

# Harvest 10

Wheat

# 10/10



## 2018/19 Performance Insight

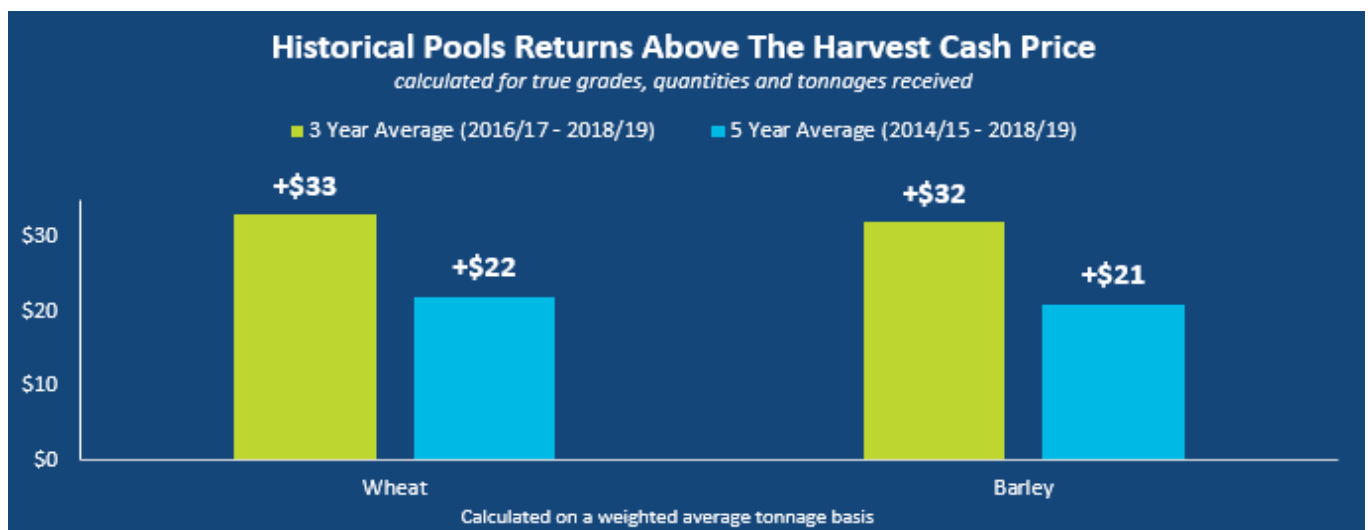
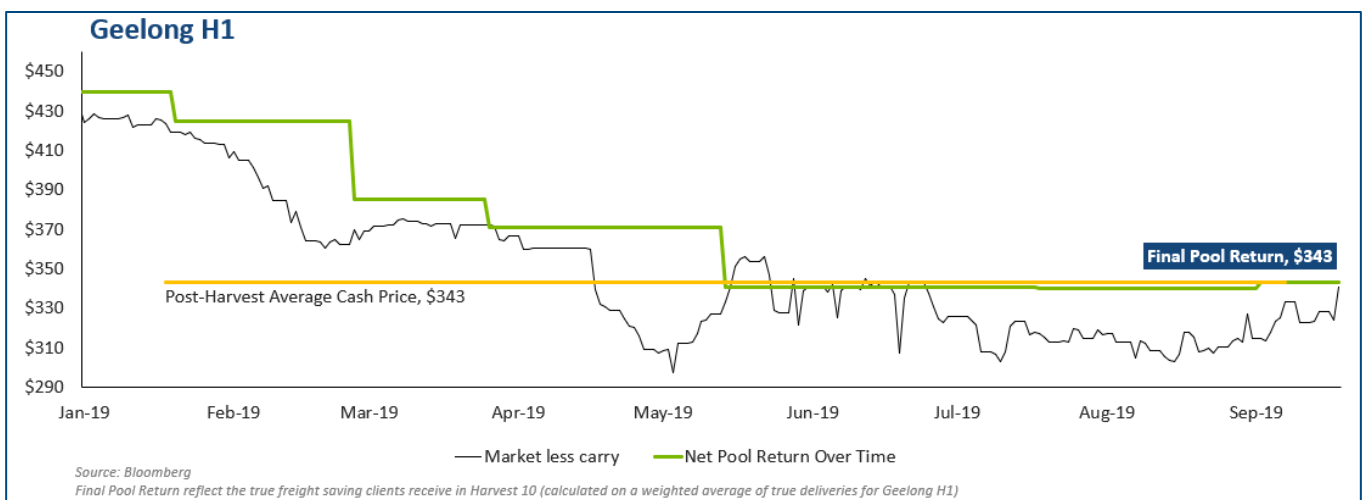
### Key Objectives

GrainCorp's Harvest 10 (H10) Pool is designed to allow participation in the market over the 10-month marketing window, whilst reducing price risk exposure, and protecting equity.

### Outcomes

The 2018/19 H10 Wheat Pool returned between +\$2 and -\$10 of the post-harvest average cash price in a season of limited post-harvest opportunities.

### 2018/19 Harvest 10 Performance



## Pool Managers' Overview.

From Harvest, global headwinds and sluggish demand made for a challenging marketplace.

Harvest 10 provides growers with participation across the 10-month marketing window, whilst reducing price risk exposure to equity.

At harvest, early prices were supported by:

- The tightest carry-in stock level on record.
- The smallest East Coast crop in a decade.
- Ongoing dry conditions.

Opportunity to capture early harvest prices was limited with the bulk of the Pools' stock being received on or near the February deadline. Whilst the Pool did take the opportunity to capture some harvest prices by marketing modest amounts early, it was mindful of providing exposure to potential opportunities across full 10-month marketing window. Within 25 days East Coast Wheat markets were \$60/mt weaker, pulled lower by major market pressures.

Major market pressures throughout the year:

- China unexpectedly ceased Australian barley purchases with the announcement of an anti-dumping investigation. Over the last 5 years China has typically purchased 60% of Australia's barley exports. Without China in the market, nearly 4 million mts was left searching for an alternative buyer.

Barley was forced to weaken both outright and relative to wheat. The sheer volume of surplus barley saw mass local substitution at the expense of wheat. With wheat removed from the ration, it too was forced to weaken in search of additional demand.

- South-East Asia, a previously inelastic consumer of Australian milling wheat, purchased record low volumes

of Australian supply, instead choosing to substitute unprecedented volumes of Argentinian and Black Sea wheat. Australia only accounted for 20% of their imports, half of the normal share.

- For the first time in 15 years, foreign milling wheat was permitted into Australia, this time in large volumes. Canadian milling wheat was imported to replace local supply. The substitution of 400,000mt of foreign wheat at the expense of local supply options removed significant potential value away from the local market.

Where possible, the Pool did participate in capturing premium markets throughout the marketing window, however opportunities to create value were limited. Significantly less export demand and the substitution of foreign wheat over local supply ultimately satisfied East Coast grain deficits and devalued the domestic market.

Harvest 10's long standing track record displays that challenging seasons with limited opportunities are uncommon. Harvest 10 has a proven history of providing strong value to growers, in a secure, simple and transparent manner.

We thank you for entrusting GrainCorp Pools and we look forward to working together again in coming seasons. If you would like to discuss this result further, please contact your local GrainCorp Marketer.



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Pools Manager

To find out more about Harvest 10, contact your local GrainCorp merchant or visit [graincorp.com.au](http://graincorp.com.au)

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