WESTERN AUSTRALIAN **ARABLE CROPS** INDUSTRY SNAPSHOT

A summary of **Western Australian Arable Crops Industry - Overview for Potential Investors and Other Stakeholders** available at **agric.wa.gov.au/WAagrifood-industryguides**

CORIOLIS FOR Department of Primary Industries and Regional Development
GOVERNMENT OF WESTERN AUSTRALIA
WA OPEN for BUSINESS

THERE ARE **DIFFERENT TYPES** OF **INVESTORS**

ALL ARE NEEDED AND WELCOME IN THE WESTERN AUSTRALIA GRAINS INDUSTRY

The largest farmer, the largest farmland owner, the largest investor, the largest employer and the largest agrifood research funder in Western Australia (WA) is the government.

The second largest investor in the WA agrifood system is the **11,177 farmers**, including the **4,543 farmers growing arable crops**.

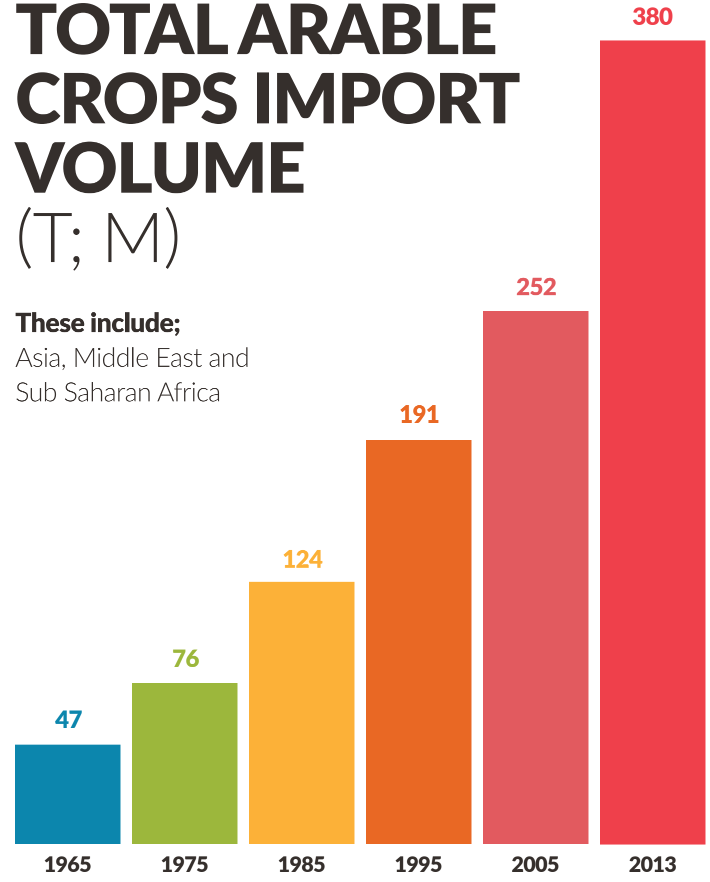
The third largest investor in the WA agrifood system are the private enterprises that use, process, package, sell, export, and retail its raw material ingredients.

Aside from the primary audience for this research being investors and government, other key stakeholders include scientists and research institutes, journalists, industry bodies and many others.

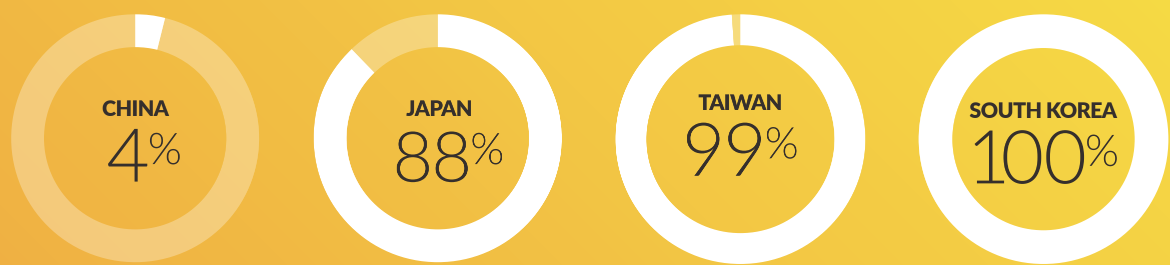
GROWING DEMAND FROM ASIA AND THE MIDDLE EAST

TOTAL ARABLE CROPS IMPORT VOLUME (T; M)

These include;
Asia, Middle East and Sub Saharan Africa



IMPORTS AS A % OF TOTAL WHEAT SUPPLY



WESTERN AUSTRALIA **CAN PRODUCE MORE**

Western Australia can demonstrate it is free from certain exotic pests and has nil tolerance of live insects in export, enabling strong market access for grains.

Grain is produced in one of the **cleanest** environments in the world making us the leader in delivering a clean, bright, dry and food-safe product.

REPUTATION

"Brand Australia" recognised across key markets

Lack of many key plant diseases

Strong biosecurity

High levels of food safety

Modern handling & processing facilities

SKILLS AND SYSTEMS

Educated population

Modern farming systems

High productivity

Deep pool of capacity

Well organised industry

" Efficient supply chains with quality control and assurance systems at all stages

- Wheat Variety Master List
- Barley Australia accreditation process
- Grower stewardship program
- Grain Trade Australia trading standards and Codes of Practice
- Bulk handling companies' quality control programmes "

Source: AEGIC

RESOURCES

Huge land area (the size of Western Europe)

Only 3% of land area currently farmed in crops

Small local population to feed (2.6m people)

Readily available farming inputs (e.g. fertiliser)

GLOBAL TRADERS NEED A POSITION IN **WESTERN AUSTRALIA** TO HELP MANAGE RISK AND SECURE SUPPLY

DIVERSITY

“ We are actively seeking to **diversify** our footprint and looking at new places to originate our grain. That’s why we are in Western Australia. ”

DIRECTOR, GRAIN MARKETER, LARGE

CONSISTENT QUALITY

“ Western Australia is a **reliable** supplier when compared with the rest of Australia. We can produce more consistent volume from year to year and focus more on exports. ”

EXECUTIVE, INDUSTRY BODY

INNOVATION

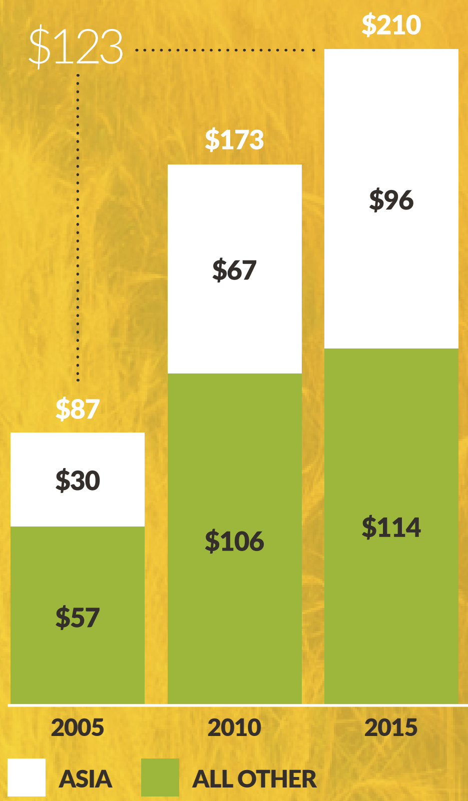
“ Our growers are **efficient** and better innovators. For instance: we use low inputs, we are large scale, we have efficient use of moisture and we display tactical decision making. ”

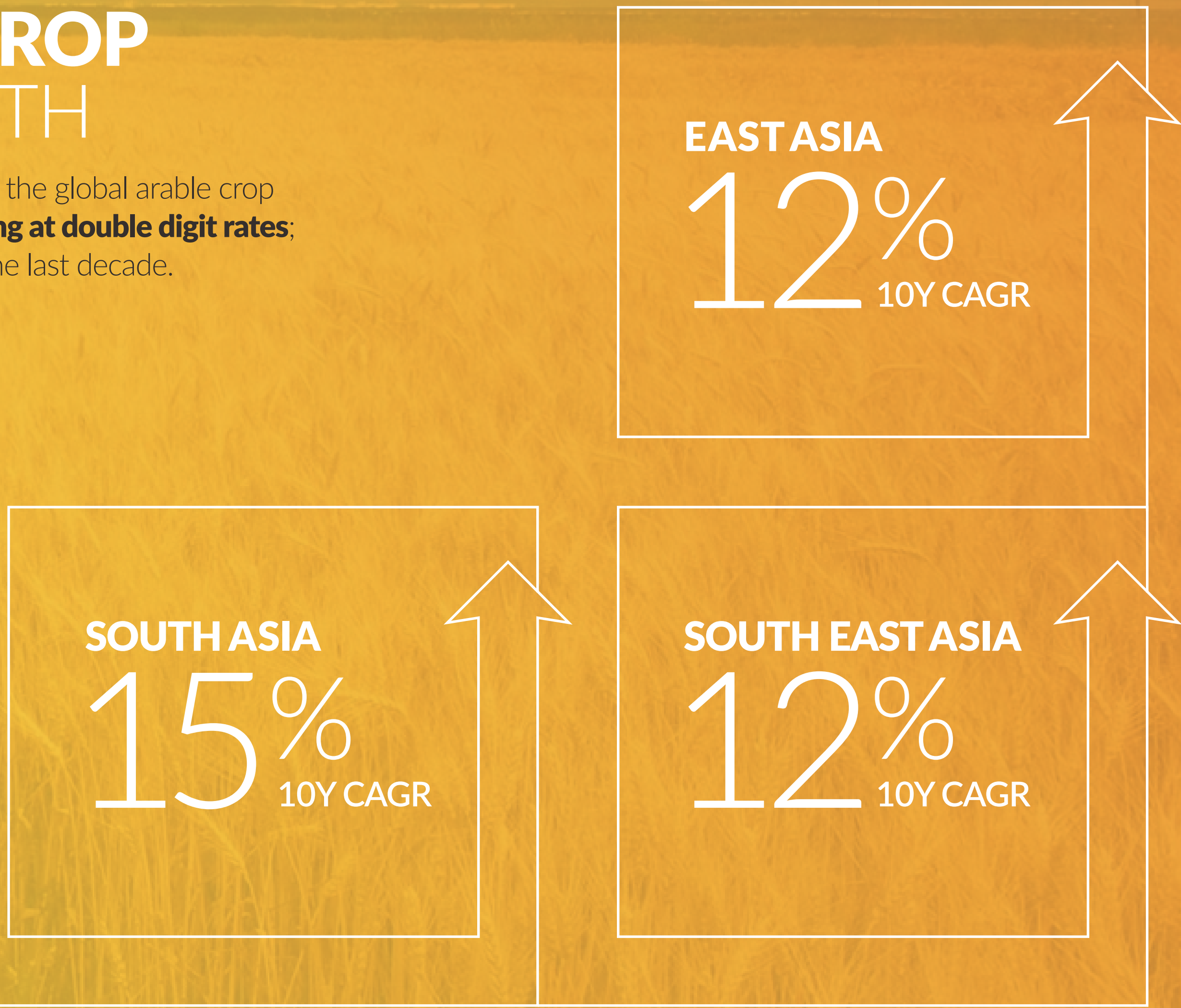
PROFESSOR, RESEARCH INSTITUTION

WHY WESTERN AUSTRALIA?

ASIA ARABLE CROP
MARKET GROWTH

Asia now accounts for almost two thirds of the global arable crop products trade, with **many markets growing at double digit rates**; growth of US $123B in global imports in the last decade.

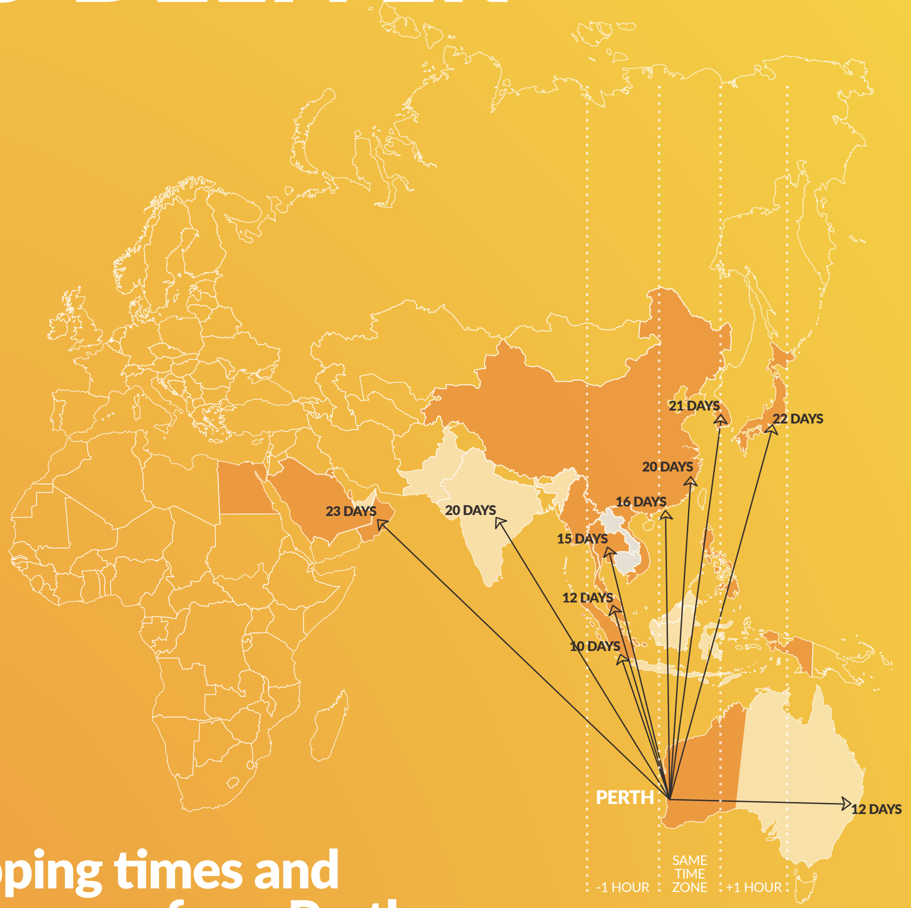




Regional arable crop products import value (US $B; 2005 - 2015)

Source: United Nations; Comtrade; Coriolis Analysis

WESTERN AUSTRALIA **WELL POSITIONED** TO **DELIVER**



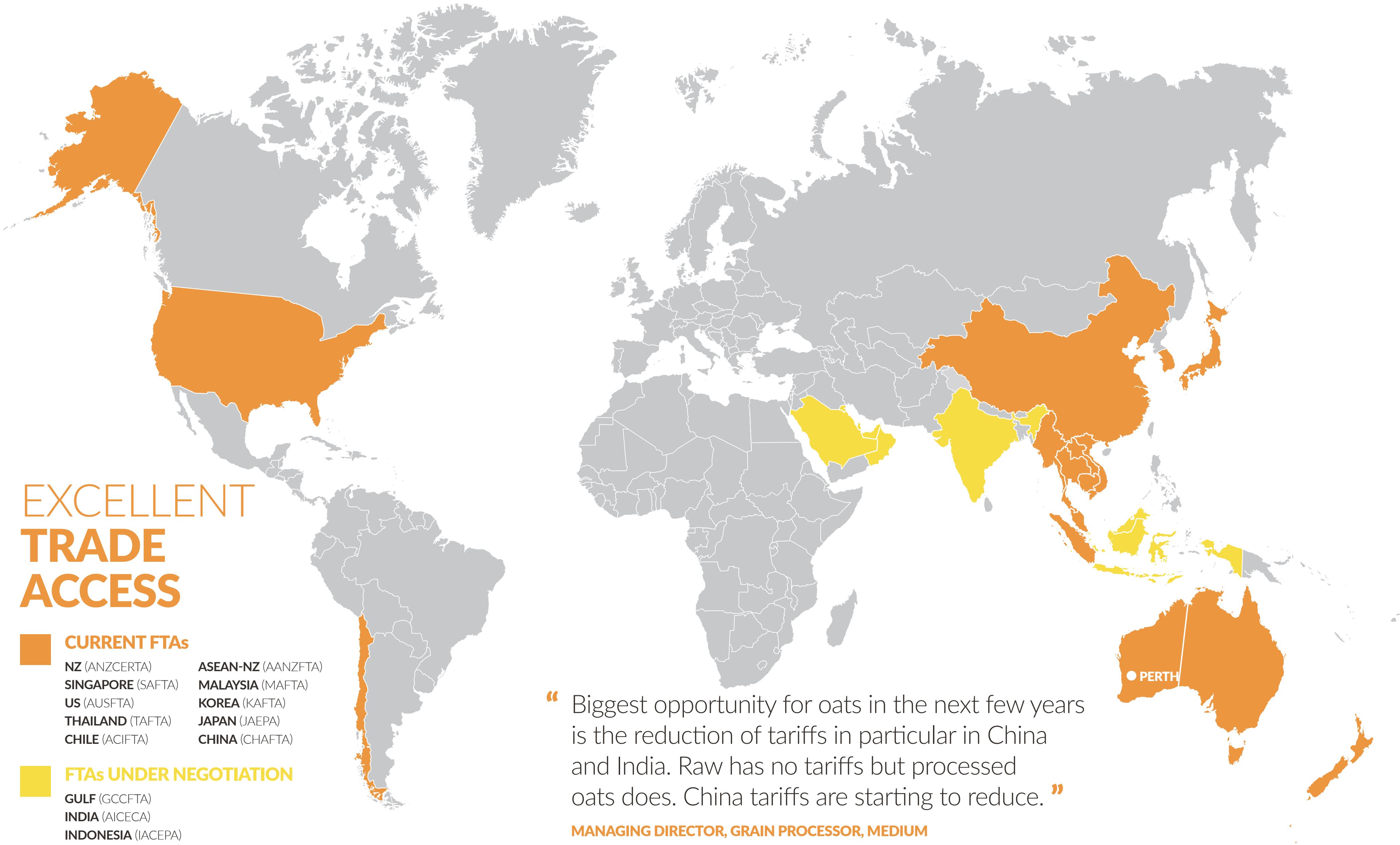
Shipping times and time zones from Perth

Western Australia is the closest, most accessible broad-acre, rangelands and Mediterranean climate zone to Asia; it is in the same time zone as Beijing, Manila, Hong Kong and Kuala Lumpur.

> "You see investors looking to invest in Western Australia, and across East; companies want a global footprint."

GENERAL MANAGER,
GRAIN EXPORTER, MEDIUM

EXCELLENT
TRADE ACCESS



CURRENT FTAs

NZ (ANZCERTA)
SINGAPORE (SAFTA)
US (AUSFTA)
THAILAND (TAFTA)
CHILE (ACIFTA)
ASEAN-NZ (AANZFTA)
MALAYSIA (MAFTA)
KOREA (KAFTA)
JAPAN (JAEPA)
CHINA (CHAFTA)

FTAs UNDER NEGOTIATION

GULF (GCCFTA)
INDIA (AICECA)
INDONESIA (IACEPA)

> “Biggest opportunity for oats in the next few years is the reduction of tariffs in particular in China and India. Raw has no tariffs but processed oats does. China tariffs are starting to reduce.”

MANAGING DIRECTOR, GRAIN PROCESSOR, MEDIUM

WHAT HAVE WE GOT?

WHEAT

Western Australia is the second largest wheat producing region in the Southern Hemisphere. Macro drivers for the WA wheat industry present a solid growth environment going forward, with area, yields and production all growing long term. Western Australia exported **A$2.4b** in wheat (YE Mar-17), representing 45% of total Australian wheat exports.

BARLEY

Western Australia is the largest barley producer in the Southern Hemisphere. Macro drivers for the WA barley industry present a solid growth environment going forward, with with area, yields and production all growing long term. Barley exports go predominantly to China (83%); other key markets are Japan and the Gulf States.

OATS

Western Australia is the second largest oats producer in the Southern Hemisphere for both animal feed and foodstuffs. Macro drivers for WA oats industry present a solid, though relatively low growth, environment going forward, with flat area, growing yields and growing production.

CANOLA

Western Australia is the largest canola producer in the Southern Hemisphere. Macro drivers for the WA canola industry support a robust growth environment going forward, with growing area, growing yields and growing production. Western Australia exported **A$1.3b** worth of canola (YE Mar-17), representing more than two-thirds of the Australian total, and exports are growing strongly. Due to their high quality, canola exports go predominantly to Europe.

ANIMAL FEEDS

Western Australia has growing production and exports of hay and prepared animal feeds. Western Australia exported **A$220m** worth of animal feeds (YE Mar-17), representing 20% of the Australian total, and exports are growing. Western Australian animal feeds exports go predominantly to Japan (40%), South Korea (18%), China (15%) and other Asian countries. Some large, but unmeasurable, amount of its grains and oilseeds flow into animal feed.

WA PRODUCTION **WILL CONTINUE** TO **GROW**

5.0% 45Y CAGR

REALATIVELY CONSISTENT GROWTH

1955 – 2000

Arable crop production

1.0% 15Y CAGR

RELATIVELY CONSISTENT GROWTH

2000 – 2015

Arable crop production

Source: ABS (various); Coriolis analysis

WA PRODUCTIVITY **IS INCREASING**

3.9% 59Y CAGR

AVERAGE HECTARES OF WHEAT PER GROWER

1956 – 2015

4.5% 59Y CAGR

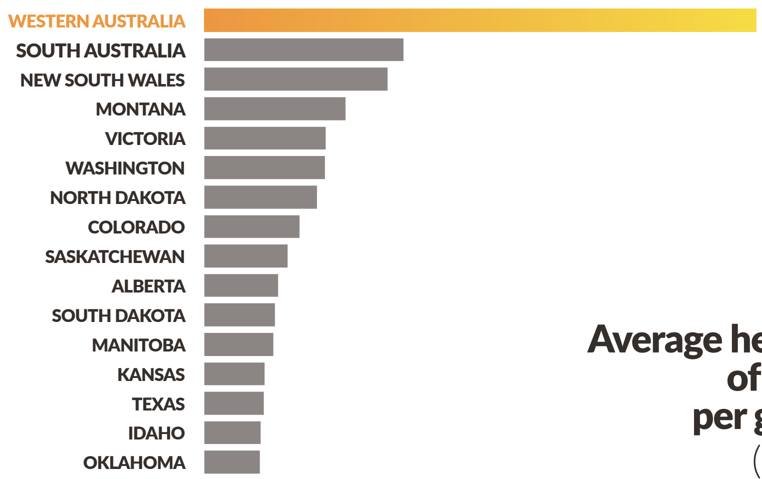
AVERAGE TONNES OF WHEAT PRODUCED PER GROWER

1956 – 2015

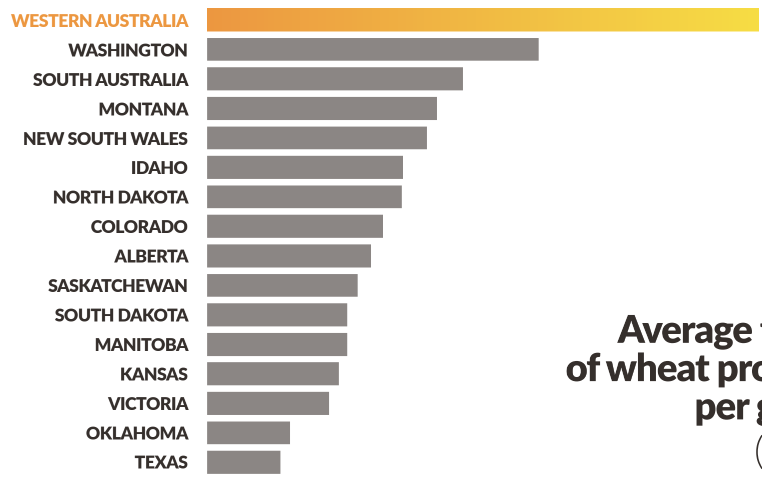
Source: ABS (various); Coriolis analysis

WA HAS **LARGER FARMS** THAN COMPETITORS

Western Australia has **larger production units** that **produce more per unit** than competitors



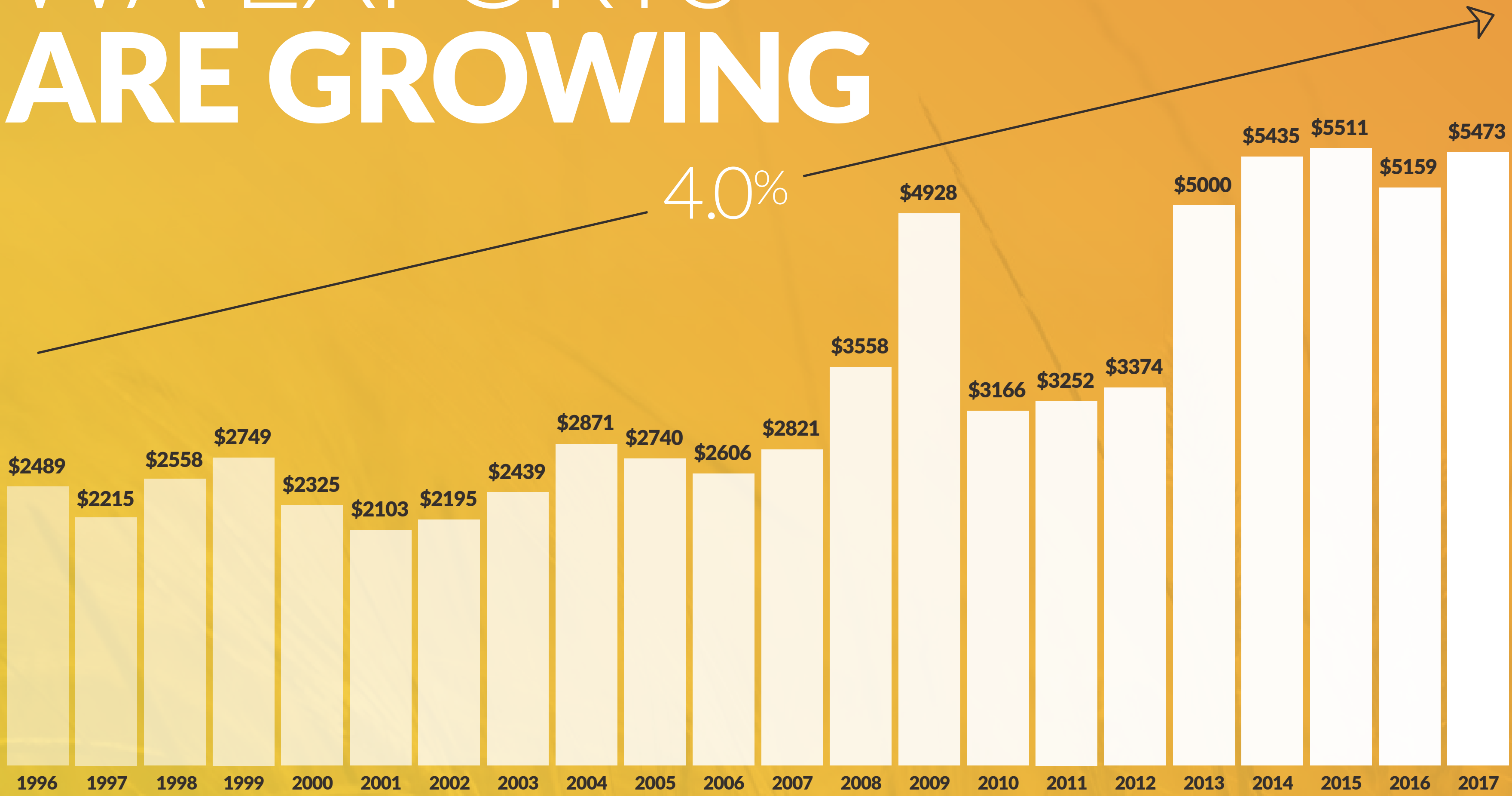
Average hectares of wheat per grower (2015*)



Average tonnes of wheat produced per grower (2015*)

** or most recent available; Note: caution should be used due to differing data sets and definitions; treat as directional; Source: ABS; Statistics Canada; USDA; Coriolis analysis*

WA EXPORTS
ARE GROWING



Western Australian grains, arable crops and products export value
(A$; m; YE June; 1996-2016; YE April 2017))

Source: DAFF; ABS; Coriolis analysis and estimates

ALL THE **GLOBAL PLAYERS** ARE **INVESTING HERE**

GLOBAL FIRMS

ADM	aldahra holding	Associated British Foods plc	bc imc	BUNGE
Cargill	中粮 COFCO	CK Life Sciences Group 長江生命科技集團	CPP INVESTMENT BOARD	GLENCORE AGRICULTURE
حصاد الغذائية HASSAD FOOD	KUALA LUMPUR KEPONG BERHAD	LDC. Louis Dreyfus Company	MITSUI & CO.	PEPSICO
QUAKER	SALIM GROUP Co.	SEABOARD CORPORATION	Sumitomo Corporation	WESTCHESTER Agriculture Asset Management

INVESTMENT IS OCCURING

GILMAC HAY
2017 $3.5m

Builds a new hay facility, plans for a canola processing plant

Reduce transport costs for southern WA producers

Add value for canola for growing animal food sector

CBH
2016 $810m

Committed $750m over 5 years for large scale network improvements

Constructing new oat processing plant

QUAKER
2015 $20-30m

Commissioned upgraded oat mill

Grain scale in the market to drive plant efficiencies

GRAINCORP
2015 $10m

Increased capacity of liquid terminal

Profitable sector, required additional WA capacity

BUNGE AGRIBUSINESS
September 2014 $40m

Commissioned new grain terminal at Bunbury port offers WA's first inland supply chain outside of the CBH system

Commissioned two new receival sites

WESTERN AUSTRALIA'S **ARABLE CROPS** SECTOR HAS A **STRONG GROUP** OF **THRIVING COMPANIES** ALONG THE **ENTIRE SUPPLY CHAIN**

FARMING OPERATIONS

Lawson Grains · Warakirri Cropping · Kuala Lumpur Kepong Berhad · Westchester

COLLECTION, STORAGE AND **LOGISTICS**

Bunge · CBH Group

TRADING AND **EXPORTING**

Cargill · GrainCorp · Glencore Agriculture · Bunge

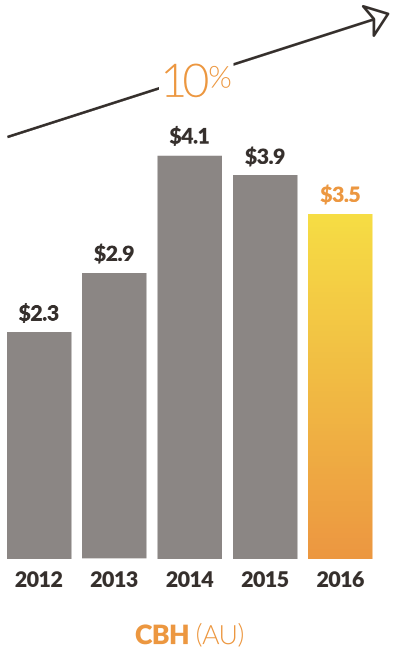
VALUE ADDED PROCESSING

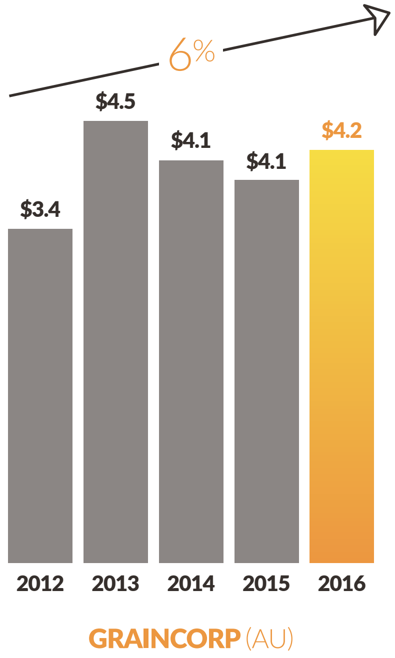
Quaker · CBH Group · Three Farmers · GrainCorp

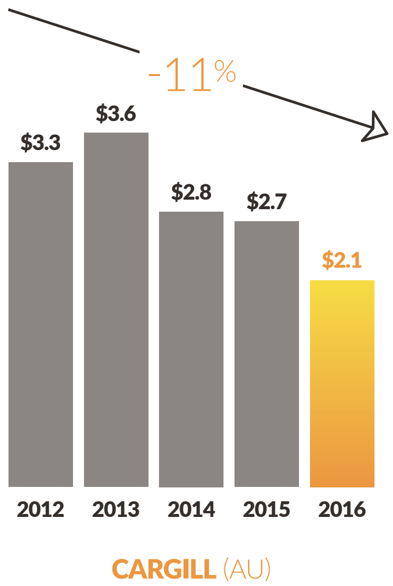
Note: Some firms across multiple stages of supply chain; Source: various company websites; Coriolis analysis

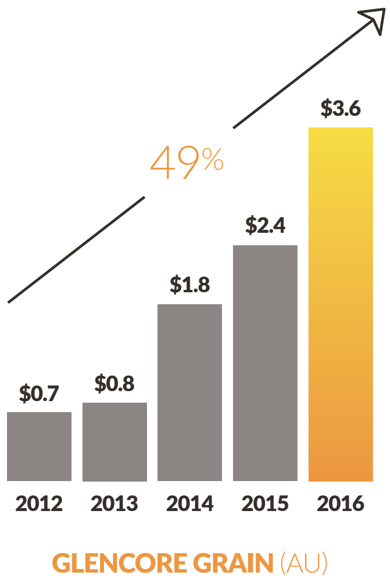
REVENUE GROWTH OF **MAJOR** AUSTRALIAN GRAIN OPERATORS MIXED

Five year revenue: select firms with significant WA grain activities
(A$; m; 2012-2016)









Note: all are wide ranging businesses with WA and non-WA activities; many have completed acquisitions; Source: ASIC filings; firm annual reports; IBISWorld; Coriolis research and estimates

FOUR INVESTMENT THEMES

Four broad investment themes exist for creating growth in the Western Australian arable crops industry

INVESTING IN **REAL-WORLD** YIELDS

Opportunity exists to continue to yield growth and maximize the crops genetic potential.

INVESTING IN **NEW PROCESSES** AND **SYSTEMS**

“There are some innovative on-farm storage technologies being developed that will be a game changer.”

INDUSTRY EXPERT

INVESTING IN **FURTHER PROCESSING** OF **INGREDIENTS**

“We saw a great demand for a WA grown product, and in a category that wasn’t a commodity.”

EXECUTIVE GRAIN PROCESSOR, MEDIUM

INVESTING IN **IMPROVING** INFRASTRUCTURE

Opportunities exist for investment in rail, mobile coverage and ports (in particular containerised facilities).

RETURNS ACROSS THE SUPPLY CHAIN

Western Australian **high performing farms** are showing **strong returns**

WA LAND[1]

2.0% GROWTH

WA FARM OPERATORS[2]

6 YR AVERAGE

6.3% RETURN ON CAPITAL

2016 WA TOP 25%

10.3% RETURN ON CAPITAL

WA ANIMAL FEED PROCESSORS[3]

10% RETURN – 15% RETURN

POST FARM GATE

5 YR AVERAGE INDUSTRY[4]

2% RETURN – 10% RETURN

5 YR AVERAGE CBH[5]

10.4% RETURN

__1.__ Planfarm Bankwest Benchmarks 2015-2016 - Broad-acre farms - average 6yr land value change (2010-2015)
__2.__ Planfarm Bankwest Benchmarks 2015-2016 - Broad-acre total farms average 6yr Returns on Capital (2010-2015)
__3.__ Interviews – "returns"
__4.__ Annual reports, IBIS - Average 5 yr returns, based on Australian financials EBITDA/Total Assets (2012-2016)
__5.__ CBH Annual reports; Average 5 yr returns WA based operations EBITDA/Total Assets (2012-2016)

Source: Coriolis analysis

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