



中粮国际
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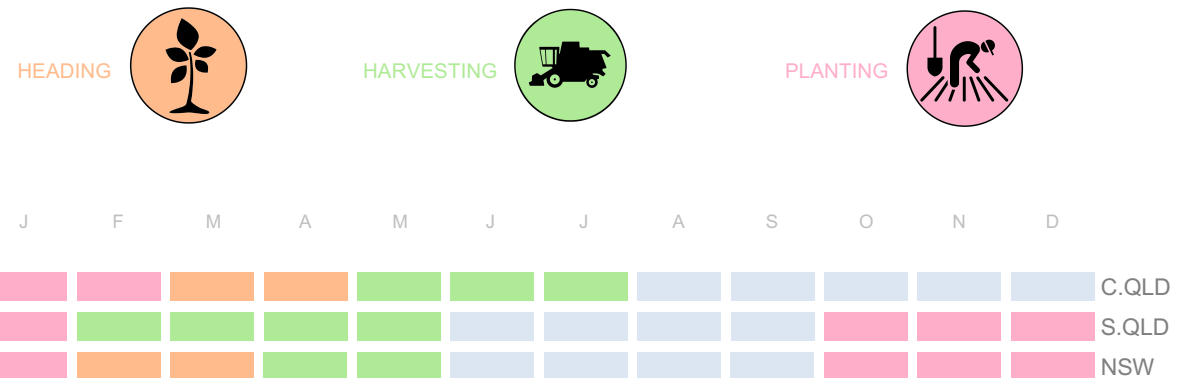
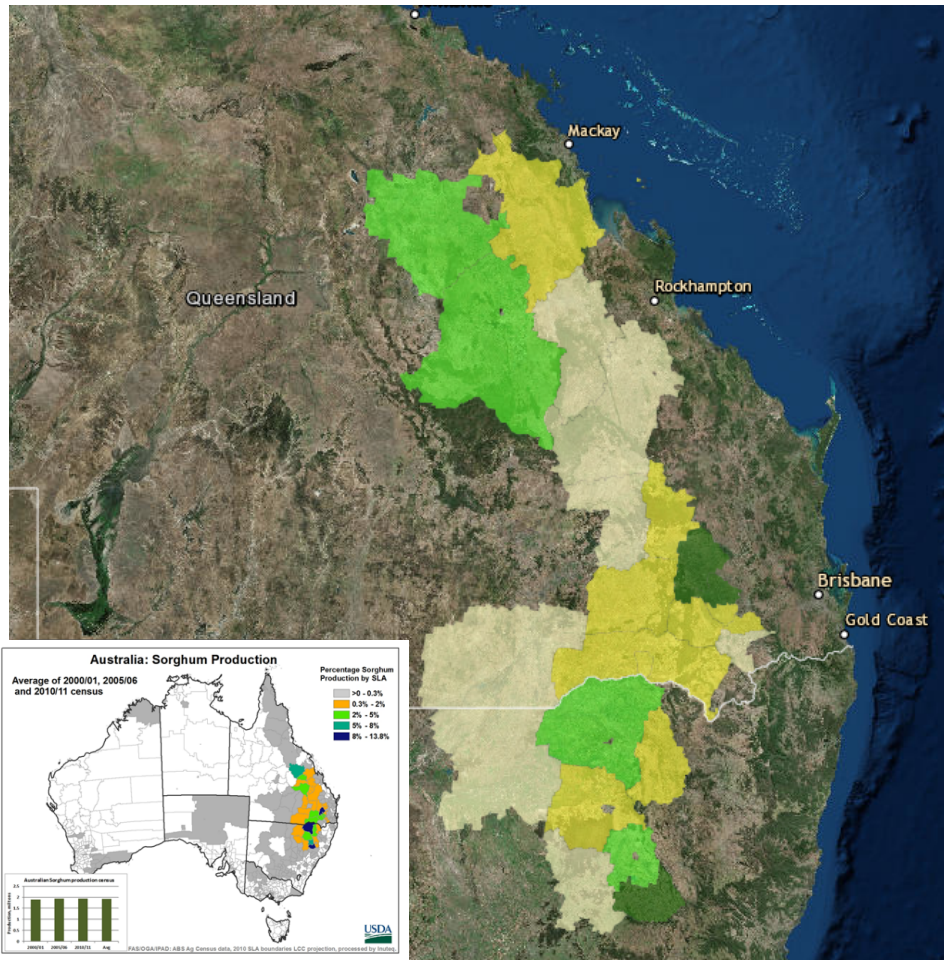
Opportunities for Australian Sorghum in China

Australian Grains Industry Conference

22 March 2018

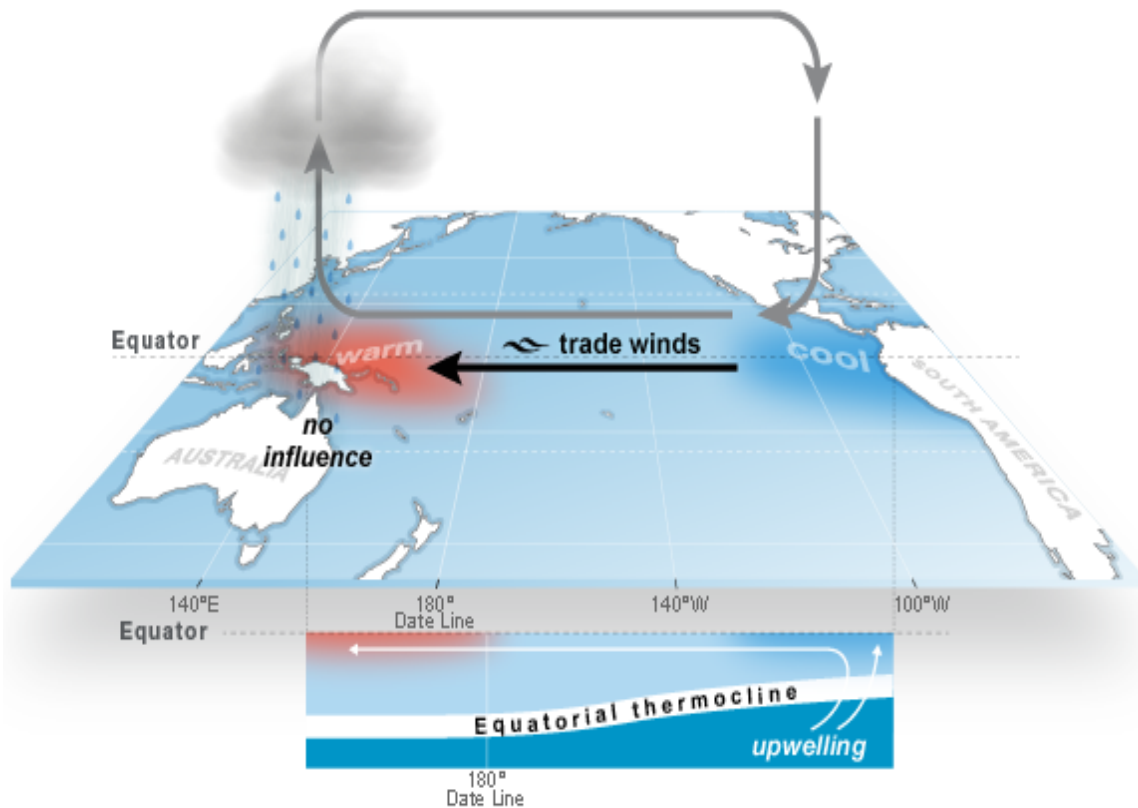
Owen Goddard - COFCO International

Overview of Sorghum in Australia: Where and When



- Production concentrated across QLD and Northern NSW.
- Planting commences October for southern regions whilst the Central Queensland farmer will wait until February to plant. Harvest can be spread from February-August.
- Summer crop alternatives include; Cotton, Mung Beans, Maize, Soybean & Sunflower

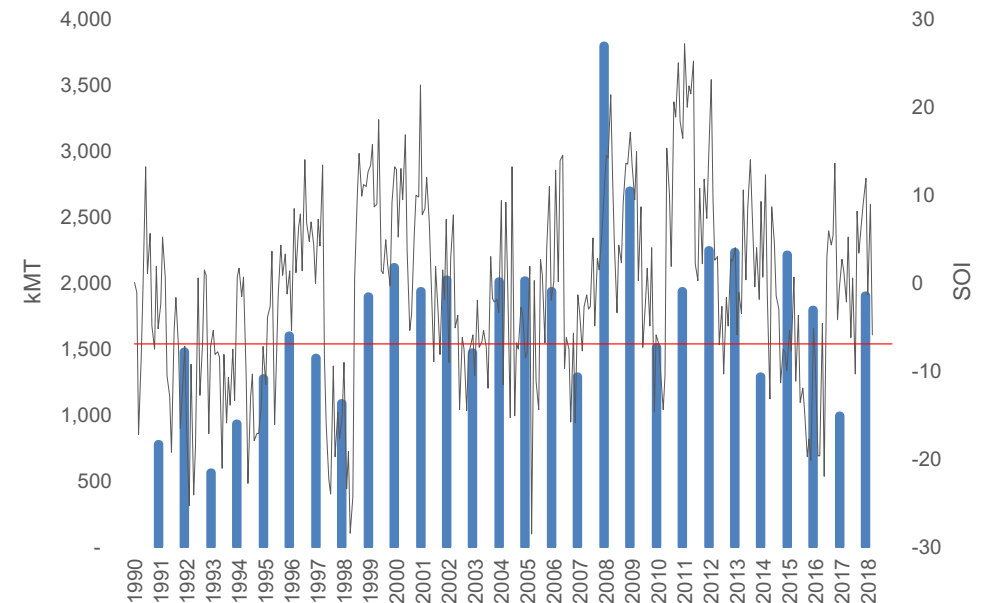
Climatic Influences on Sorghum Production



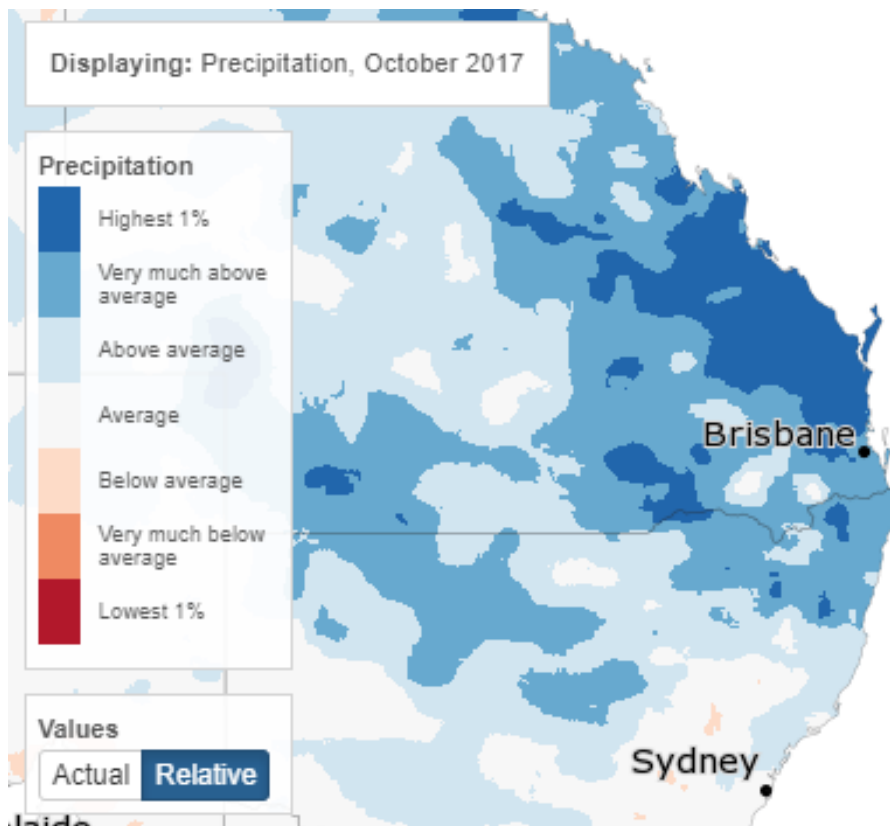
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- Variable weather and many climatic influences.
- Significant factors for growing regions include:
 - El Nino Southern Oscillation
 - Madden-Julian Oscillation
 - Sub-tropical ridge

Production vs. Monthly Southern Oscillation Index

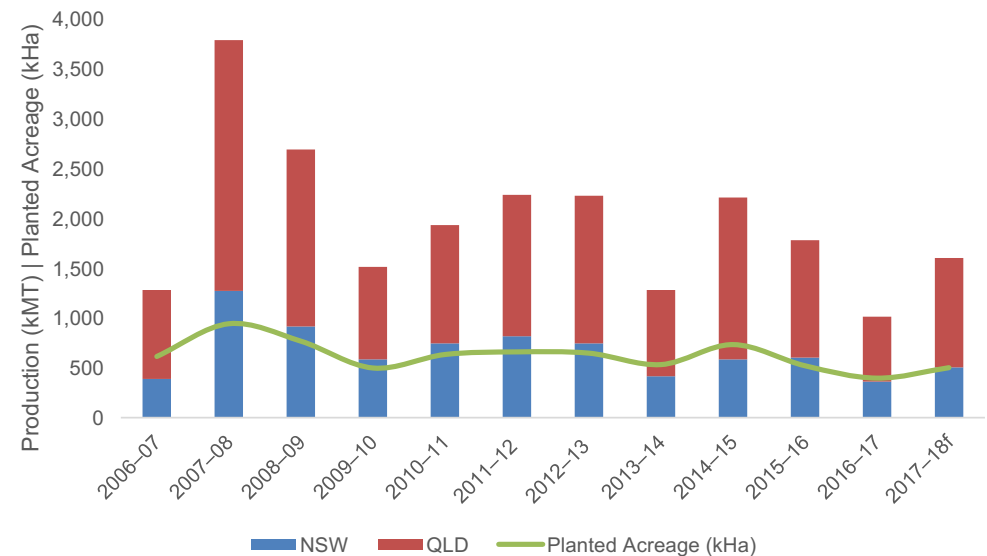


Sorghum Summer Crop 2017-18: Production Risks Loom...

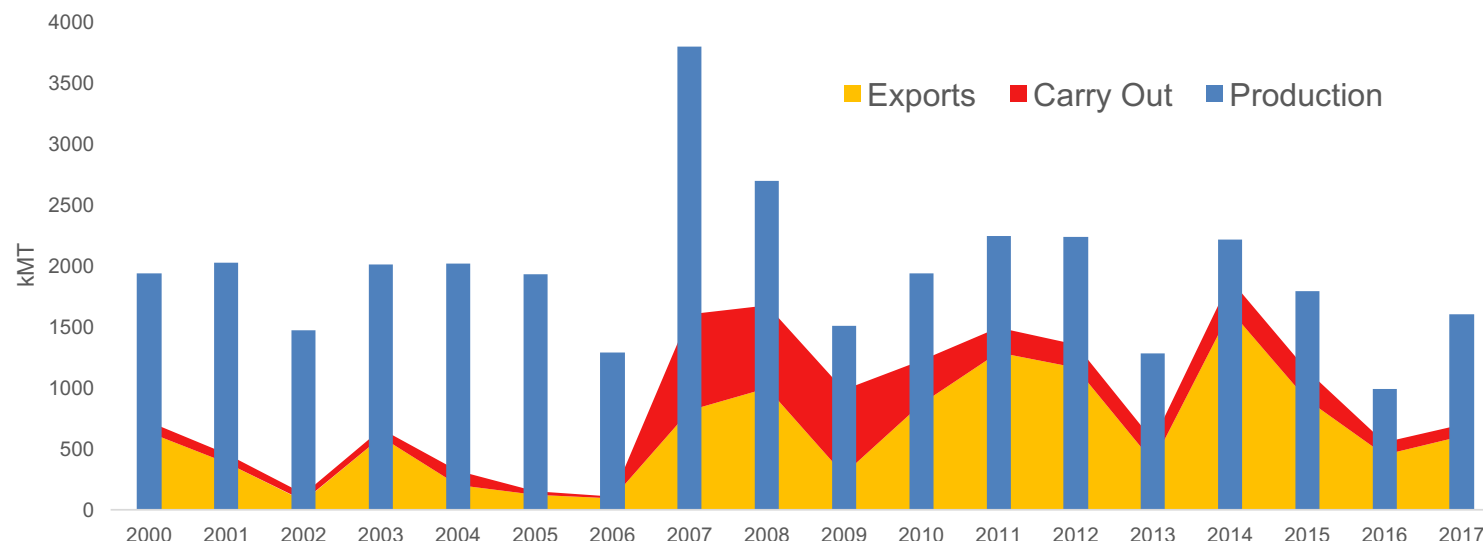


Monthly Relative Precipitation (Oct '17 – Mar '18)

- 2017/18 growing season started positively with good moisture balances.
- January conditions were dismal and capped production potential.
- February rain brought mixed fortunes:
 - Planting boost for CQ farmer.
 - Tempered quality for southern harvest.

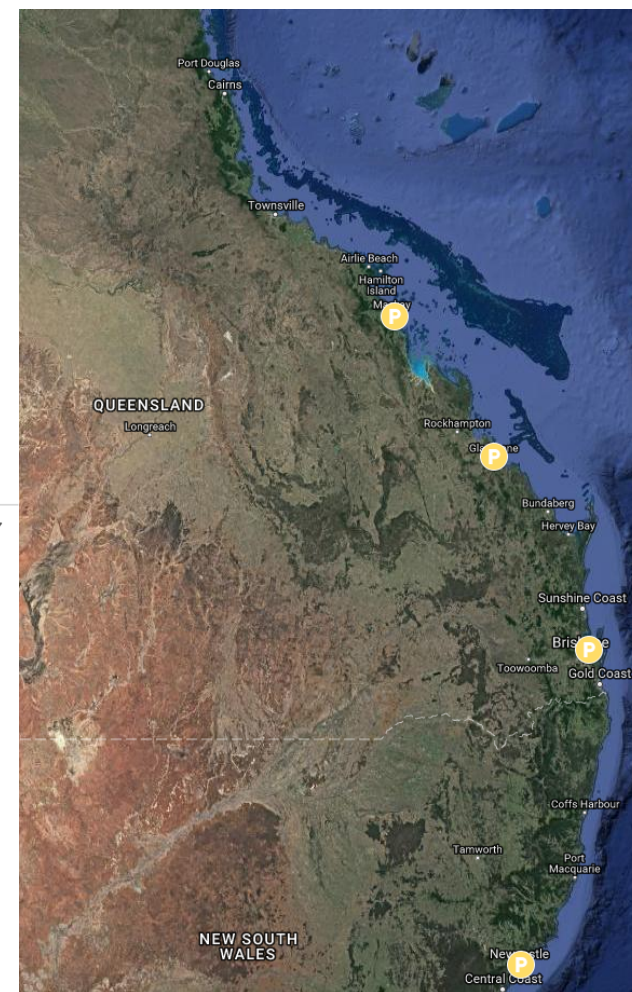


Australian Supply and Demand

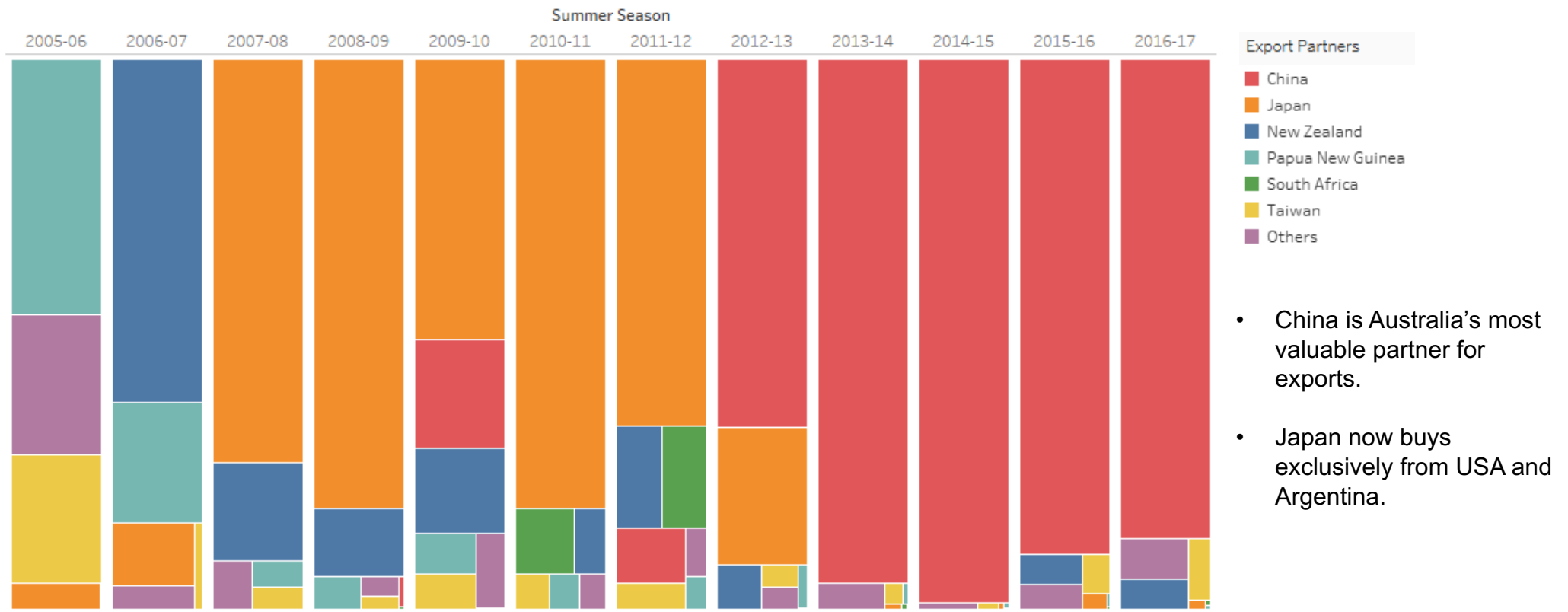


Port	Mackay Graincorp	Gladstone Graincorp	Fisherman Island Graincorp	Queensland Bulk Terminal	Carrington Graincorp	Newcastle Agri Terminal
Ship Capacity (kMT)	35	50	60	35	50	60
Annual Thoroughput (kMT)	600	600	2,040	900	2,640	1,050

- Australian domestic demand mainly feedlots – Cattle and Poultry → 500-900kmt per annum
- Ethanol production provides stable secondary source for domestic demand → 150-200kmt per annum.
- Queensland and NSW ports provide ample support for export program.



Export Demand: China overtakes Japan and dominates



ChAFTA, Quality Challenges, Initiatives Undertaken

- China-Australia Free Trade Agreement (ChAFTA)
 - enacted 20 December 2015 – currently in 4th year of operation.
 - 96% of Australia's goods exports to China now eligible to enter duty-free or with preferential access.
 - **ChAFTA completely eliminated tariffs on Australian barley and sorghum.**

Quality

- Australian Quality Profile: Red Colour – High Starch – 30% total starch waxy - Very low tannin <1%

Challenges

- Quarantine risk: Johnson Grass (Sorghum Halepense)

Initiatives

- **Government-Academic-Commercial joint initiative to improve quality attributes for Baijiu**
- **Increased intergovernmental interaction to manage quarantine issues**
- **Development of non GMO Sorghum varieties that allow better control of Johnson Grass**

China Production: Corn's dominance over sorghum expected to continue

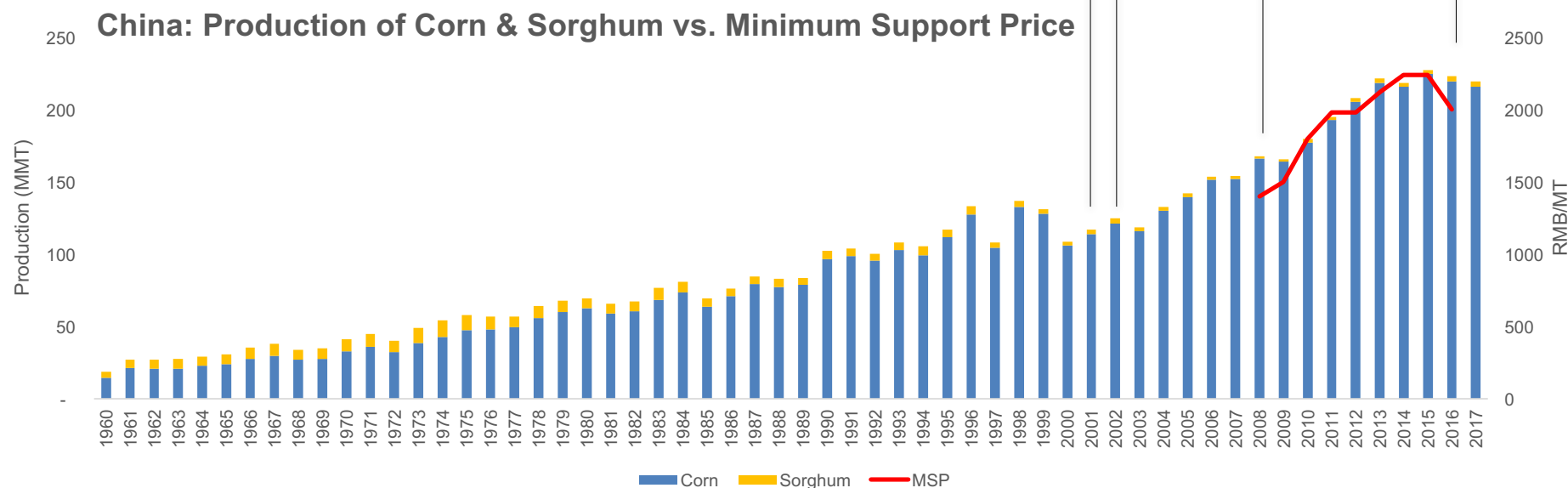
- Chinese production of sorghum is obviously insignificant compared to corn.
- Increase in sorghum is expected to be underwhelming despite government support rollback.
- Established corn domestic programs will be hard to switch out of.
- Along with **potential** US sorghum import implications is a boon for Australian sorghum growth.

China accession to WTO

Direct payment to grain producers

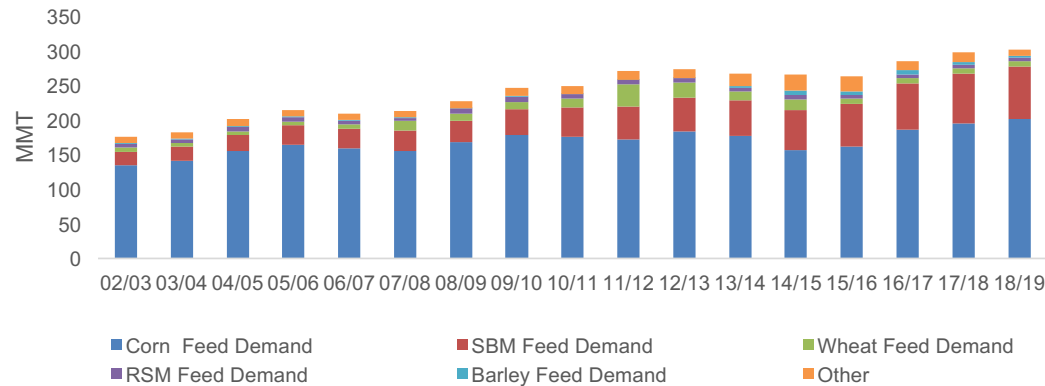
Establishment of TR Corn Program

Conclusion of TR

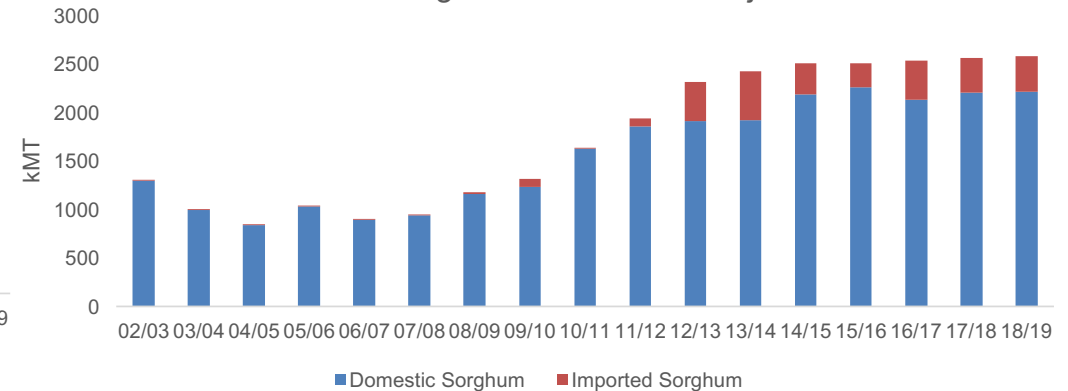


Chinese Demand Continues to Increase

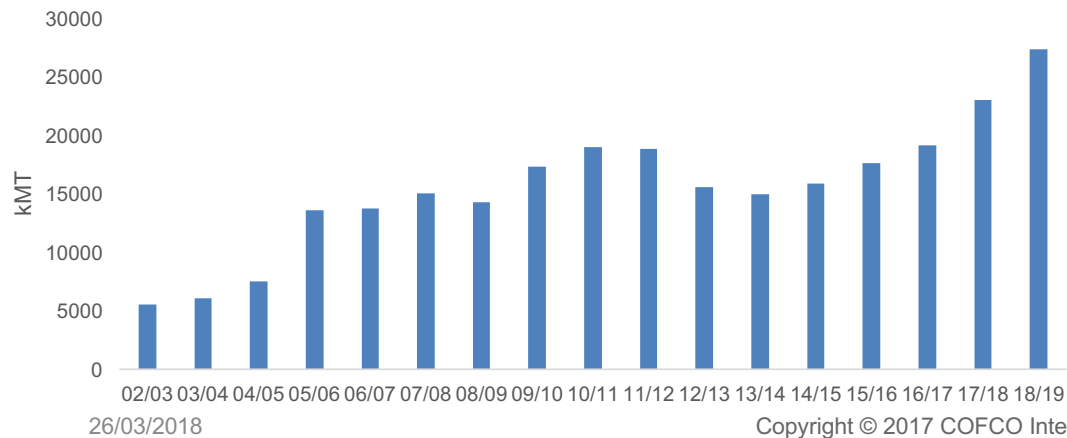
China Feed Demand



Sorghum Demand for Baijiu

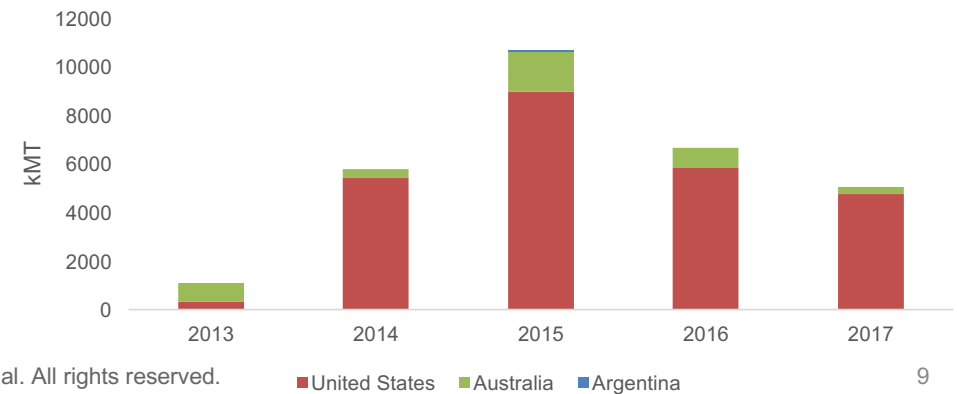


Corn Demand for Ethanol



Will US exports continue to dominate?

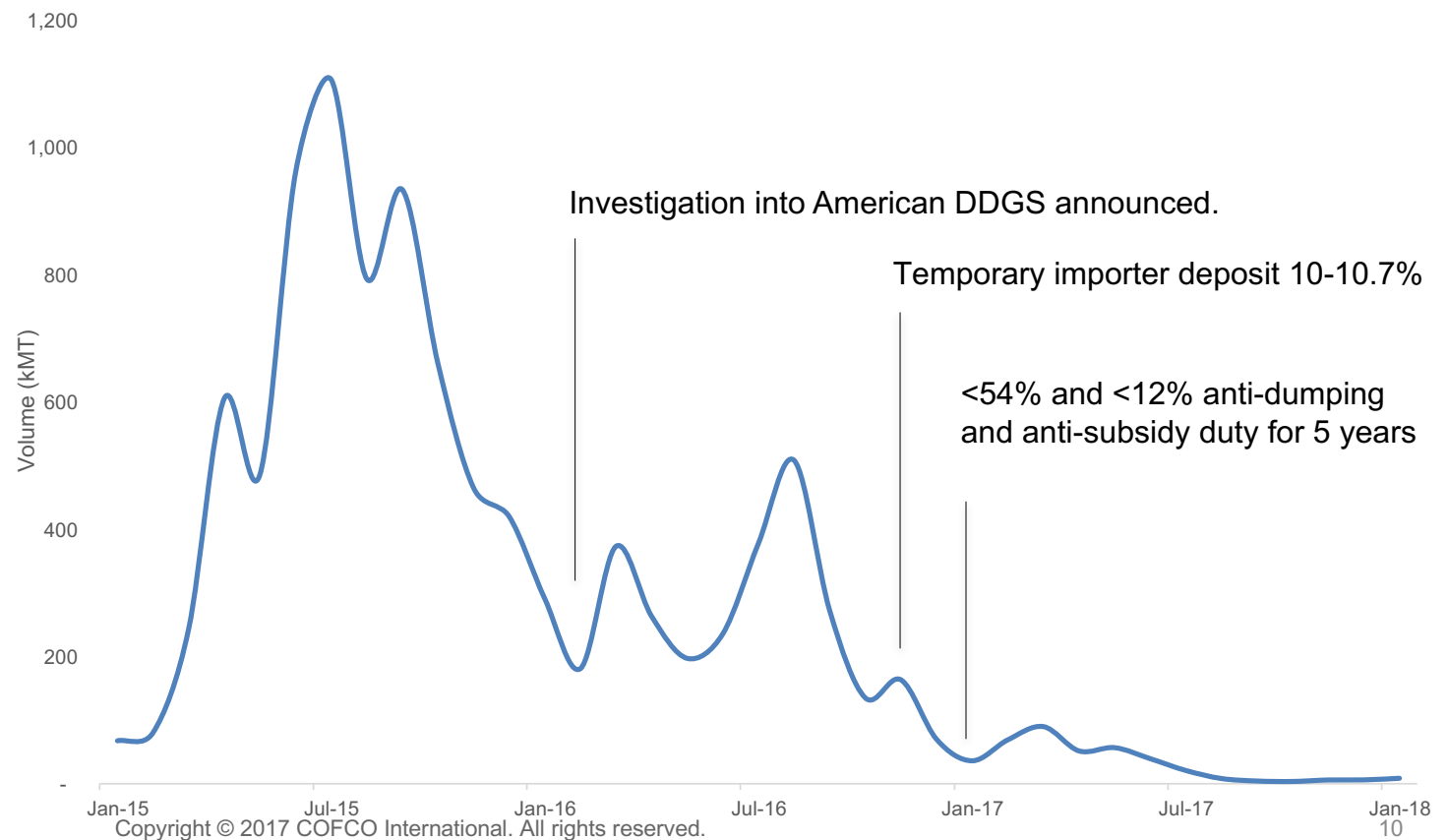
Sorghum Imports to China



China to probe US Sorghum anti-dumping: to be continued...

- Feb 2018: China launches investigation against US sorghum imports
- Investigation may conclude Feb 2019 though potential extension to Aug 2019
- No concrete penalties – but if DDGS was anything to go by...

China Monthly Imports of US DDGS



Final Thoughts

Status Quo: Alcohol first - Feed later

- Staple Baijiu demand underpins Australian sorghum with the balance of production working into Chinese feed rations if / when it prices against corn.

Australian production is too volatile to be wholly depended on – what will be the catalyst

- *Weather* - The “Glass House” effect... the miraculous introduction of consistent weather patterns.
- *Varieties* - Further development of drought tolerant, higher yielding varieties or the introduction of GMO sorghum.
- *Area sown* - Money talks – more productive acres (irrigation) switch from alternative crops (cotton) to sorghum.

China is more important to Australia than Australia is to China...for now?

- Trade restrictions & changes to Government policy.
- Reducing corn stocks.
- Increasing demand from feed, ethanol and alcohol sectors.
- Further enhancement in Australia’s ability to supply consistent volumes.