

Time To Rethink Cottonseed

Grower Presentation

March 2017



Cottonseed – its worth more than wheat, rice, malt, durum...!!!

- 12 bales/ha @ 245 kgs seed per bale x \$350 per tonne
= **\$1'000 per hectare**
X 500 hectares
= **\$500'000**
- Continuing trend away from being a bi-product to creating its own unique value
- Need to pro-actively manage this risk and understand what is driving the market and prices
- Opportunity is to bring transparency, make better informed decisions and add value

Company Management

Cambel Ball

Director

- Family farming background – Walgett and Moree
- Own and lease farms
- Established IMAC in 2010
- Traded cotton 12 years as senior cotton trader and Director of Plexus, China
- Established trading offices in China and USA
- Formally Marketing Manager of Qld Cotton/Olam, Australia
- Advises growers in Australia, Brazil and South Africa
- Financial Service License

Geoff Barker

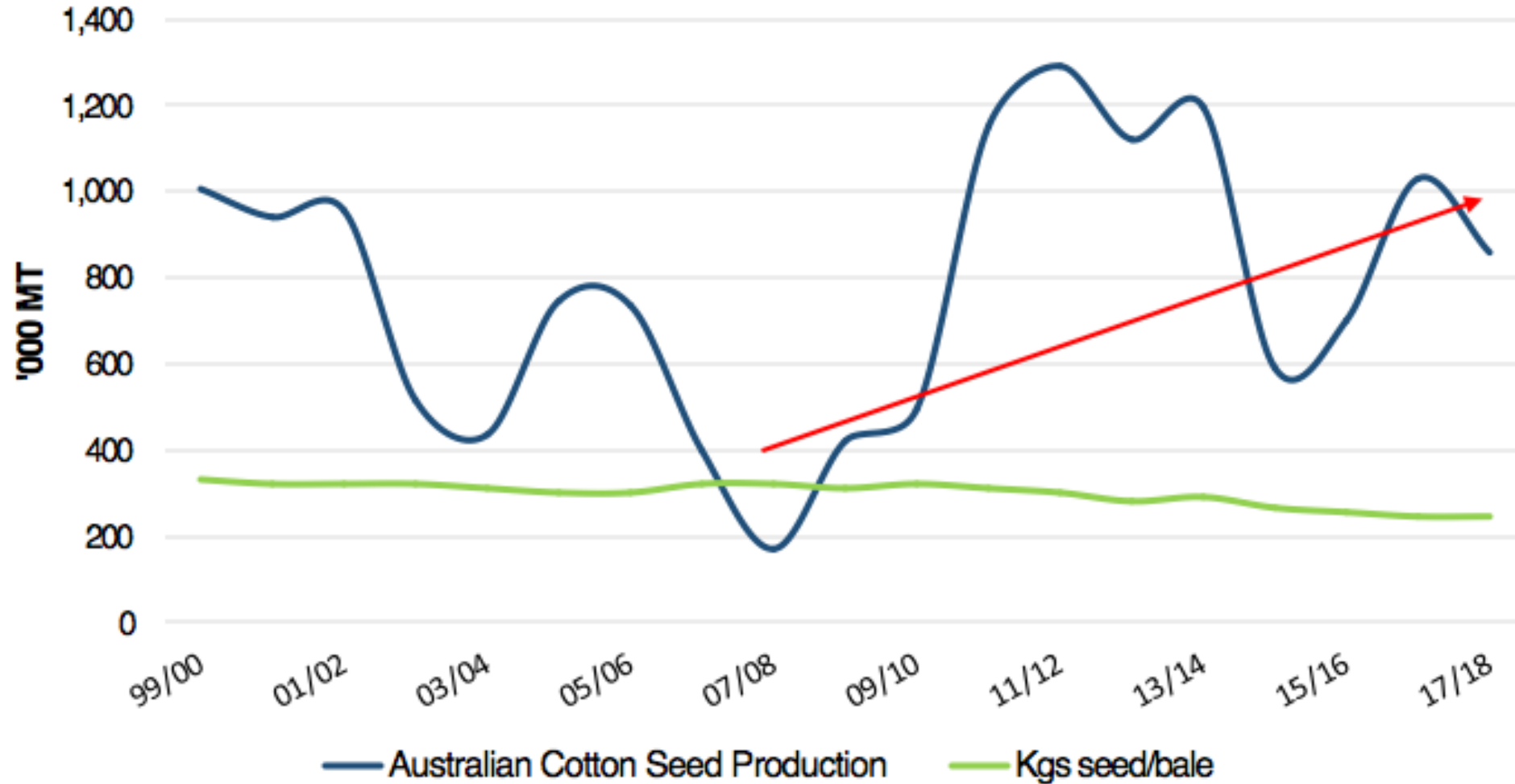
Director

- Trading Manager at Cargill Grain Australia
- Chairman of Grain Trade Australia.
- Crush and cottonseed pool manager at Cargill Australia.
- CEO of Broadbent Grain.
- Inaugural General Manager of Australian Bulk Alliance, now Emerald Grain export terminal and associated logistics and country infrastructure.
- 25 years industry experience with unparalleled diversity across Operations, Trading, Management, Logistics, Supply Chain & Crush.

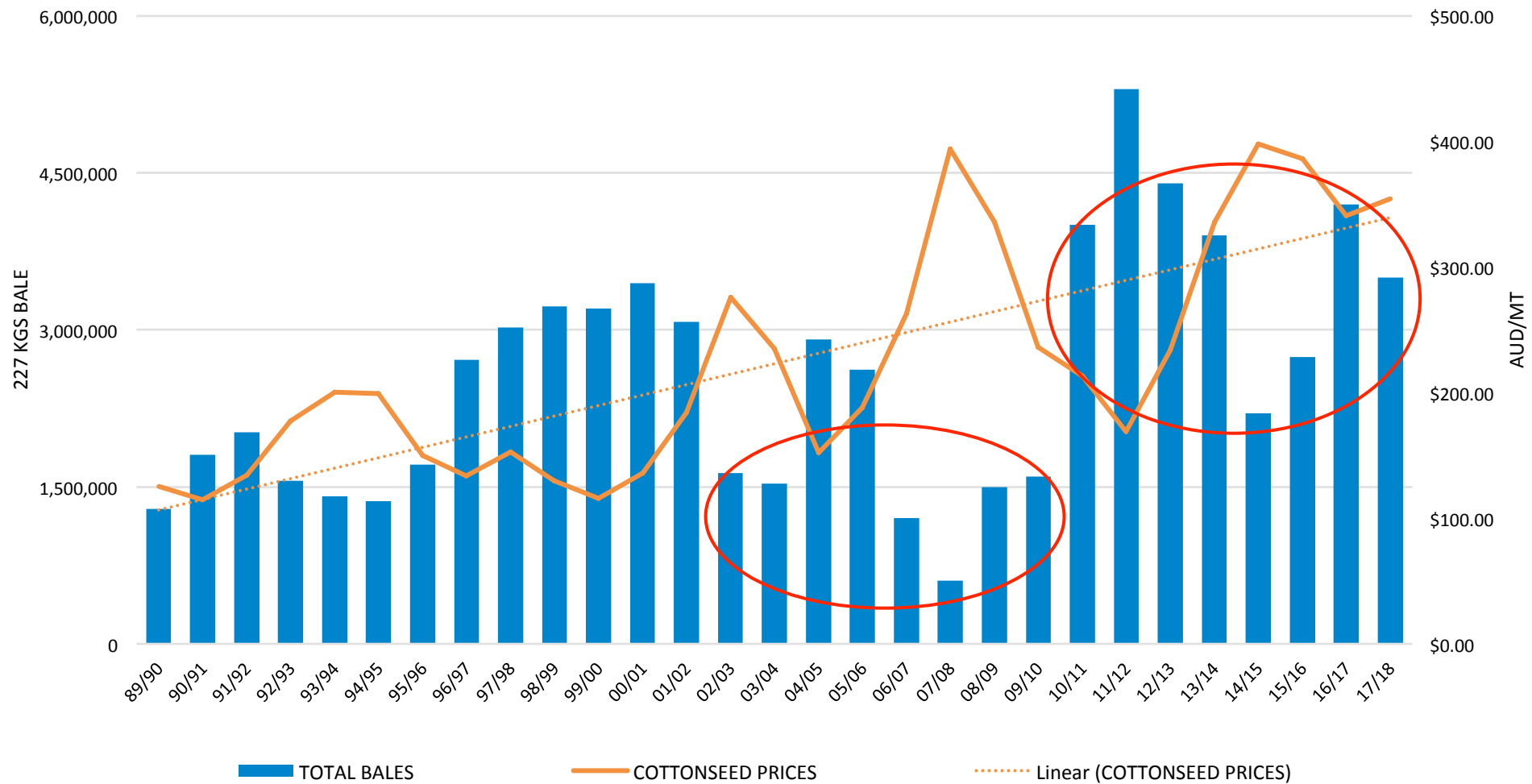
Company Management

- Lachan Herbert - Independent Advisor
- 10 years experience working with Cargill in origination, trading and managed their crush business across 3 multi-seed assets.
- Manages Berkstock's commodity risk at ROBE oilseed crush plant in Wagga.
- Experience and deep insight into crush margins and industry structure.

Australian Cotton Seed Production ('000 MT)



- Over the last 10 years Australian production trending higher - new areas and higher yields
- Seed factor trending lower as less seed produced per bale of cotton



- Historical high volatility in production and price, and a strong negative correlation
- Cottonseed value trending higher while production has become more consistent
- Ave bale production 2000 – 2010 2.30 MB ave cottonseed price \$197/MT, 2011 – 2018 3.80 MB, ave cottonseed price \$288/MT

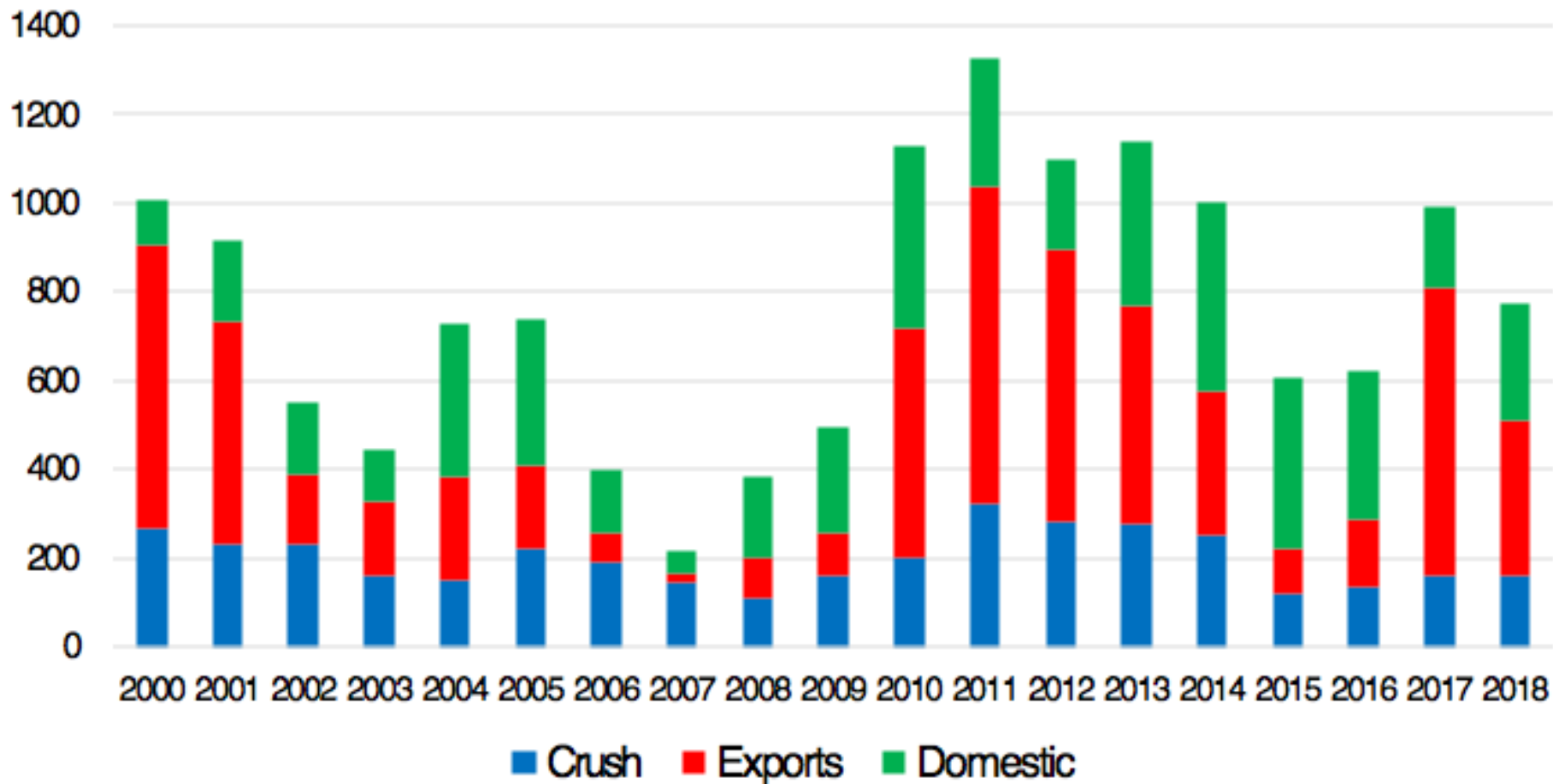
Cottonseed Price Drivers

- Global oilseed complex
 - Crush both locally and internationally.
 - Vegetable oil and meal prices and trends
- International feed markets
 - Dairy demand in Asia (Japan, Korea and China) and the U.S.
 - Competing ingredients internationally
- Local feedlot and dairy market
 - Domestic lot feeders and supplementary grazing
 - Competing ingredients locally.
- Drought and grazier demand
 - Easy to feed and freight advantage to cattle producers.

2017 Crop Balance Sheet

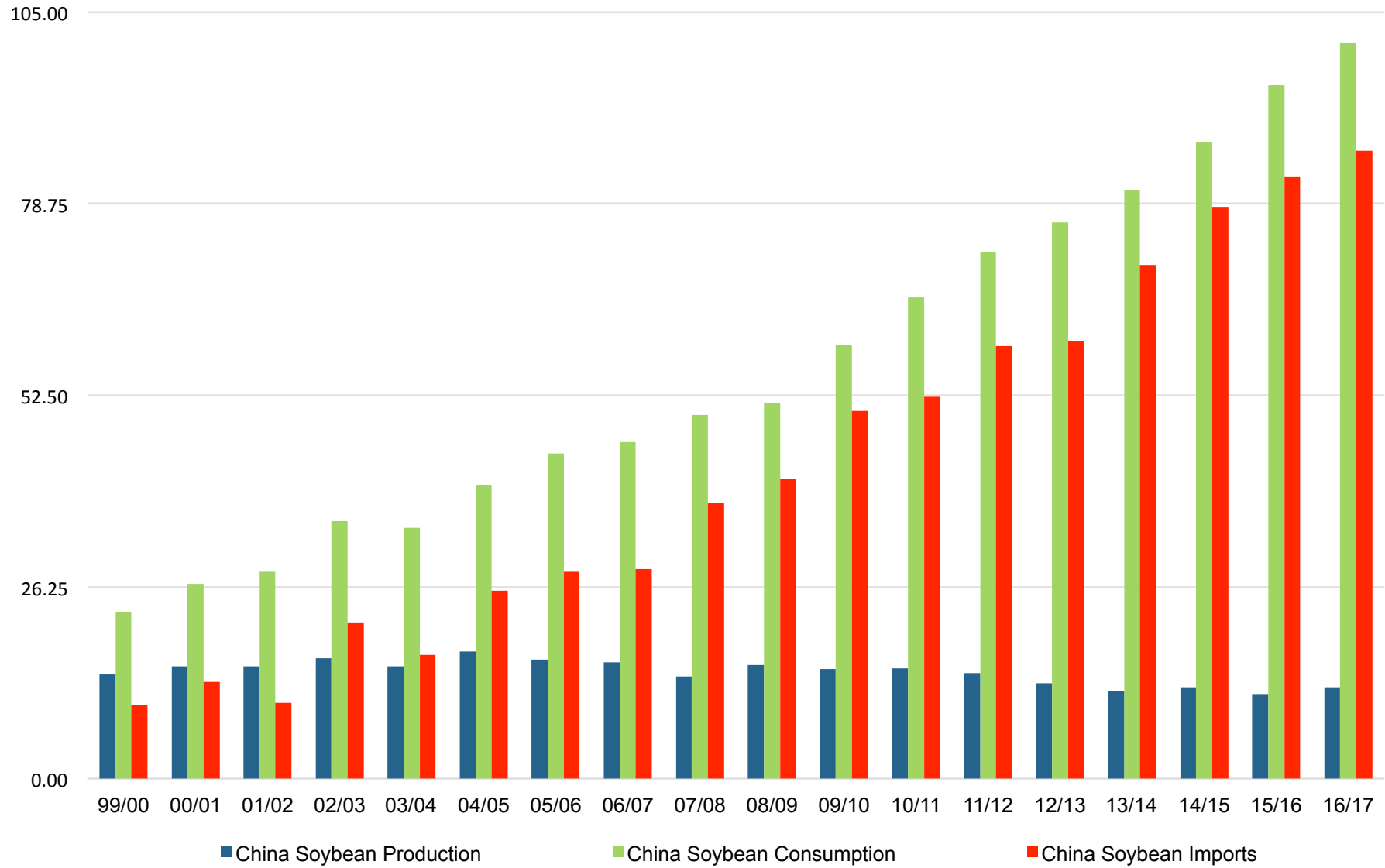
- Beginning stocks 0.050 million MT
- Production (4.25 million bales) 1.041 million MT
- Domestic feed usage 0.200 million MT
- Local crush 0.150 million MT
- Exports 0.650 million MT
- Carry out 0.091 million MT
- Tight carry out assuming all exports get done.
- Seed will get sold. Its just a function of price.

Cotton Disappearance

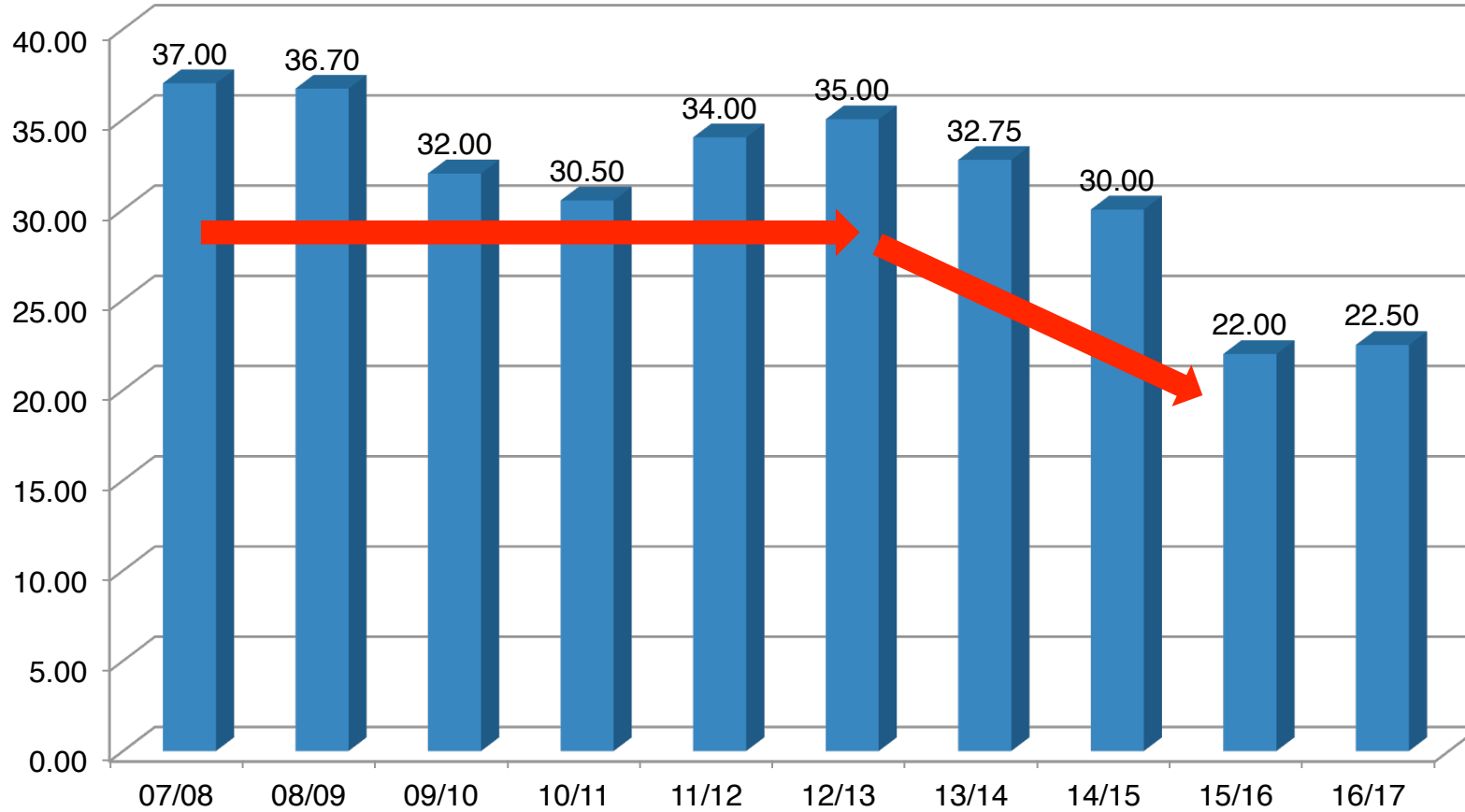


	Crush	Exports	Domestic	
High	279	714	428	
Low	110	17	52	
Ave	198	319	248	766

China's Demand For Soybeans (MMT)



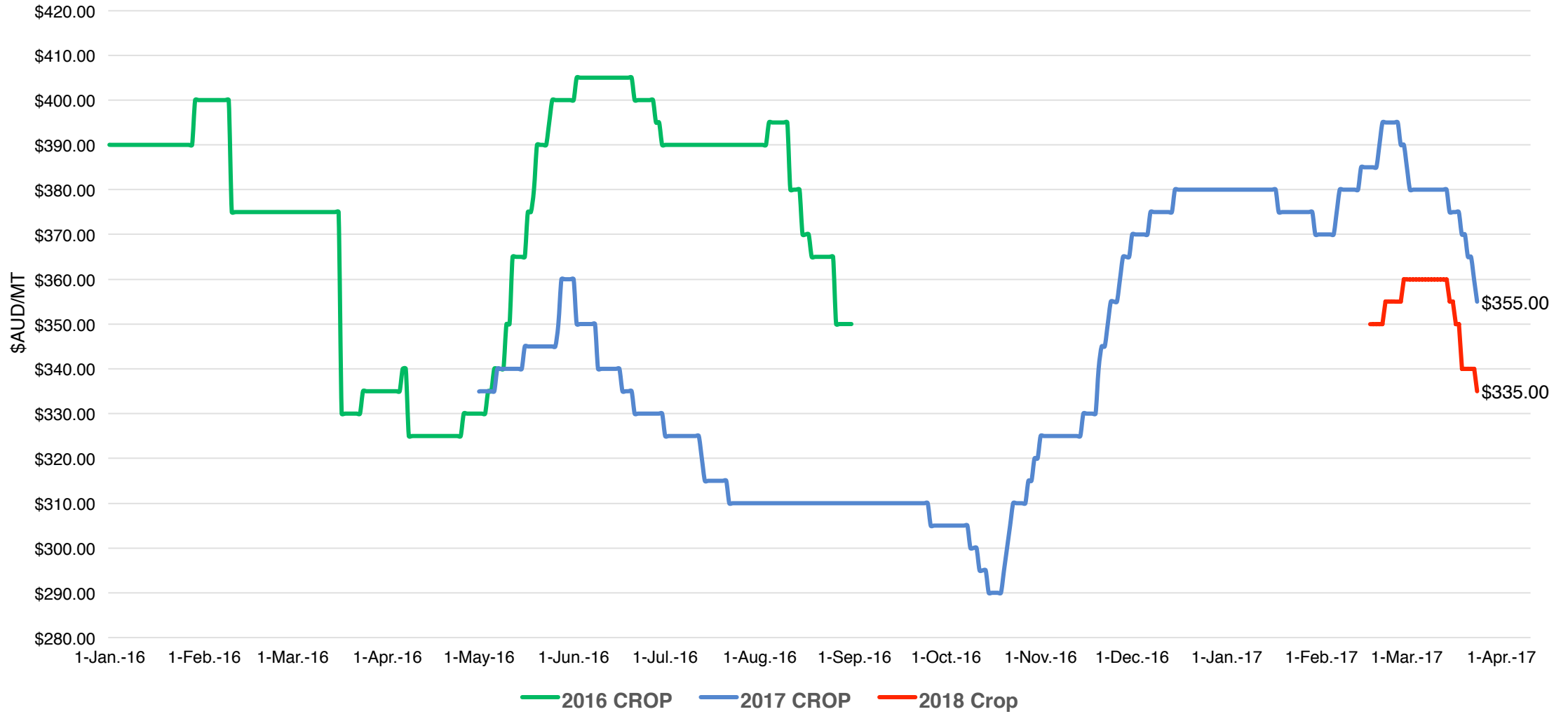
China's Cotton Production Decline



Current Market

- Prices supported by record demand from China in 2016 on the back of strong vegetable oil prices late last year and low domestic supplies.
- Estimated 500,000 MT of seed sold to China, ensuring strong bid to entice liquidity since this trade.
- Export prices above local feedlot levels and switched to cheaper cereal grains.
- Crush returns locally have been impacted by higher seed prices and lagging meal and oil demand.
- Countries that can use other origin seeds are switching to US seed

Cottonseed Prices Ex-Gin Moree/Northern NSW



2017 Crop Outlook

- Clients are 80% sold, prices peaked in the short term at \$385/\$395 per MT
- Currently \$350/MT = \$21 credit after ginning, under pressure
- WTI oil, soybean and soybean oil price pressure not helping sentiment
- Market is focused on executing large export book with no new demand on the horizon.
- RISK is Chinese defaults and shipping slows.
- Growers minimal exposure except for last 20 percent delivery July onwards
- Be prepared for slower demand for the tail end of the season

2018 Crop Outlook

- Clients advise 25% sold 2018 at \$350 or around \$20 credit
- Prices have peaked in the short term \$350/MT, market is focused on executing large export book for 2017
- Limited liquidity on forward sales – local production and China forward demand unknown
- **RISK – sizeable production increase in Southern NSW (Macquarie, Lachlan + MIA), requires export demand to consume surplus**
- 36% increase in area from 80'000 ha to 115'000 ha or 180'000 MT to over 315'000 MT cottonseed
- Advantage is ease of logistics into Melbourne port, but proactive marketing and export promotion essential as crop size increases!

Our Service to Cotton Growers

- Regular newsletter to educate and inform
- Provide an unbiased and independent forward market view and advice
- Text alerts and phone call on any sudden market changes
- Execution of sales on your behalf and management of grower positions
- Record grower positions.
- Explore export partnership arrangements
- Undertake overseas travel to promote Southern NSW cottonseed
- Flexible to suit individual grower requirements
- Cost: \$0.75c/bale (equivalent to \$3.00/MT) plus any external brokerage.

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