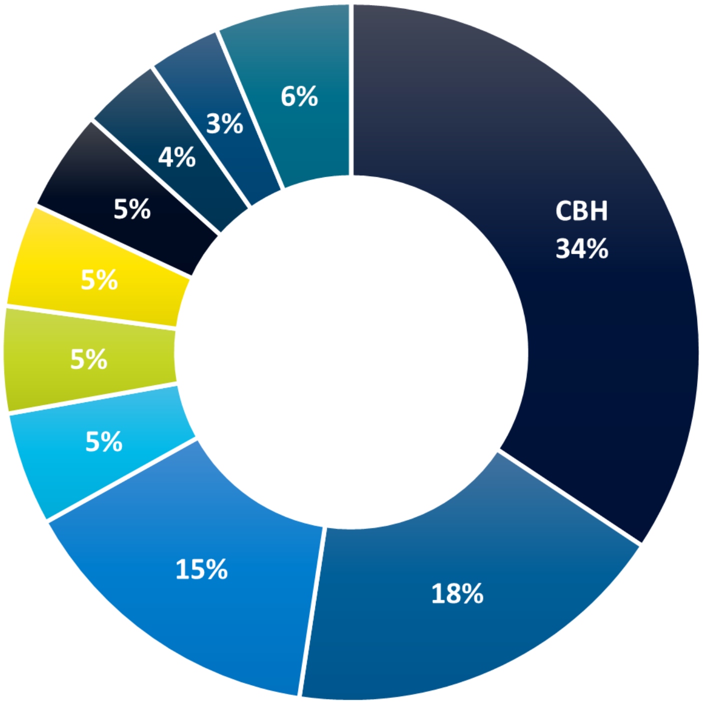
# Agenda

1. CBH Introduction
2. Trade Wars
3. Barley in Context
4. What do Buyers Want
5. Varieties
6. Australian Barley Markets

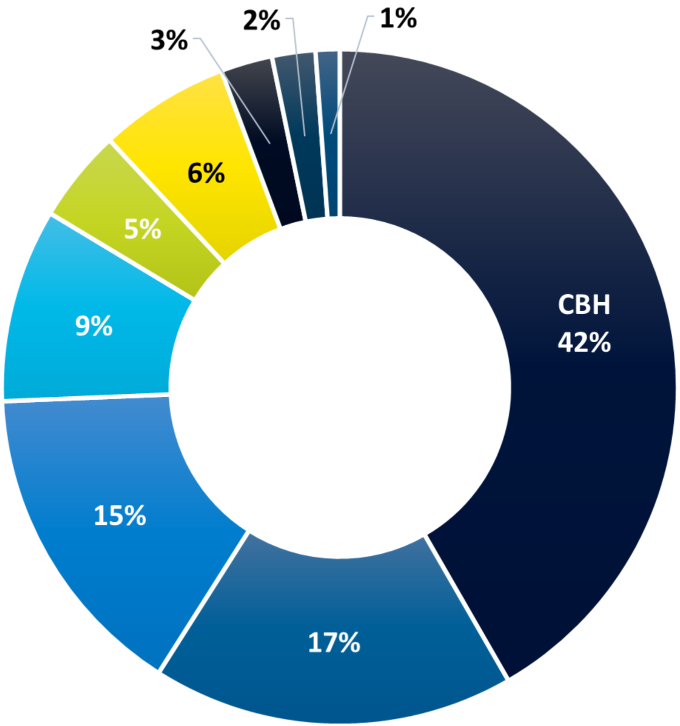
The CBH Group is Australia’s largest co-operative and a leader in the Australian grain industry, with operations extending along the value chain from grain storage, handling, transport, marketing and processing.

# 2017-18 Australian Grain Exports

2017-18 Australian Bulk Export Market Share




2017-18 Australian **BARLEY** Export Market Share




Trade Wars

# Trade Wars

- Disrupting international trade
- Increasingly protectionist global trading environment
- Anticipatory buying is disappearing
- Economic and financial uncertainty leading to hand-to-mouth purchasing.
- Non tariff trade barriers (sanitary and phytosanitary)

# Anti Dumping Investigation into Australian Barley

**Anti-dumping investigation**

19/11 — The Peoples Republic of China launches anti-dumping investigation into Australian barley imports

21/12 — Chinese Ministry of Finance and Commerce (MOFCOM) release questionnaire to barley exporters

11/2 — Questionnaires due to MOFCOM

**While investigation underway, MOFCOM can introduce provisional anti-dumping tariff**

**Countervailing investigation**

21/12 — The Peoples Republic of China launches 'countervailing' investigation against Australian barley imports

15/1 — Chinese Ministry of Finance and Commerce (MOFCOM) release questionnaire to Australian government, barley exporters and producers

21/2 — Questionnaires due to MOFCOM

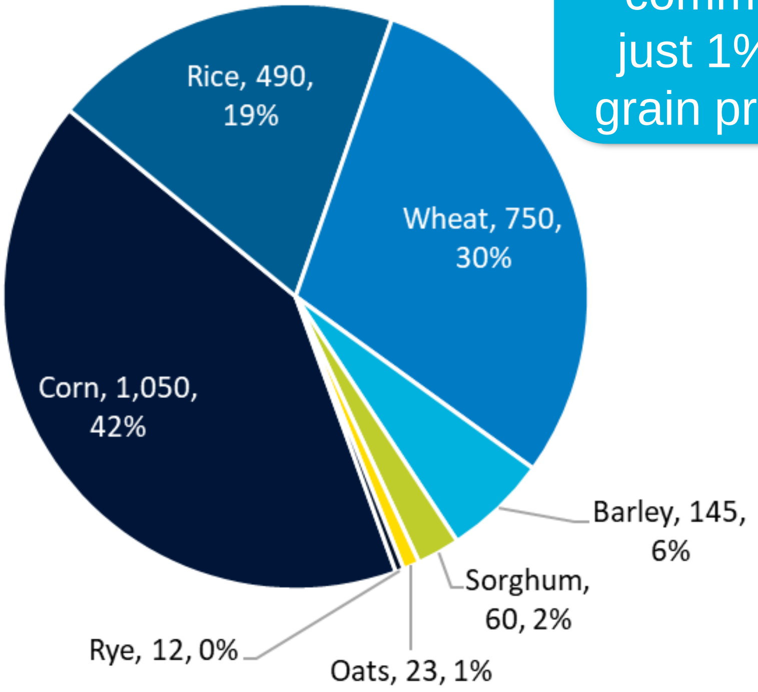
**While investigation is underway, a countervailing duty may be applied**

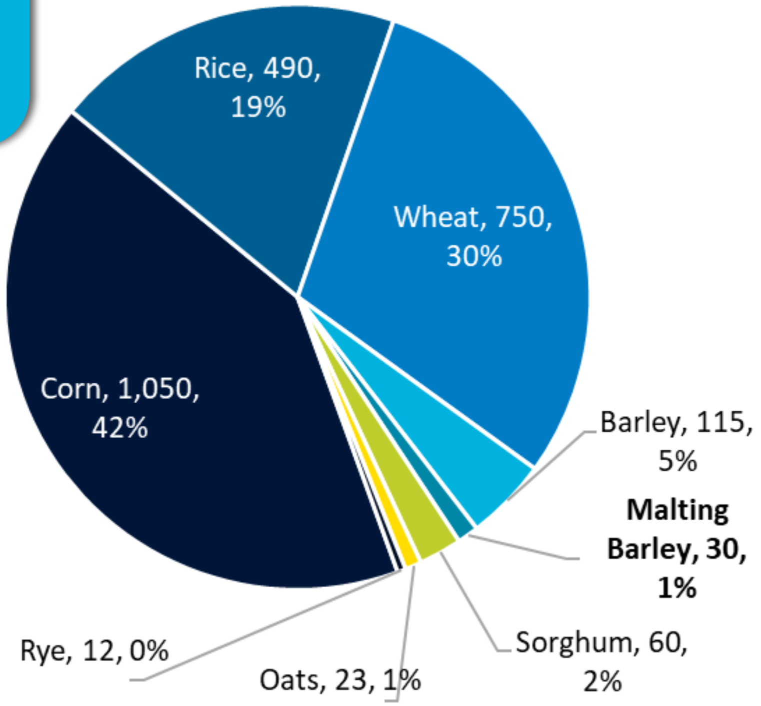
**November** **December** **2018 | 2019** **January** **February** **March**

# Putting Barley in Context

# World Grain Production (million metric tonnes)

Malting barley is a niche commodity at just 1% global grain production




Source: USDA

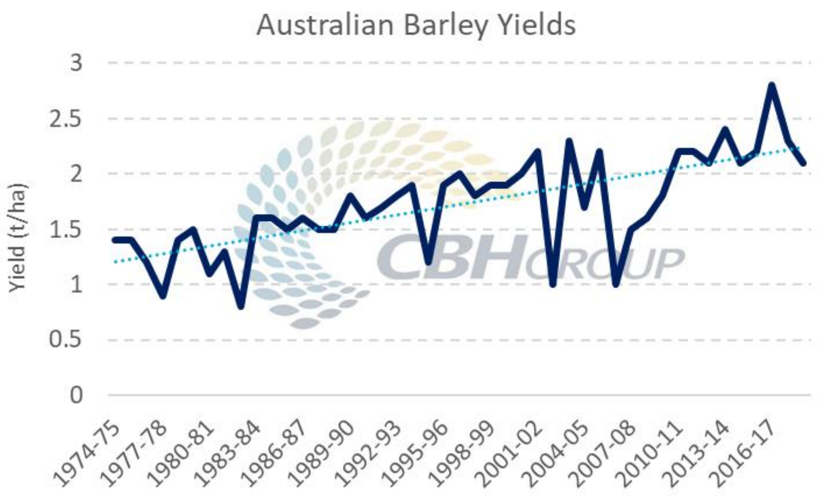
# Australia Important Player in International Barley Markets

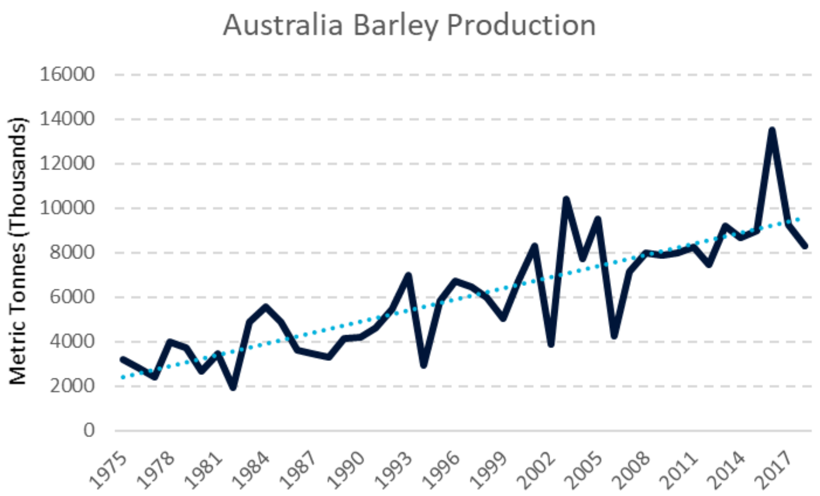
| Last 5 Years Average Production | |
|---|---|
| European Union | 59,352 |
| Russia | 18,016 |
| Australia | 9,853 |
| Canada | 8,717 |
| Ukraine | 8,715 |
| Turkey | 6,710 |
| Argentina | 4,368 |
| United States | 3,861 |
| China | 1,844 |
| Others | 25,213 |
| Total | 146,649 |

| Last 5 Years Average Exports | |
|---|---|
| European Union | 6,077 |
| Australia | 5,996 |
| Russia | 4,644 |
| Ukraine | 4,340 |
| Argentina | 2,846 |
| Canada | 1,925 |
| United States | 112 |
| Others | 1,588 |
| Total | 27,528 |

Source: USDA

# Historic Australian Barley Production & Yield



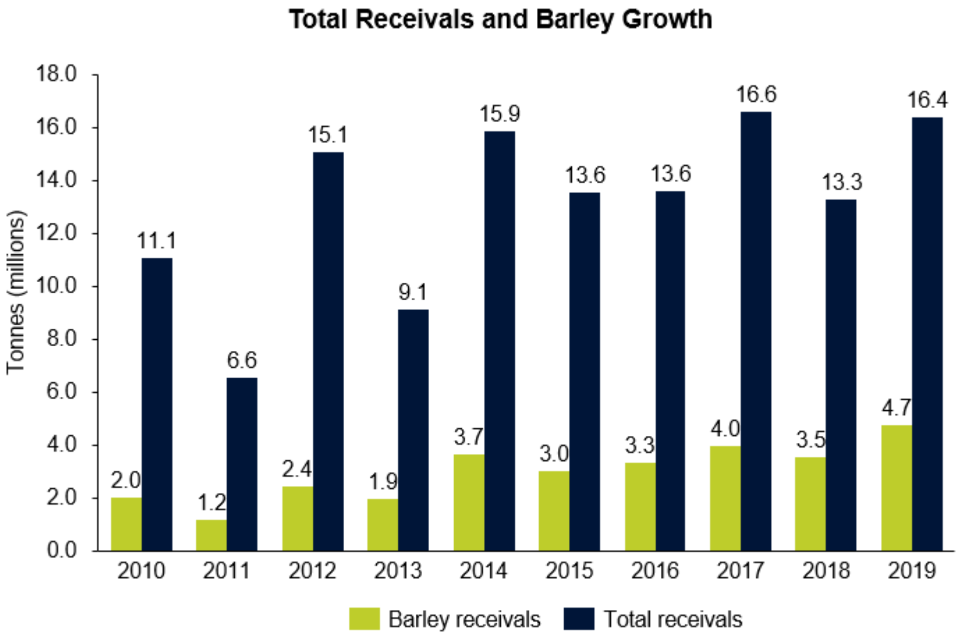

## Barley Yields

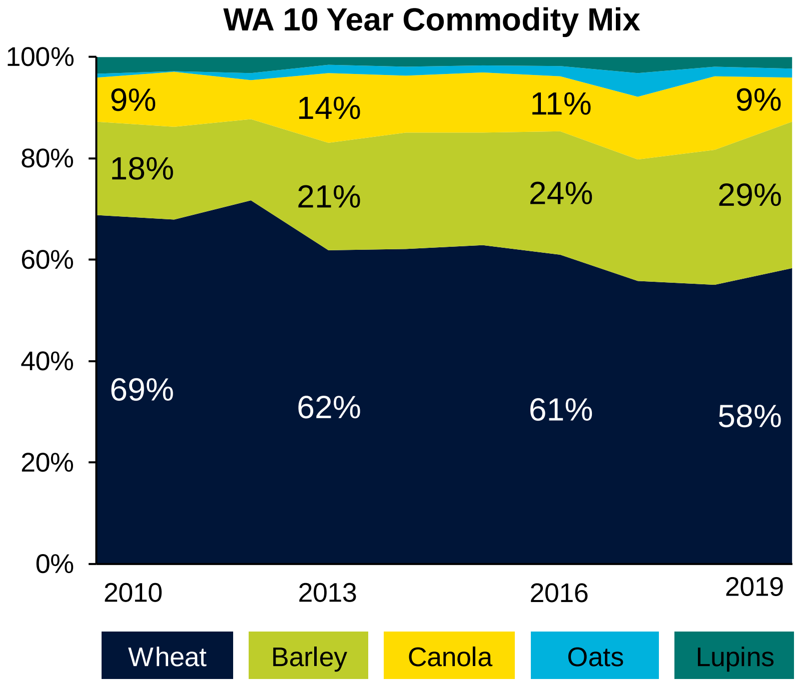
Yields have improved over the last 45 years

## Barley Production

Australia is one of the few regions where barley production continues to increase

# Western Australian Production Trends



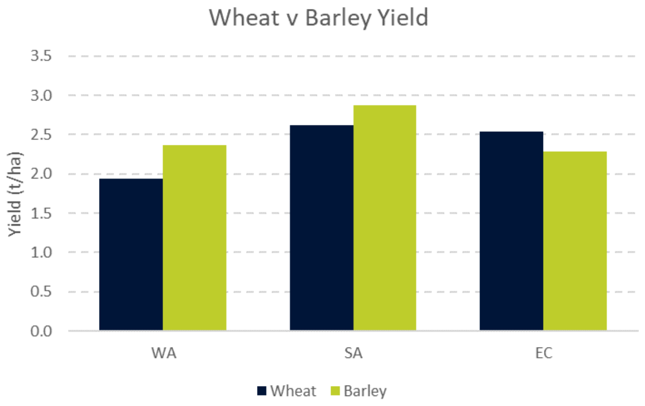



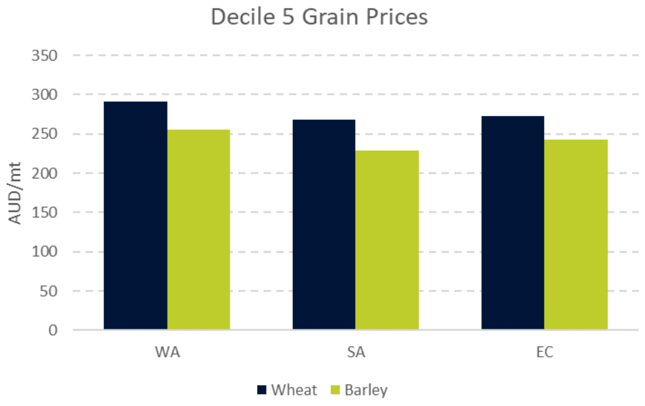

**10 year average = 13.1Mt**

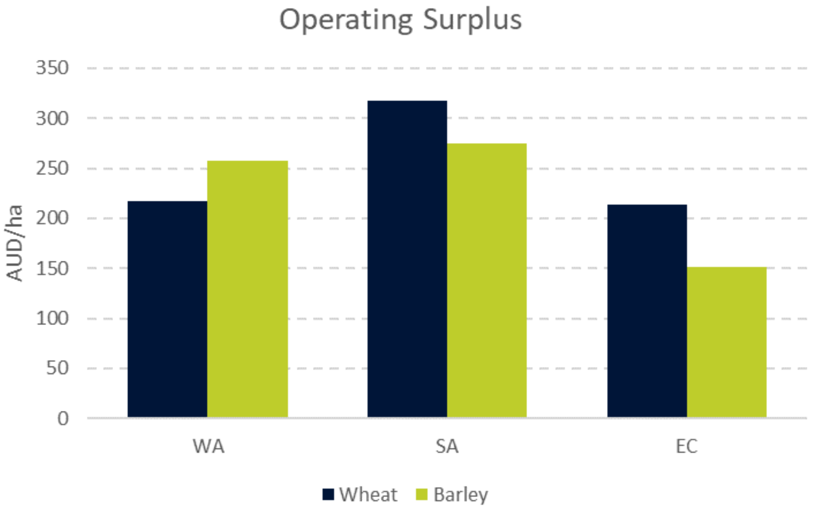
**5 year average = 14.7Mt**

Barley Production Wheat Production

# Growing Barley is Profitable Option



# GRDC Groundcover - Barley outperforming wheat

## Barley outperforms wheat in Beverley, WA

Jo Fulwood22 May 2019, 7 a.m.
Grower Stories

Since returning to the family farm in 2012, Adam Smith and wife Rebecca, along with Adam's parents, have made significant changes to their long term-business strategy. PHOTO Evan Collis

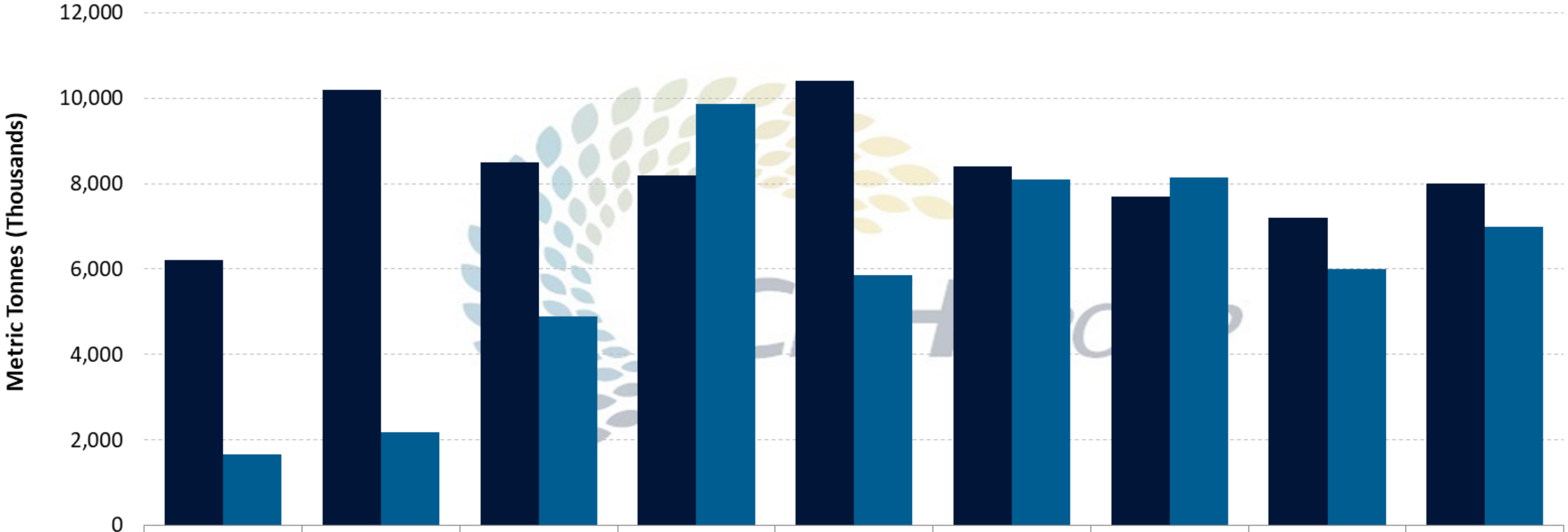
Beverley growers Adam and Rebecca Smith have taken wheat out of their continuous grains cropping enterprise for the first time since they returned to the family farm in 2012.

With frost continuing to be a major challenge for the farm business, Adam says barley has been outperforming wheat on average, at more than $90 per hectare net, for many years.

Source: GRDC Groundcover May 2019

# China Fundamentally Changed Global Barley Markets

## China and Saudi Imports and Share of World Barley Trade

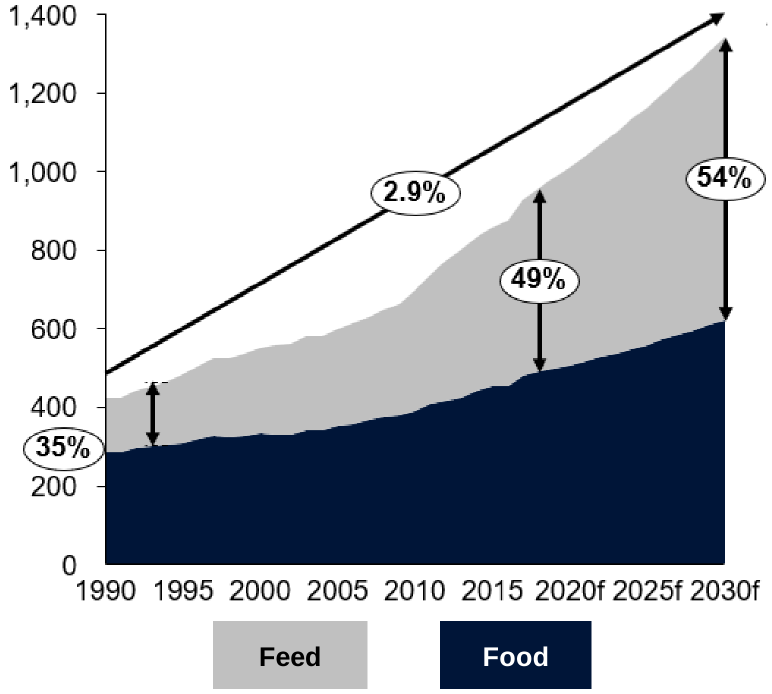



| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 6,200 | 10,200 | 8,500 | 8,200 | 10,400 | 8,400 | 7,700 | 7,200 | 8,000 |
| China | 1,656 | 2,183 | 4,891 | 9,859 | 5,869 | 8,104 | 8,144 | 6,000 | 7,000 |

# Asian Consumption Driving Demand

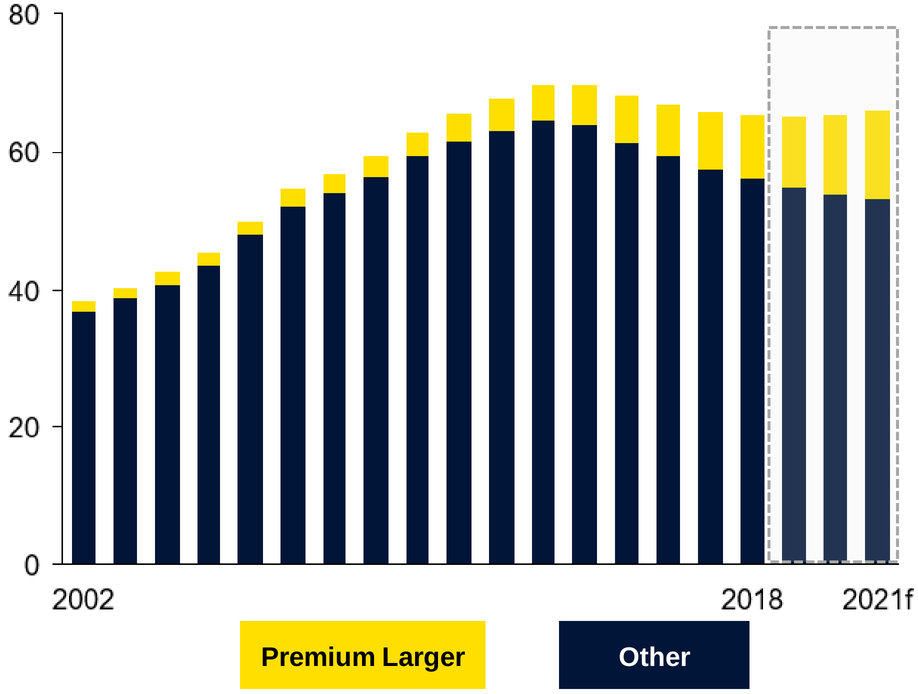
## ASIA FOOD VS FEED CONSUMPTION

(ALL GRAINS & OILSEEDS, MILLION TONNES, ASIA)




## BEER CONSUMPTION PEAKED IN 2013

(MILLION LITRES, ASIA)



# What do Buyers Want?

# What are Buyers Looking For?

- Safe (mycotoxins, chemical residues)
- Reliable and stable supply
- Competitive price
- High quality
- Sustainability

# Main Concerns Australian Barley

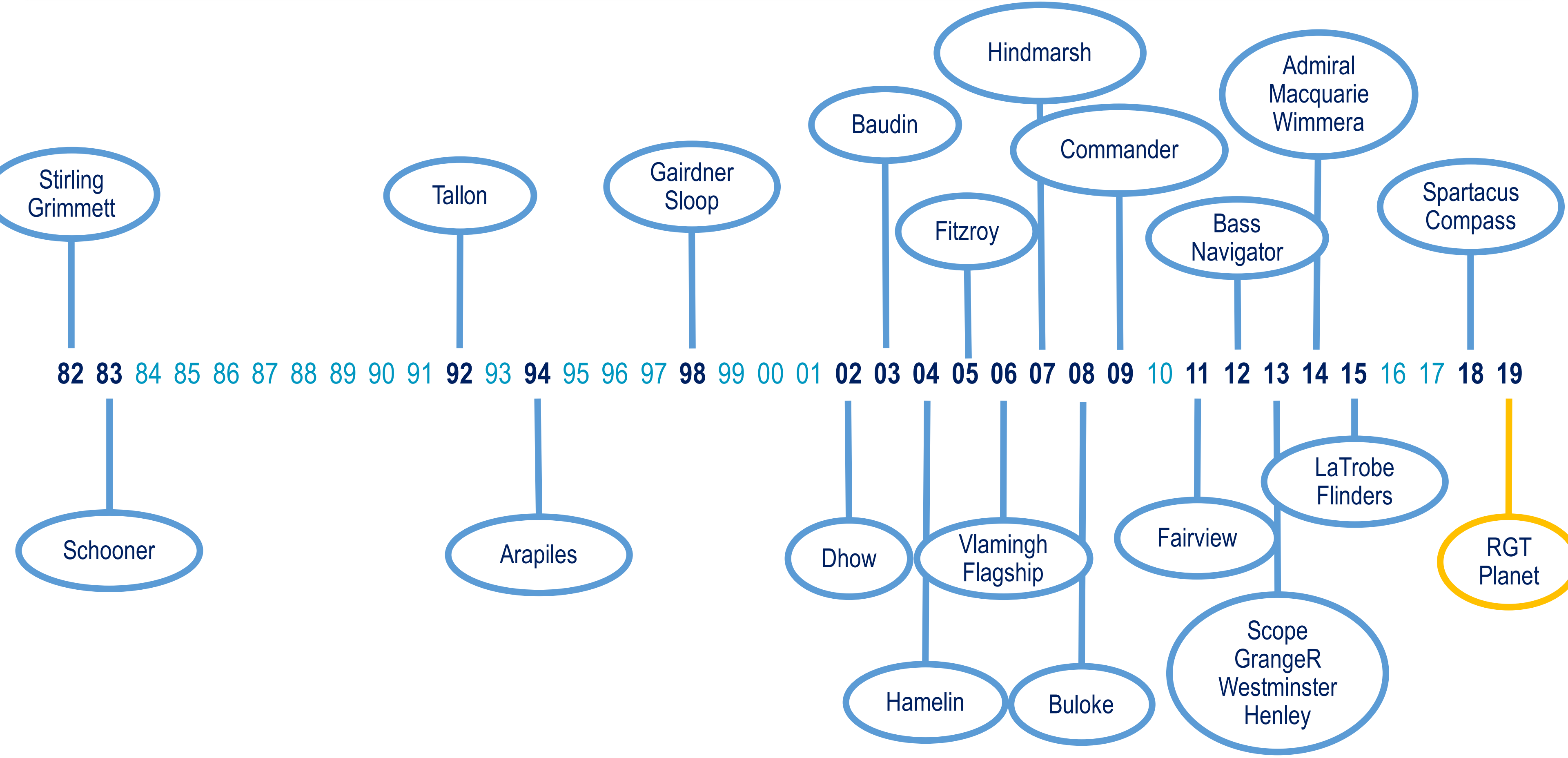
1. **Australian Barley Varieties**
   - The turn over of Australian varieties is too fast
   - Just as a variety becomes a preferred variety it disappears
   - Future role of heirloom varieties and varieties developed in conjunction with brewers

2. **Protein Levels**
   - Common complaint is that protein of Australian barley is too low
   - However, protein has improved

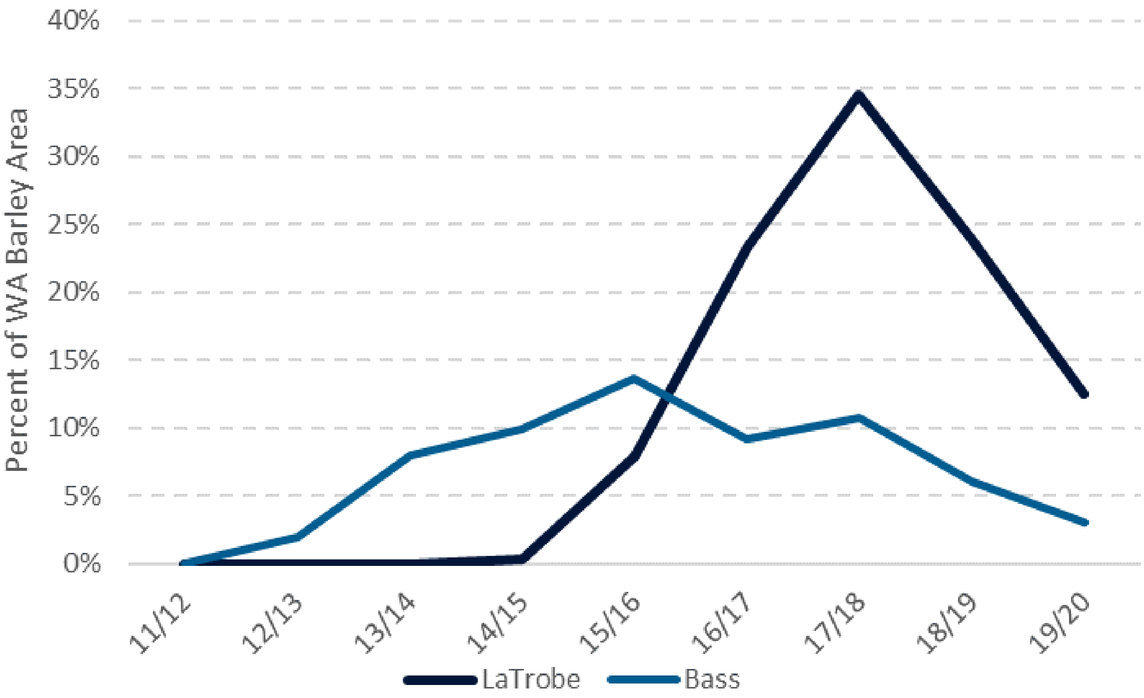
3. **Foreign Material**
   - Foreign material complaints have increased in recent years
   - Customers concerned about the increasing level of husks in Australian barley

4. **Greater Collaboration**
   - Increased pre-competitive collaboration

# Year of Accreditation of Barley Varieties

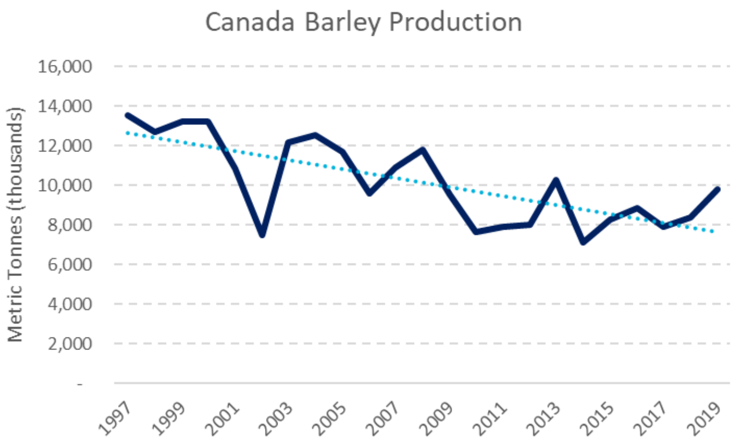


# Evolution of LaTrobe and Bass in WA



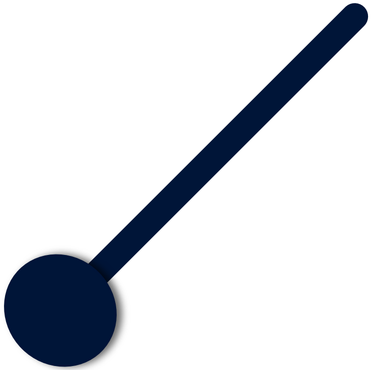
# Canada Situation

| Variety | Year Registered | 2019/20 Seeded Area |
|---|---|---|
| CDC Copeland | 1999 | 48% |
| AC Metcalf | 1997 | 24% |
| AAC Synergy | 2012 | 15% |
| Total | | 87% |




- Canada held up as beacon for variety stability.
- No. 1 priority in Western Canada Barley action plan:
  - Quicker introduction rate for higher yielding varieties with better agronomic packages.
- Would we still have a barley industry if we only had access to Stirling, Gairdner or Baudin?

# Where Should We Be?



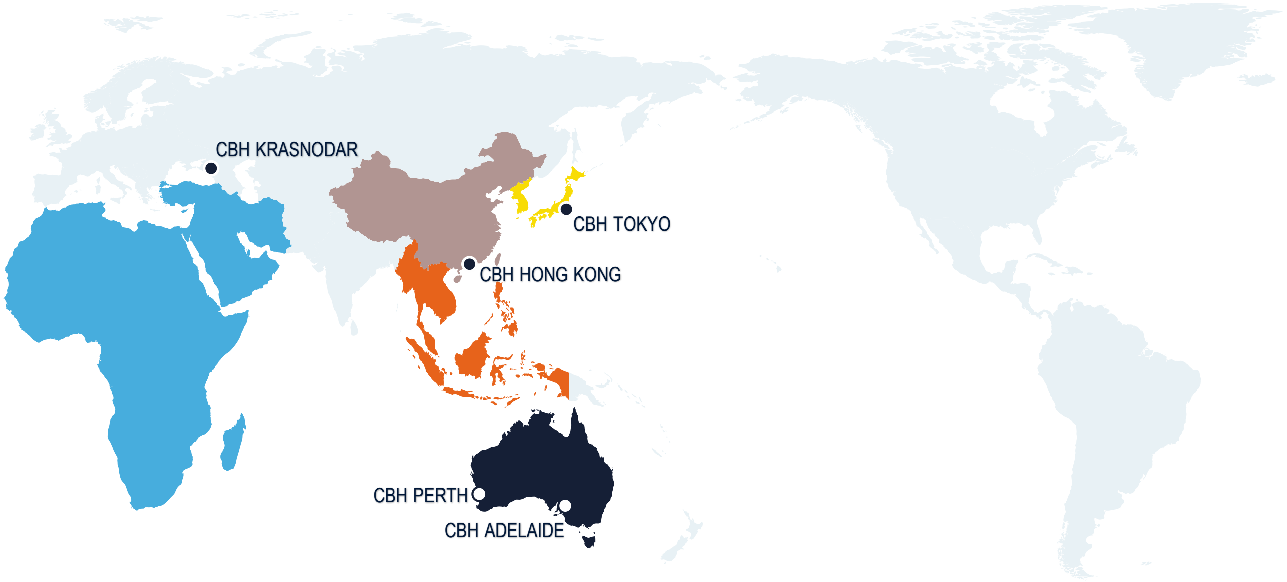
Same varieties – strong market preference
No genetic gain or agronomic improvement
Poor returns against alternative crops
Reduced barley hectares

Slower turn over of and increased production of 'preferred' varieties
Maintain genetic and agronomic gains

Rapid turnover of varieties
Significant genetic and agronomic gains
Profitable cropping option
Yield main driver for adoption over market preference

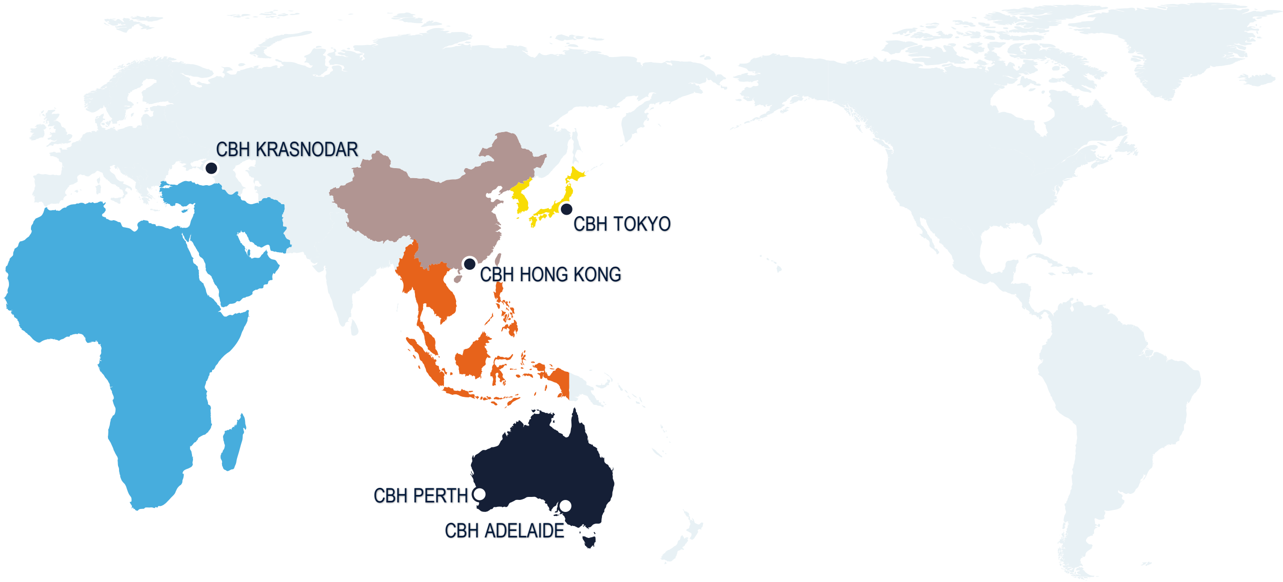
# Australian Barley Markets

# Australian Malting Barley Exports




| | China | Japan & Korea | South East Asia | Middle East & Africa | Other | Total Exports (mt) |
|---|---|---|---|---|---|---|
| **2017-18** | **90%** | **5%** | **5%** | **0%** | **0%** | **2,157,536** |
| 2016-17 | 90% | 6% | 3% | 2% | 0% | 2,660,665 |
| 2015-16 | 91% | 6% | 1% | 1% | 0% | 1,390,637 |

# Australian Feed Barley Exports




| | China | Japan & Korea | South East Asia | Middle East & Africa | Other | Total Exports (mt) |
|---|---|---|---|---|---|---|
| **2017-18** | **72%** | **22%** | **6%** | **1%** | **0%** | **3,912,327** |
| 2016-17 | 61% | 15% | 1% | 22% | 1% | 6,502,567 |
| 2015-16 | 39% | 21% | 1% | 39% | 1% | 4,008,688 |

# Market Segmentation Within China

| Grade | Quantity (mmt) | Suppliers |
|---|---|---|
| Premium Malting Barley | 1.0 |  |
| Generic Malting Barley | 1.5 – 2.0 |  |
| Fair Average Quality (FAQ) | 0.8 – 1.3 |  |
| Total Barley for Malting | 3.8 |  |
| Feed Barely | Imports > 3.8 |  |

Distinct quality requirements for brewing;

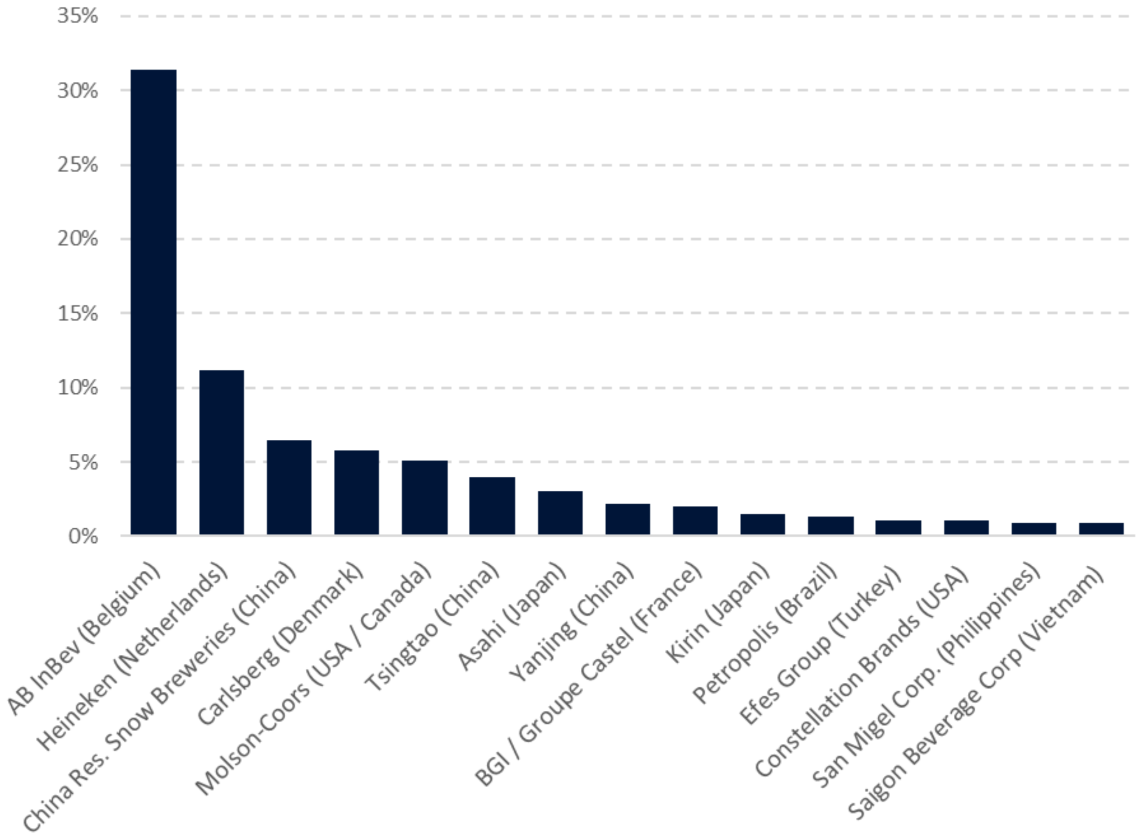
- Premium beer segment (rice adjunct)
- Economy beer segment (corn syrup adjunct)

# Australian Malt Exports


| South East Asia | Imports (mt) |
|---|---|
| Vietnam | 155,000 |
| Thailand | 83,000 |
| Philippines | 51,000 |
| Singapore | 25,000 |
| Cambodia | 17,000 |
| Myanmar | 7,000 |

| | China | Japan & Korea | South East Asia | Middle East & Africa | Other | Total Exports (mt) |
|---|---|---|---|---|---|---|
| **2017-18** | **0%** | **34%** | **63%** | **1%** | **2%** | **627,662** |
| 2016-17 | 0% | 35% | 63% | 0% | 1% | 563,627 |
| 2015-16 | 2% | 37% | 58% | 0% | 2% | 492,911 |

# Brewers are the End User




The top 15 brewers represent 78% of global market share

Big beer is a major consumer of malt, and the malt industry needs to prepare for the changes in mainstream beer

Source: The Barth-Haas Group


Questions?