

MEDIA RELEASE

Wake-up call from the Black Sea for Australia's traditional grain markets in South East Asia

Thursday, 12 October 2017

The 2017 GIWA Forum, focusing on WA's grain production and food trading relationships, was held on Wednesday, 4th October on the theme "**Global Investment in Grains: Perspectives from the Black Sea to North Asia**".

The [Grain Industry Association of Western Australia](#) hosted keynote speaker Mr Konstantin Litvinsky, Chief Operating Officer of [Kernel Holding](#), the Ukraine's leading agribusiness and grain exporter which is listed on the Warsaw Stock Exchange and controls over 600,000 HA of farming land. Mr Litvinsky's presentation was followed by a panel discussion with Jason Craig, General Manager Marketing & Trading CBH Group, Andrew Young Executive Chairman Plum Grove, Kane Fukuoka General Manager Feed & Grain Department, Mitsui Foods, and Paul Jenz, Director Research and Co-founder PAC Partners.

Over 220 members of Western Australia's grain and agrifood sectors attended the 2017 GIWA Forum, with major sponsor CBH Group, and supporting sponsors including the Australian Export Grain Innovation Centre, Plum Grove, Grain Trade Australia and Grain Growers Limited.

Mr Litvinsky presented a 10 year 2027/2028 production projection of 102 million tonnes for the Ukraine (increase of 40 mmt on 2016's 3 year average production of 62mmt) and 138 million tonnes for Russia (increase of 33 mmt on 2016 3 year average of 105 mmt).

Mr Litvinsky surmised that these robust production estimates for the Black Sea region will come from both area and yield, in the Ukraine's major export crops of corn, wheat, barley, sunflower seeds, rapeseed and soybean.

A captivated audience listened to Mr Litvinsky's conclusions that the Black Sea newcomers have changed the established pattern of global wheat exports, heavily influencing global wheat prices, as the Ukraine now accounts for 12% of global grain exports in 2016/2017.

He argued that Black Sea grain is attracting market share away from Australia's traditional customers such as Indonesia due to competitive pricing and the ability of South East Asian millers to blend lower quality Black Sea wheat with higher quality Australian wheat. He also noted that the quality gap is closing between Black Sea wheat and Australian wheat, with North Asian flour millers being less likely to consider Black Sea milling wheat than South East Asian flour millers.

Mr Litvinsky analysed the Black Sea's competitiveness in terms of freight rates, production costs, inland and port logistics and falling FOB costs. He concluded that Black Sea exports into Asia will grow and their product and quality offering will improve.

In response to a question from Mr Andrew Young, Executive Chairman of Plum Grove, "Is the Black Sea cutting our lunch?" Mr Jason Craig, General Manager Marketing & Trading of CBH replied, "Previously the Black Sea product was quite ordinary, you only used it if you really needed it.... Today we're selling into

South East Asia in particular and we're really competing against the Black Sea.... Australia's quality is well regarded, but that gap between Black Sea grain and Australian grain is getting shorter."

Mr Craig went on to emphasise that Australia still had its own competitive advantages, including quality and proximity, "We have seen the Ukraine and Russia take some of our market share in the last couple of years, but this is on a growth platform if you remember and particularly in places like Indonesia, Vietnam and the Philippines, they're growing between three and five percent annually. Yes, we're under pressure here, but it's about investing in our productivity as well as our supply chain, and that requires whole of industry investment."

Following the event, GIWA CEO Larissa Taylor commented "Definitely there's competition from the Black Sea into our traditional markets, but in response we have some long-standing customer relationships which we could leverage to mutual advantage, in Indonesia in particular. They have been our single largest customer for wheat for 20 years and a strategic partnership with Indonesia in premium soft wheat and premium baking segments into the increasingly sophisticated middle-class ASEAN food markets would make great sense."

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MEDIA ENQUIRIES

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Pictured: Mr Konstantin Litvinsky, Chief Operating Officer, Kernel Holding presenting at the 2017 GIWA Forum.



Pictured (left to right): Kane Fukuoka General Manager Feed & Grain Department, Mitsui Foods, Jason Craig, General Manager Marketing & Trading CBH Group, Andrew Young Executive Chairman Plum Grove, Paul Jenz, Director Research and Co-founder PAC Partners, Konstantin Litvinsky, Chief Operating Officer, Kernel Holding and Larissa Taylor, CEO, GIWA.