

The Competitive position of Australian Wheat in Malaysian and SE Asian Markets

**“Five years after deregulation
where are we now”**

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Q: Is Australian Wheat
Competitive in Asia ?

A: It is

WHY?

Critical Factors Affecting Wheat Competitiveness

- Quality and Quality consistency
- FOB price
- Ocean freight
- Consistent supply

Competitive Performance of
Australian wheat in Asian
Food products
Vs
Other Wheat

Asian Food Products and its Market Share in Malaysia

	Total (mt/month)	Market Share (%)
General Purpose flour (25kg)	15,000	23.0
Bread	12,650	20.0
Instant noodle	9,000	14.0
Wet / Wantan/Dry noodles	8,000	12.0
General Purpose flour (1kg)	7,000	11.0
Biscuits	6,550	10.0
Pao/Cakes/Pastry	3,500	6.0
Industrial Flour	3,100	4.0
Grand Total	64,800	100



Wheat Quality requirements for Asian Food Products and the Performance of various Wheats

- * **Noodles (alkaline noodle, Instant noodle, wantan noodle)**
- * **White Bread**
- * **Cracker biscuit**
- * **Marie biscuit**
- * **Steamed bread**



Flour quality requirements for noodles

- * Produce bright yellow noodle
- * Good quality gluten with high viscosity for firm and elastic noodles
- * Fast gluten development and good extensibility for easy processing
- * Good color stability (Wantan noodle/ fresh noodle)
- * High falling number with low enzyme activity for non sticky noodle and longer shelf life



Instant noodle



Alkaline wet noodle



Wantan noodle



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Dried noodle



Performance in Alkaline Wet Noodle



ASW APW10.5 HRW CPSW CPSR Russian Ukraine

Quality rating :

Water absorption : $APW=HRW=CPSW > ASW=CPRS > Russian=Ukraine$

Color : $APW=CPSW > ASW > Russian > CPSR > HRW > Ukraine$

Texture/Strength : $APW=HRW=CPSW > Russian=Ukraine > ASW$

Performance in Wantan Noodle : Color Stability

0 day



3 days



DNS 14

CWRs13.5


APH13

CWHWS13.5

AH13

Color stability rating : CWHWS>AH>APH>CWRs>DNS

OVERALL SUITABILITY of WHEAT TYPES for NOODLES

Wheat Type	Origin	Good	Acceptable
APH/AH	Australia		
APW	Australia		
ASW	Australia		
Indian Wheat	India		
Pakistan Wheat	Pakistan		
Russian	Russia		
Ukraine	Ukraine		
CWHWS	Canadian		



Flour quality requirements for bread

- * High water absorption for better processing and higher yield
- * Good gluten quality for better oven spring
- * Short mixing time with good mixing tolerance
- * Good gas retention to give good volume
- * Soft eating quality for longer shelf life



White bread



Burger buns



Sweet bun



Filling buns

Open Top white bread- Oven Spring

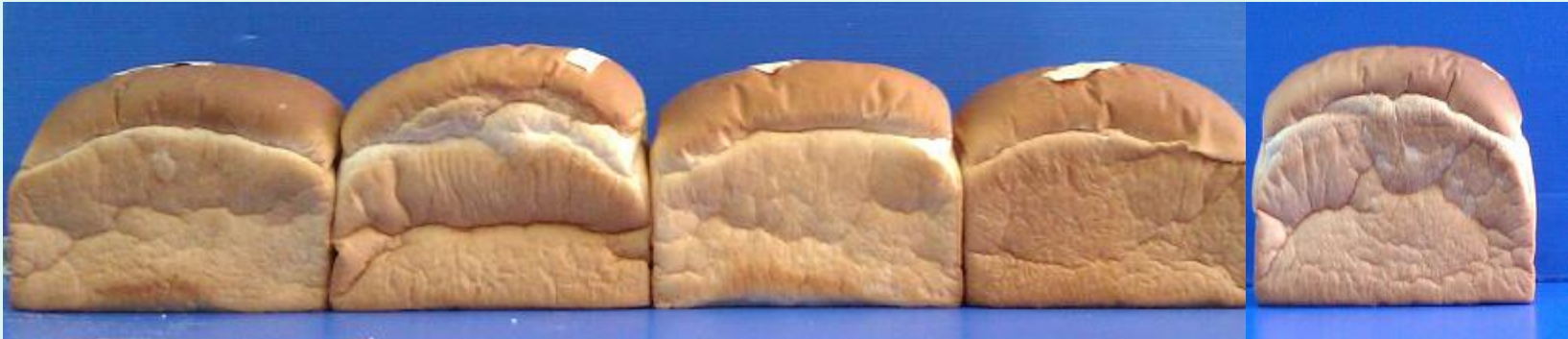
25%

37%

27%

27%

32%



Russian14(DB)

DNS14

AH12

KAZ13.5(DB)

CWRS13.5



Quality rating : DNS > CWRS> AH = KAZ > Russian

OVERALL SUITABILITY of WHEAT TYPES for BREAD

Wheat Type	Origin	Good	Acceptable
APH	Australia		
AH	Australia		
CWRS	Canadian		
CWHWS	Canadian		
DNS	USA		
HRW 13	USA		
Black Sea wheat	Kazakhstan/		
	Lithuanian/		
	Russian		



Flour quality requirements for **biscuit**

- * Extensible dough characteristic for better sheeting process
- * Strong gluten quality for good fermentation tolerance (cracker production)
- * Fast hydration rate - short mixing time
- * Produce light , flaky and crispy biscuit



cracker



Sandwich biscuits
with filling

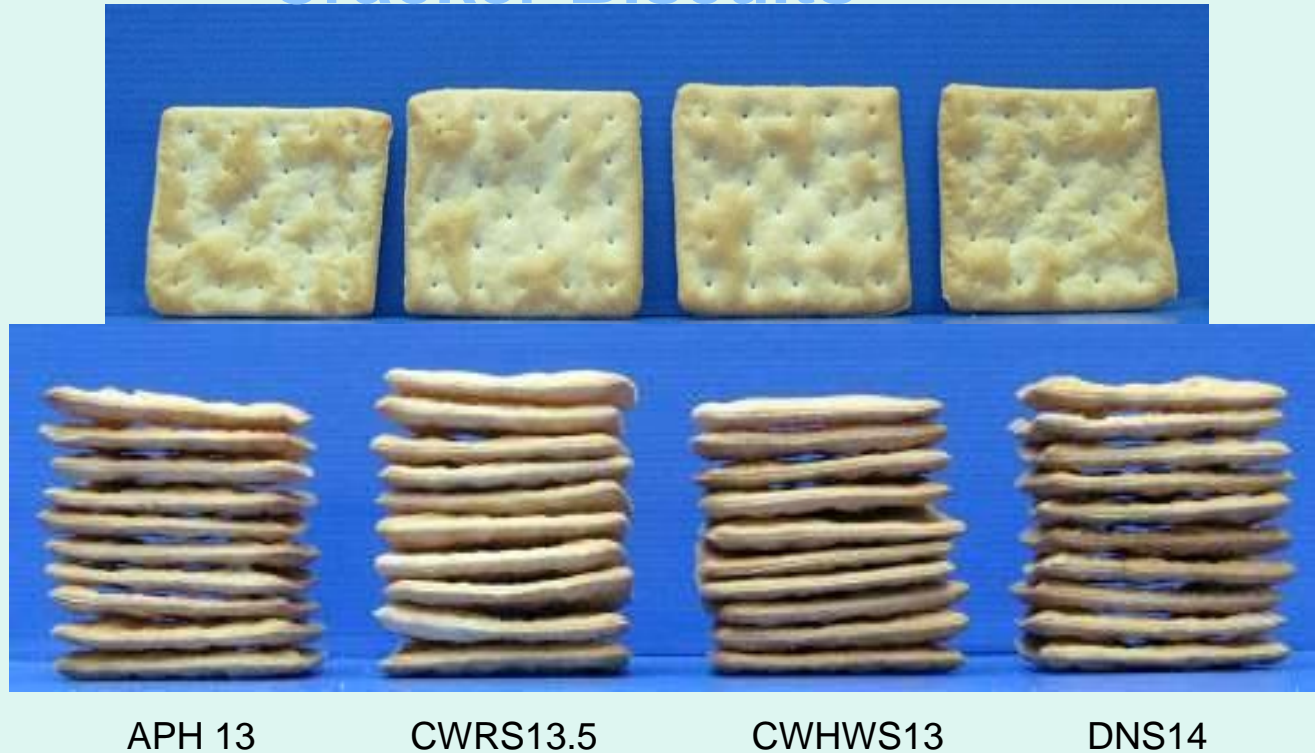


Marie



wafers

Performance in Cracker Biscuits

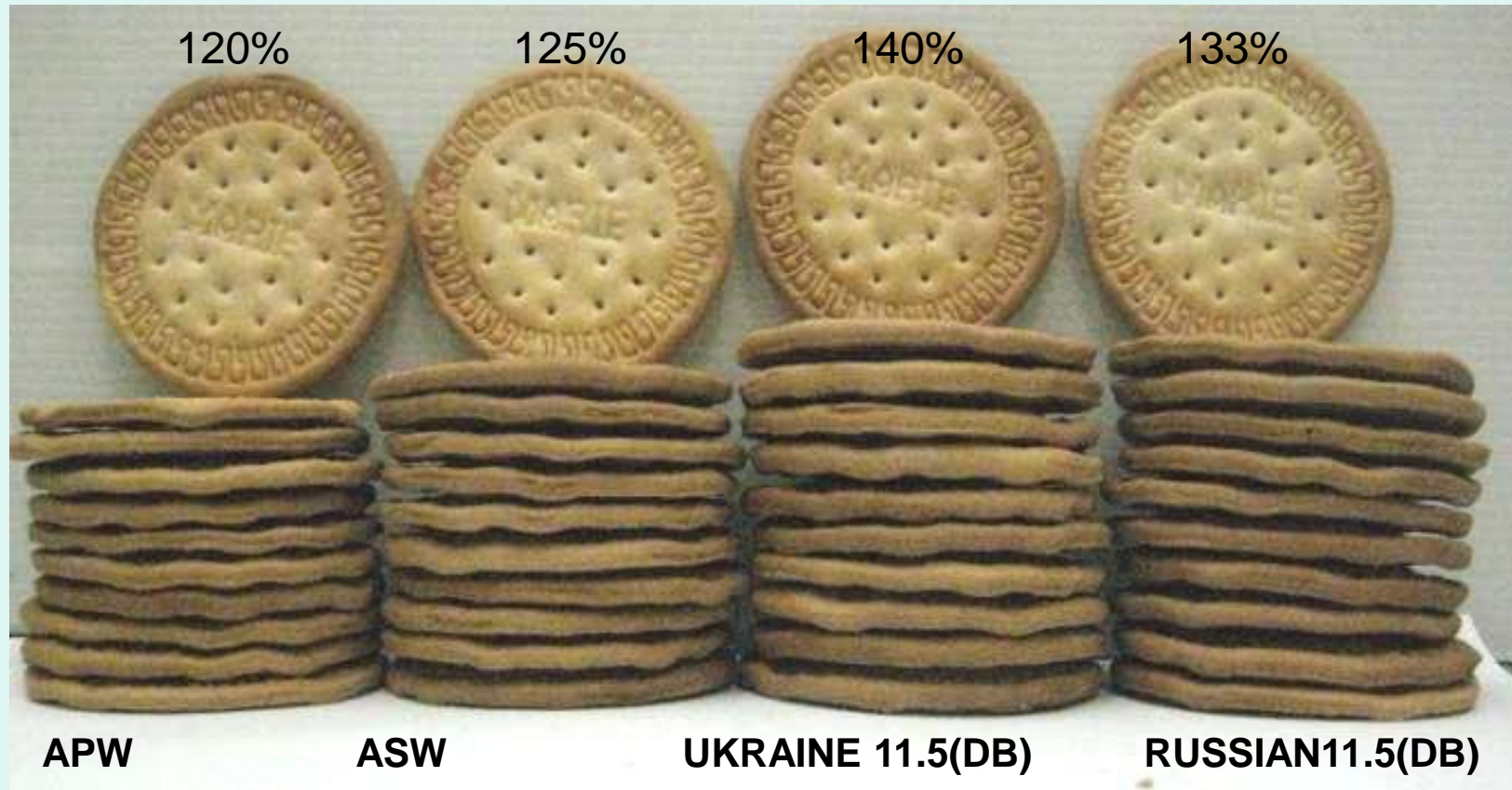


Quality rating : CWRs13.5 > CWHWS = APH > DNS

- CWRs13.5 and DNS14 showed better puffiness than APH13 and CWHWS
- CWHWS and CWRs13.5 provide better eating quality, the biscuit is more flaky and crispy.

Performance in MARIE BISCUITS







Leavening Percentage



Quality rating : UKR > RUSSIAN = ASW > APW

- UKRAINE and RUSSIAN wheat can give a better puffiness, crispy and loose texture than ASW and APW wheat

OVERALL SUITABILITY of WHEAT TYPES for MEDIUM PROTEIN BISCUIT FLOUR

Wheat Type	Origin	Good	Acceptable
APW	Australia		
CPRS	Canada		
ASW	Australia		
Indian Wt.	India		
Russian Wt.	Russian		
Ukraine	Ukraine		



Flour quality requirements for steamed bread

- * Bright and white color product
- * Good symmetry form/shape
- * Good water absorption for easy processing
- * Soft and springy eating quality



Plain steamed bread



Steamed bread with filling



Performance in STEAMED BREAD



APW

Indian wheat

Ukraine12.5(DB)

Russian12.5(DB)

Quality rating : APW > Russian=Ukraine > Indian wheat

- APW showed a brighter / whiter color and good shape
- Russian and Ukraine wheat give good volume , but the color is not as good as APW
- Indian wheat quality is not suitable to use in steamed bread

Flour quality requirements for **noodles**

- * Produce bright yellow noodle
- * Good quality gluten with high viscosity for firm and elastic noodles
- * Fast gluten development and good extensibility for easy processing
- * Good color stability (Wantan noodle/ fresh noodle)
- * High falling number with low enzyme activity for non sticky noodle and longer shelf life



Instant noodle



Alkaline wet noodle



Wantan noodle



vermecelli



Dried noodle



Summary

- Generally, Australian wheat performs well in noodles and biscuits when compared to Canadian/US wheat and wheat from other origins
- However, the new Canadian Hard White Wheat (CWHWS) also perform well in noodle and biscuit products and is in the longer term a potential replacement for medium and high protein Australian Wheat .



Summary

- The stronger Canadian and US spring wheat perform better than Australian APH and AH wheat in bread products due to the predominance of the sponge and dough method in the region.
- The new CWHWS also performs well in bread, thus potentially fulfilling the promise of a universal wheat suitable for bread, noodles and biscuits.



Summary

- US wheat is perceived as inconsistent in quality and is not the preferred wheat except in Thailand where much of it is used in aquaculture. Philippines by tradition also use mainly US wheat
- Since deregulation we have encountered quality problems when buying Australian wheat in containers . Also wheat in containers have inconsistent quality.



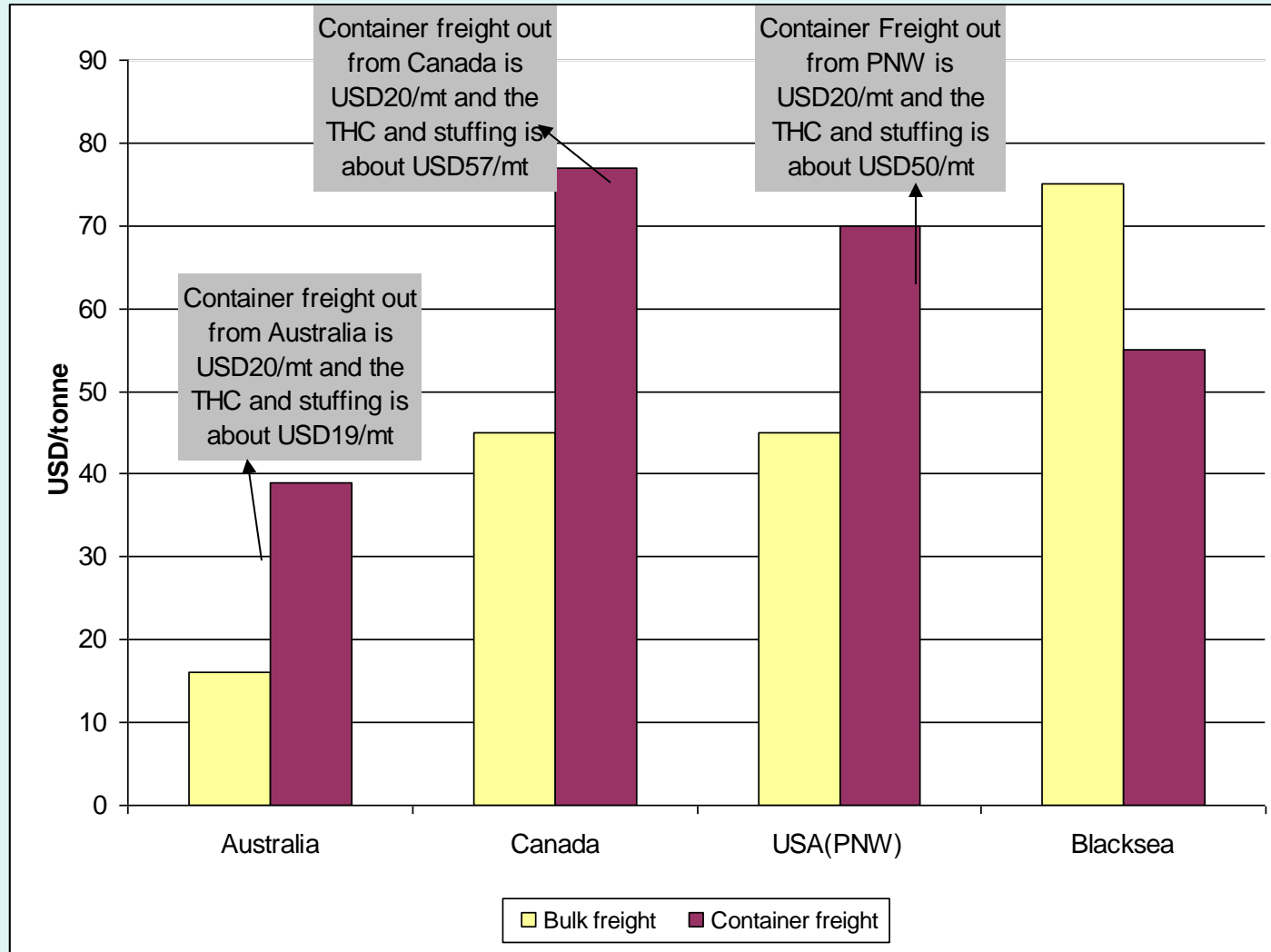
Summary

- Medium/lower protein Black sea wheat can replace ASW/APW in biscuits , noodles and steam bread products
- Higher protein Black sea wheat can replace APH/AH and even N American spring wheat in bread
- With a large crop in the black sea this year, Black sea wheat currently discounts APW/ASW . In years of poor Black sea crops Indian and Pakistan wheat can also be used to replace APW/ASW and is available at competitive prices but their quality is not preferred
- However Asian buyers still pay a premium for APW/ASW, the question is how much and for how long?

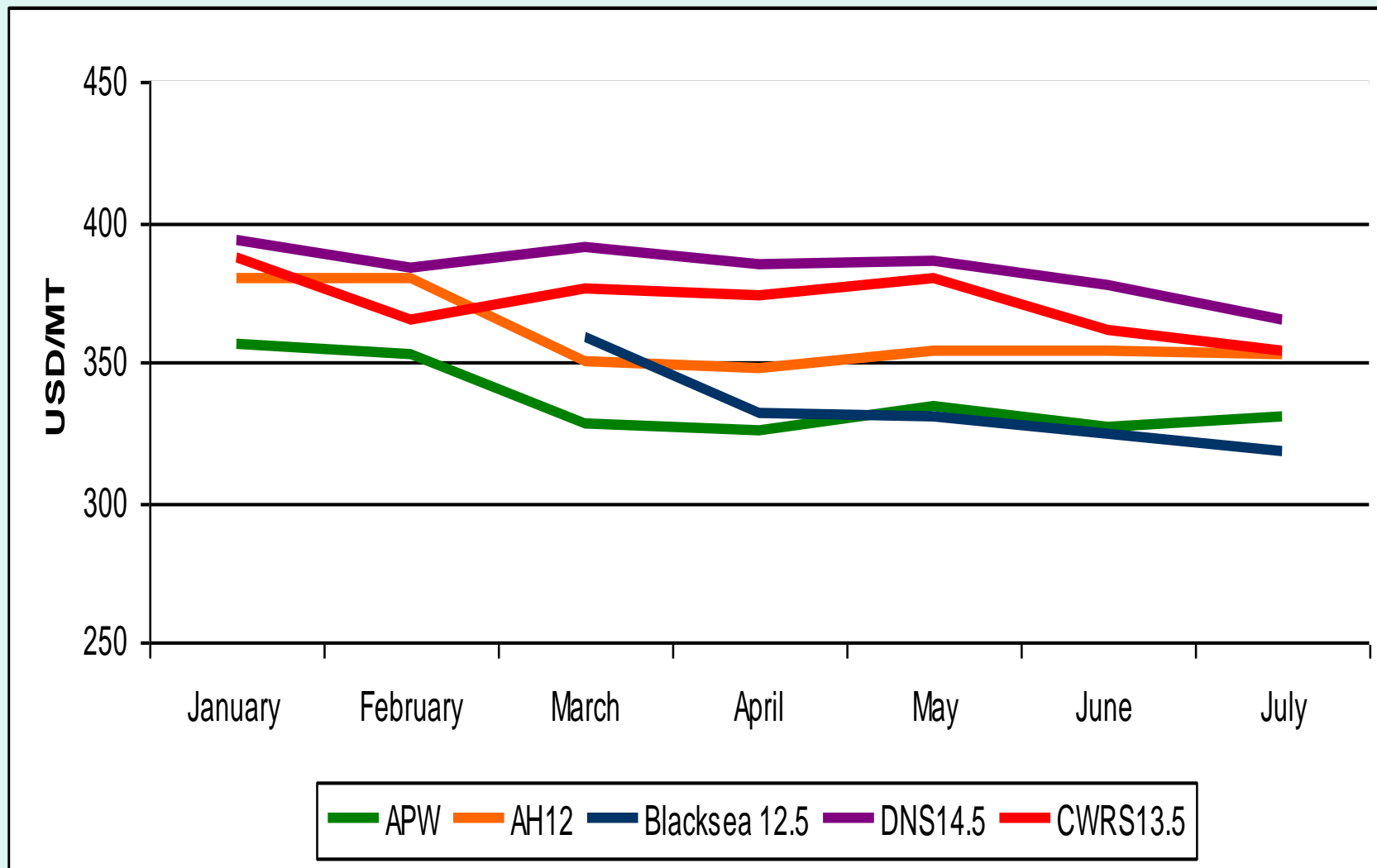


Price Competitiveness
of Australian Wheat
depends mainly on
Ocean Freight
spreads

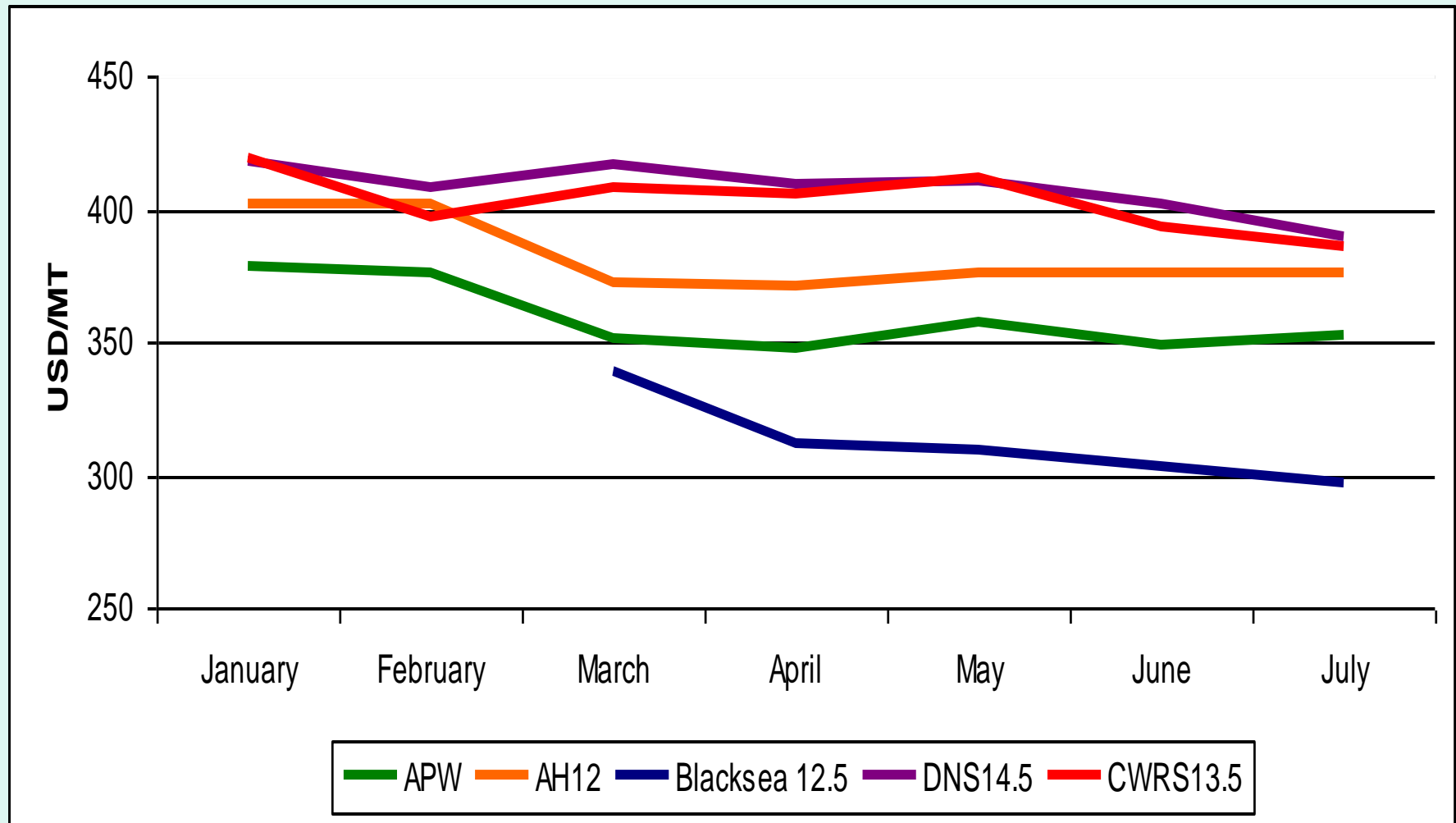
Freight rates from Australia/Canada/USA/Blacksea to South East Asia – Bulk (Handy size) vs Container



Wheat Prices in Bulk (Handy size CNF Malaysia) for APW/AH12/DNS/CWRS/Blacksea: January – July 2013



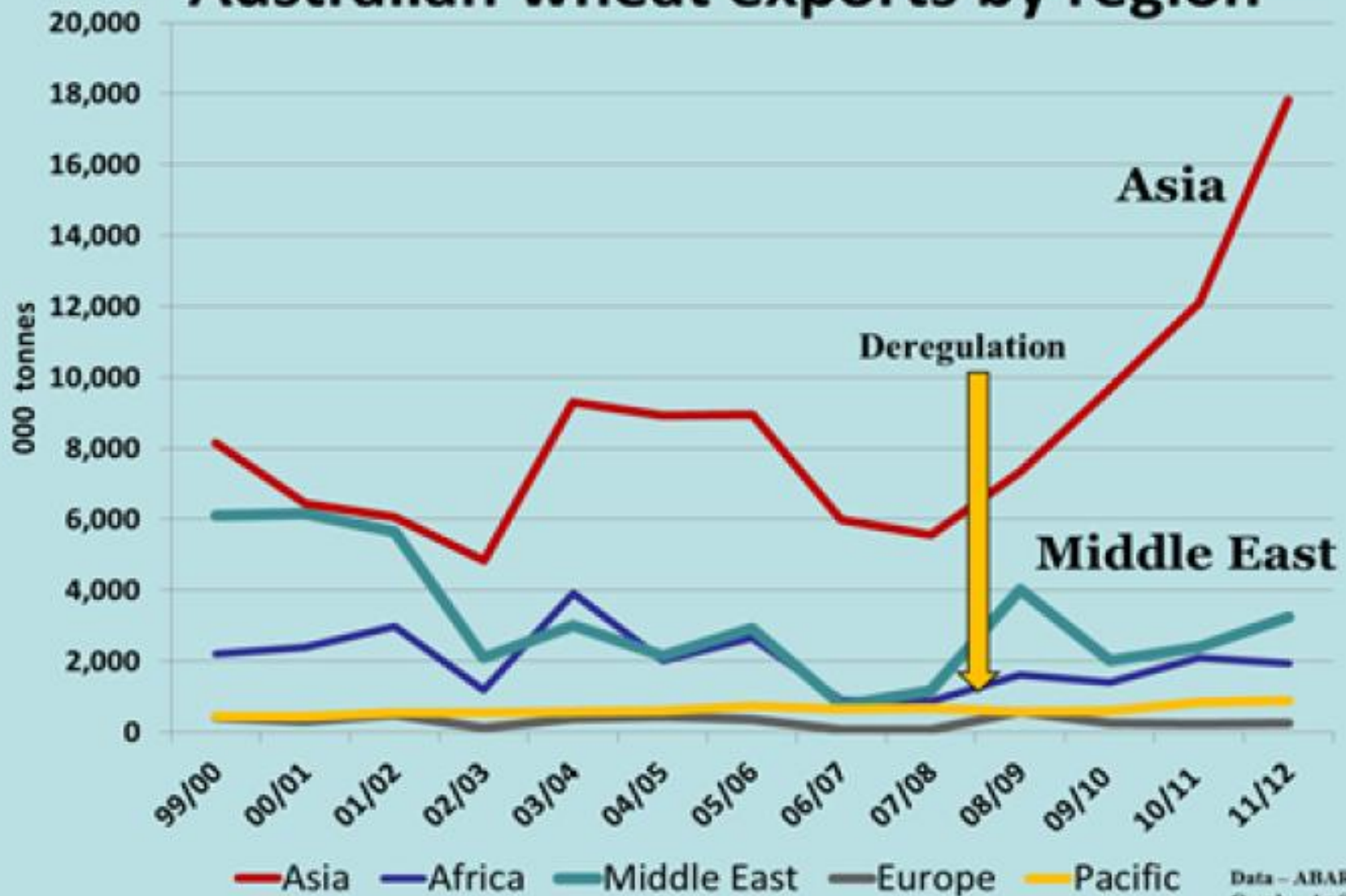
Wheat Prices in Containers (CNF Malaysia) for APW/AH12/DN14.5/CWRS13.5/Blacksea12.5: January – July 2013



Comments

- Australia has the lowest freight rates to SE Asia , when compared with N America and Black sea
- Black sea bulk freight rates to SE Asia is much higher than its container freight
- Overall Australian wheat is more competitive to Asian countries because of freight spreads

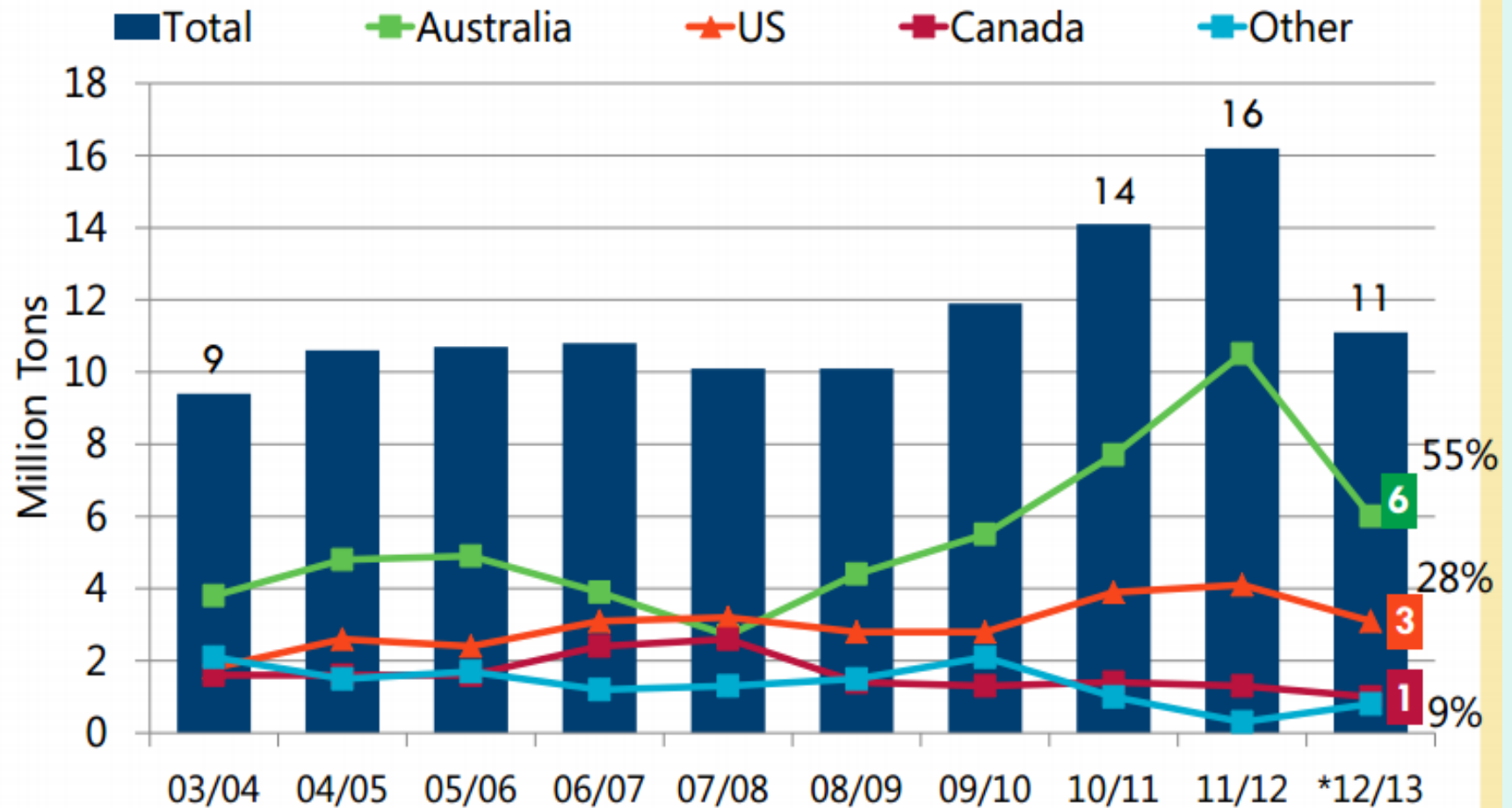
Australian wheat exports by region



Data – ABARES
Graph – Ag Scientia

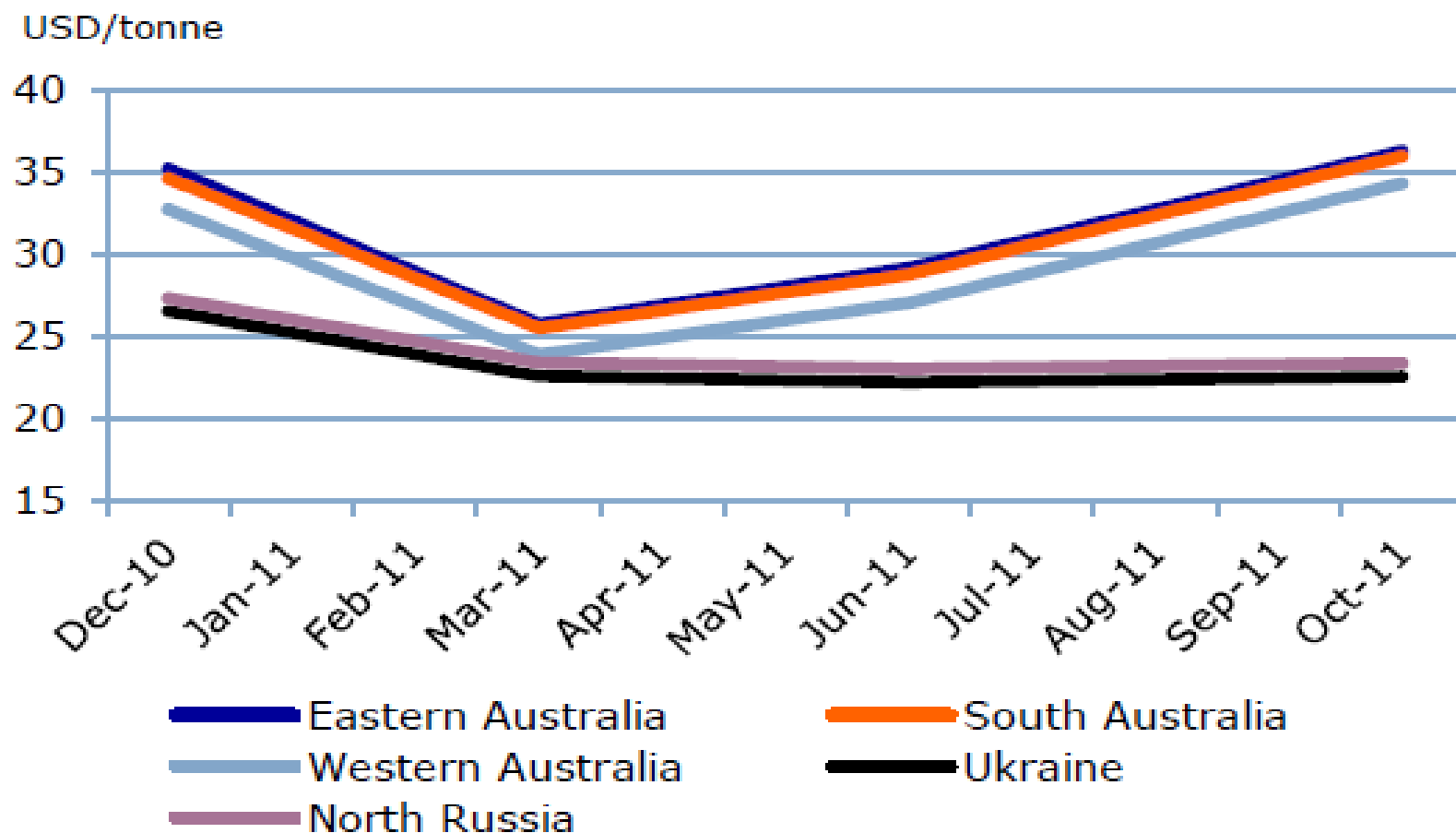
Southeast Asia Wheat Imports

All Origins



Source: Trade Sources, *MY 12/13 Arrivals as of March 2013

Figure 6: Freight rates to Egypt, Australia vs. Russia and Ukraine, 2010/11

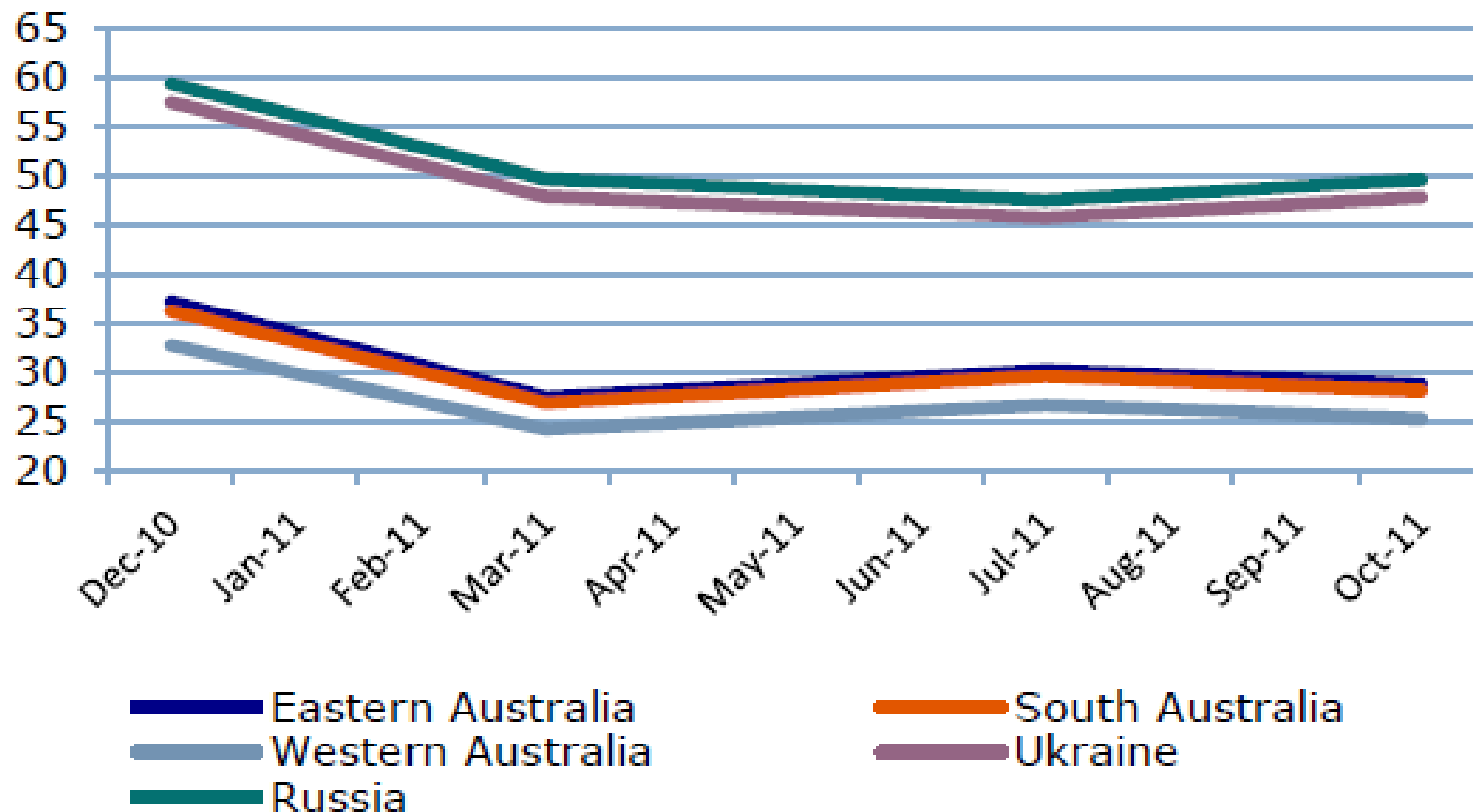


Source: Bloomberg, Rabobank, 2012



Figure 1: Freight rates to Indonesia—Australia vs. Russia and Ukraine, Dec 2010-Oct 2011

USD/tonne

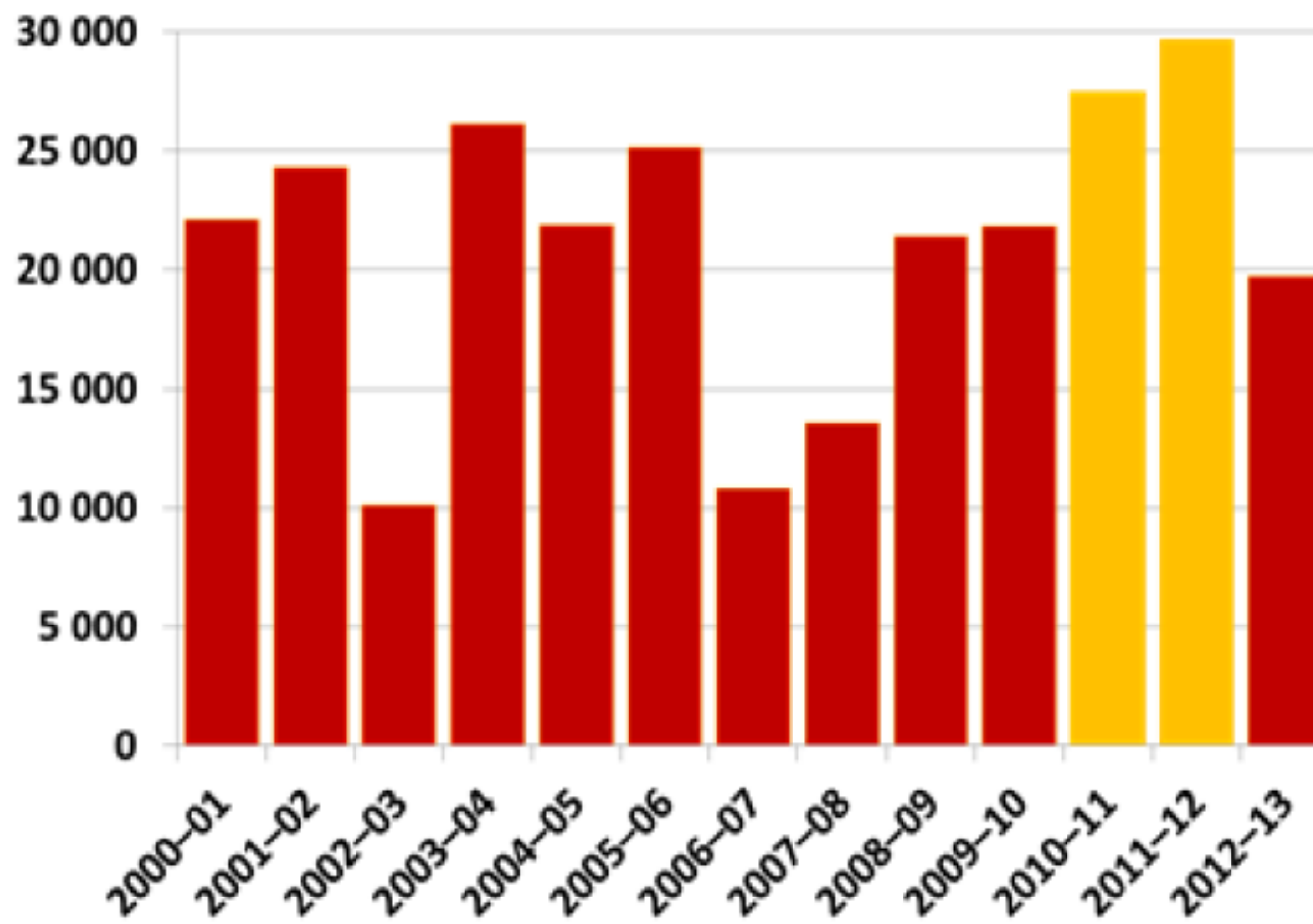


Source: Bloomberg, Rabobank, 2012



Consistency of Production and Supply

Australian wheat production (000 tonnes)



Consignees and tonnages exported by year for bulk and non bulk exports

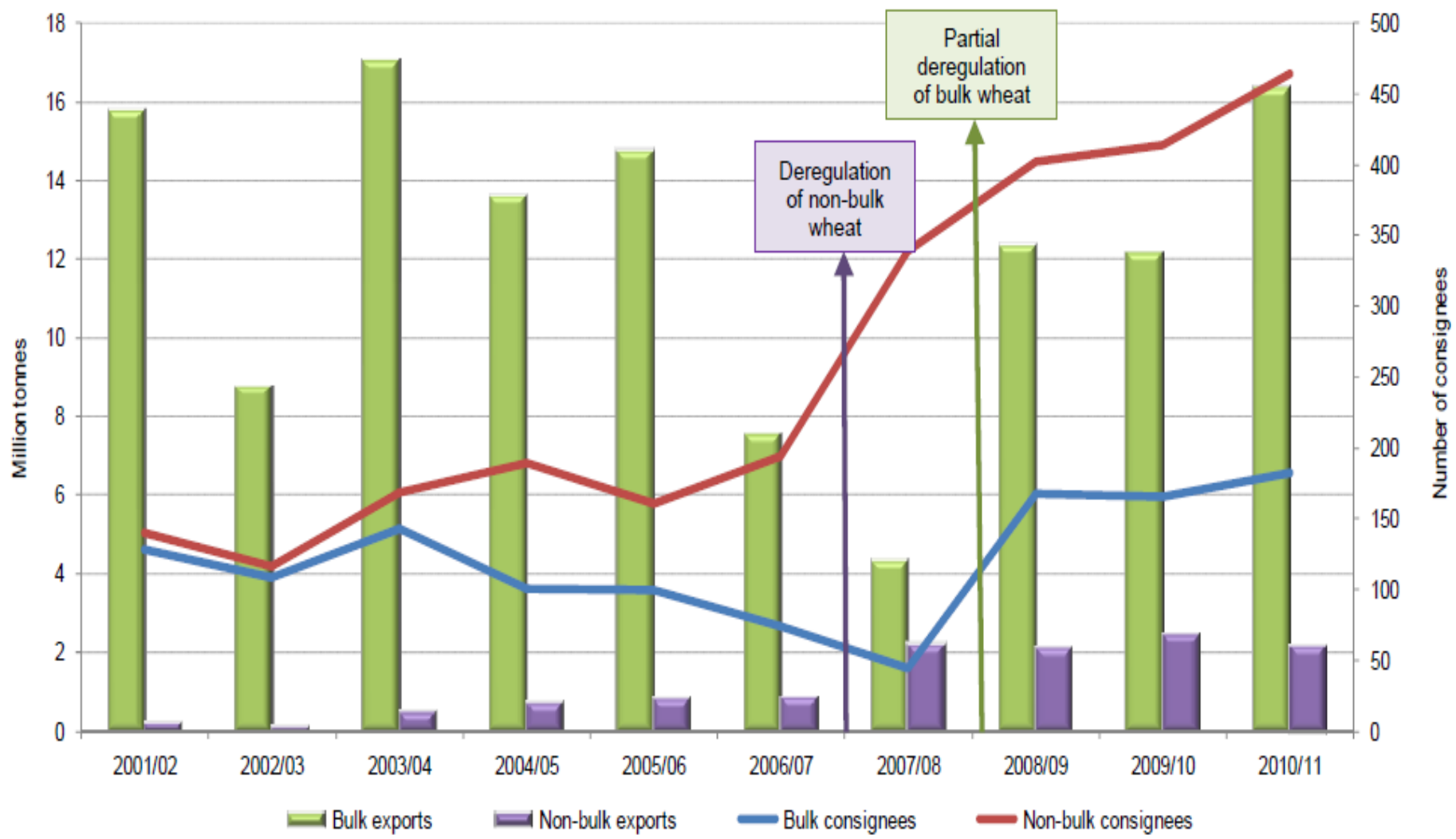
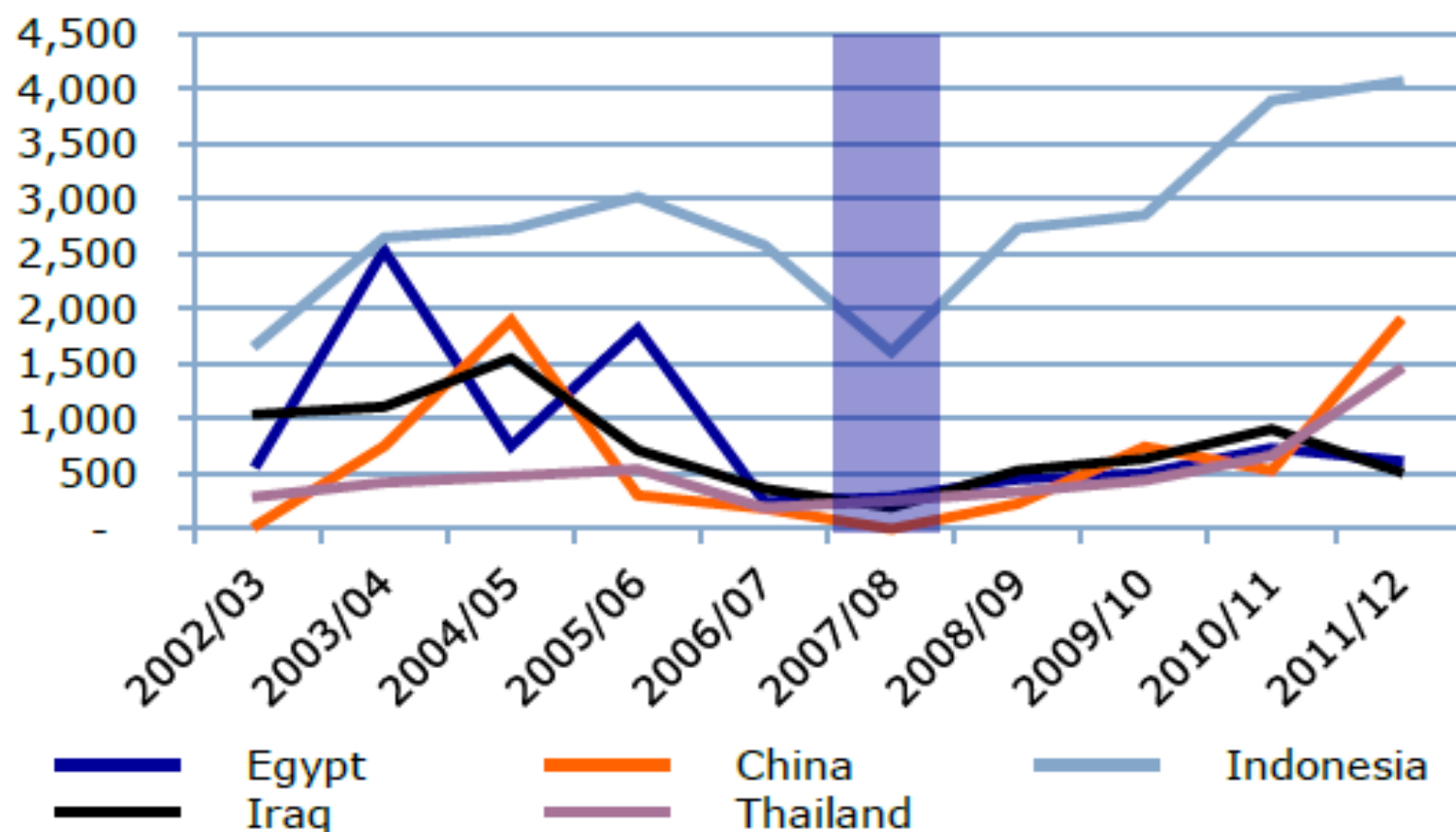


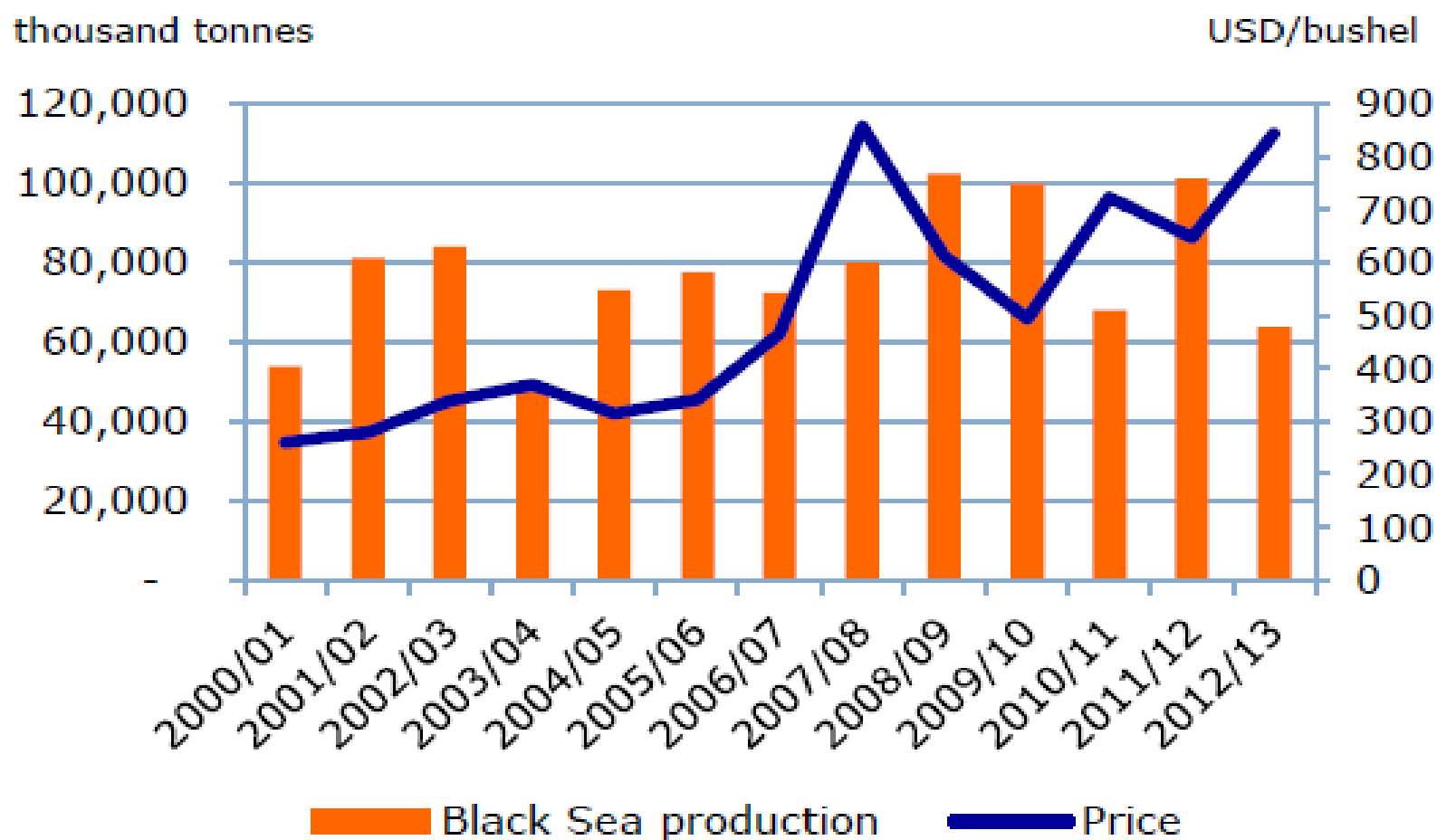
Figure 9: Australian exports to selected markets before and after deregulation, 2002/03-2011/12

thousand tonnes



Source: ABARES, ABS, Rabobank, 2012

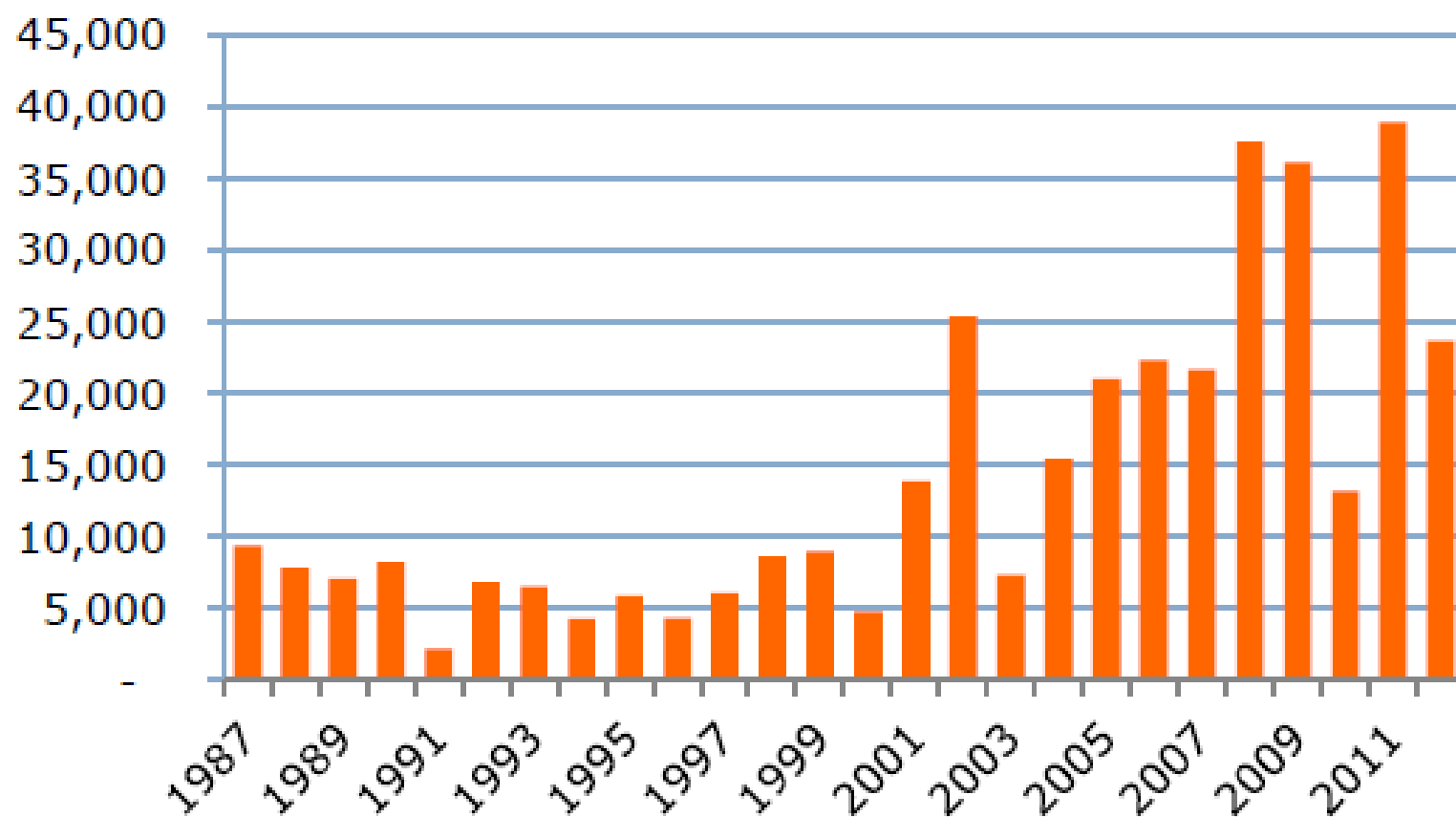
Figure 2: CBOT Wheat prices and Black Sea production, 2000/01-2012/13



Source: Bloomberg, Rabobank, 2013

Figure 4: Black Sea wheat exports, 1987-2011

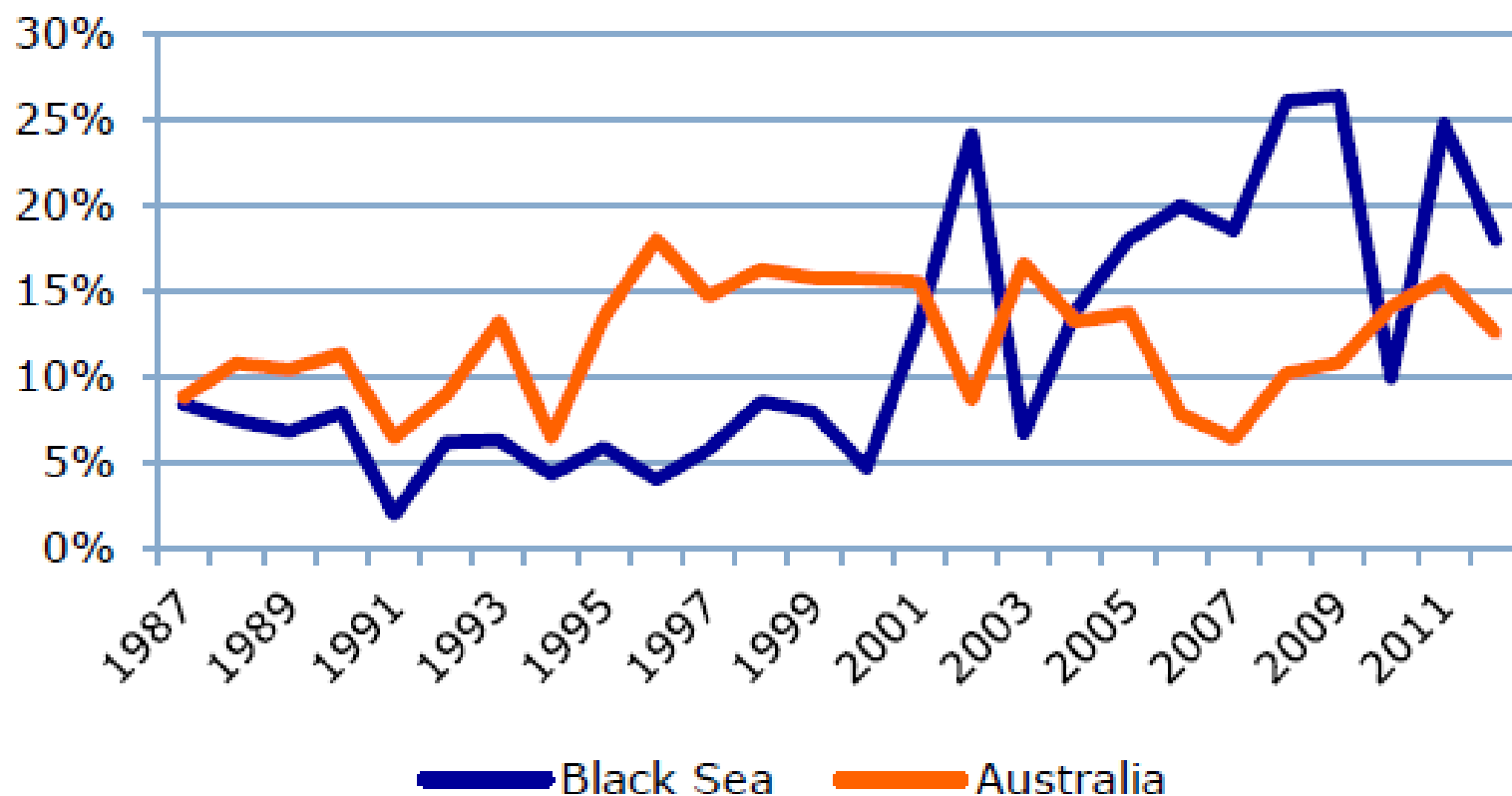
thousand tonnes



Source: USDA, Rabobank, 2012

Figure 5: Black Sea and Australian wheat exports as percentage of total global wheat exports, 1987-2011

percent



Source: USDA, Rabobank, 2012

Summary

- Since 2005 Australian wheat production has been between 12-30 million tons due to weather extremes and exports varied between 7 to 25 million
- Post deregulation, Australian container exports have also increased to 2 million tons per annum with a doubling of non bulk consignees
- Generally exports to East Asian countries have increased after de regulation but exports to the Middle East have decreased
- Since 2000 the export of black sea wheat is increasing with export liberalization and improving logistics . Except for 2010, exports since 2005 have been between 20-40 million tons per annum with production between 60-100million ton

Conclusion

- Post deregulations without FOB price intervention ,cheaper comparative freight rates make Australian wheat more competitive in Asia especially SE Asia
- Black Sea wheat exports are increasing and can now satisfy their traditional markets in the Middle East .With cheaper container freight compare to bulk freight it can now be competitive into SE Asia discounting currently the equivalent Australian Wheat by USD40-50/MT
- Indian and Pakistan wheat are competitive and can potentially replace APW/ASW but SE Asian buyers do not like the quality .
- Longer term Blacksea wheat with improving quality will gain a bigger share of SE Asia
- Spring wheat market for bread making is dominated by USA/Canada , although Kazkhastan/Luthianian spring wheat can be a cheaper alternative
- Generally SE Asian buyers will still pay a premium for Australian wheat . The question is how much and for how long?

5 years after deregulation
For Better or For Worst ?

Problems Encounter by Buyers Since Deregulation

- Significant shipment delays especially bulk shipments out of WA.
- Container shipments have large quality variation.
- Occasionally shortage of containers and container loading facilities.
- Classification of wheat type especially for container shipments is uncertain e.g. who certify what is APH or AH.
- No unified crop quality report, unable to match market requirements to available wheat.



Problems Encounter with container shipments Since Deregulation

Quality Issues

1. Large quality variation from shipment to shipment
2. Excessive foreign material
3. Contamination of foreign seeds



EXCESSIVE HUGE RED STONES



EXCESSIVE HUSKS AND STRAWS



Contamination of Sorghum

Buyers benefits from deregulation

- More sellers in market.
- Price more competitive due to increased competition .
- Free market principle
 - no special allocation to any buyer
 - no discrimination of buyer with smaller volumes.
 - highest bidder get the goods
- Better contacts with farmers possible to do contract farming for special needs



Disadvantages

- Sometime price not align with international markets due to local supply demand conditions
- Large quality fluctuations for container shipments.
- Less reliability supply.
- Wheat stocks may not be available through the end of crop year.
- No unified information on crop quality.
- No technical support.



Recommendations to improve Australian Wheat Competitiveness

- Consolidated annual crop quality reports and make it available to all buyers of Australian wheat
- Introduce reliable export quality surveying especially for container shipments
- Make available a technical support center for customers and for growers to research into varieties suitable to customer requirements

Recommendations to improve Australian Wheat Competitiveness

- Improve inland logistic to reduce logistic cost of moving wheat into export facilities
- Improve port logistics especially at WA to increase export capacity

THANK YOU

Q & A

