

BARLEY



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RECOMMENDATIONS



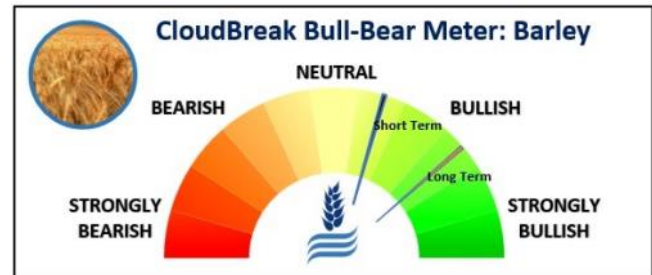
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Ukraine's Railway Export Expansion?

- Ukraine Managing to Export Via Rail
- Central Brazil Turning Dry
- Ethanol to Ease Energy Woes
- Wheat/Barley Spread Extremely tight
- Corn Planting in the US Begins

US Corn – Futures have continued to trade sideways, range bound between 730USc/bu and 762USc/bu. Both strong support and resistance levels appear to have formed, keeping prices constrained. The market will need to be fed new information in order to break out of its current range. With the loss of Black Sea corn, demand has should shift towards the US as seasonally, Brazilian exports fall to zero between March and June as they ration winter corn until the harvest of the second corn crop. Planting for the 2223 season has begun in the US and the USDA has lowered their expected planted area of corn by 4% from last year. Soybeans, for just the third time ever, is leading corn in estimated planted area.

Ukraine Spring Planting and Exports – The spring sowing campaign in Ukraine is underway and large scale disruptions are expected. With areas under Russian occupation, over 10 million displaced people, many farm workers being called up for service or volunteering and shortages of fuel;



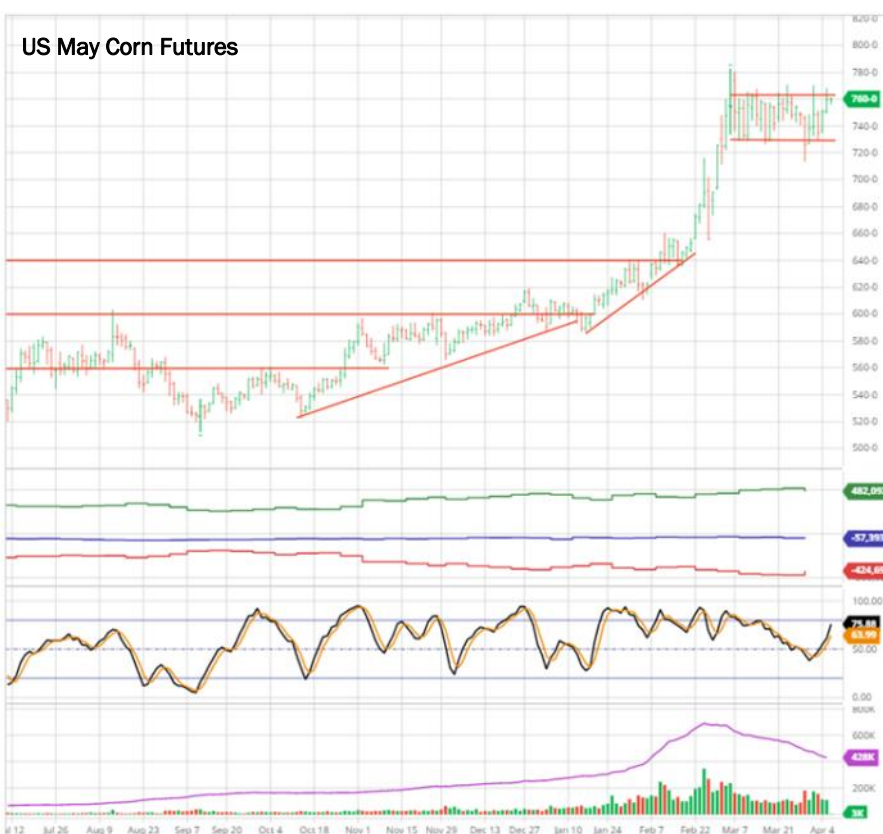
planted area is going to take a serious cut YoY. The Ukrainian Ministry of Agriculture is forecasting sown area of spring crops to contract by 20%. Furthermore, with the invasion still ongoing, how much will actually be harvested remains a major uncertainty. Even if planting is successful, shortages of fertiliser, herbicide and pesticide will pose further problems which are difficult to quantify. If the conflict continues past the Ukrainian harvest, they may only be limited to rail exports if their ports are still blockaded.

Grain has been managing to trickle out of Ukraine and into neighbouring countries via rail, however the quantities involved are only a fraction of what Ukraine would typically export. Before the conflict, Ukraine was expected to export up to 65MMT of grain this season. However, now that they are limited to exports via rail these forecasts have been slashed to forecasts ranging between 47MMT and 53MMT

(Ukraine had already exported 43MMT before the conflict). Analysts and the Ukrainian government have wide ranging expectations on just how much grain Ukrainian rail lines can export, but it appears that the max capacity is around 1MMT a month in ideal conditions. The Ukrainian government has stated that they will be looking to expand the capacity of rail exports going forward, which could soften the supply shock the world is experiencing. Whether or not an expansion is achievable given the circumstances is a valid question, as even before the conflict, Ukraine suffered from a shortage of grain carts.

South American weather – In Brazil the harvest of the first corn crop is approximately 51.6% complete and the planting of the second (Safrinha) corn crop is nearly complete. Brazil's first crop had

US May Corn Futures



Barley—Continued

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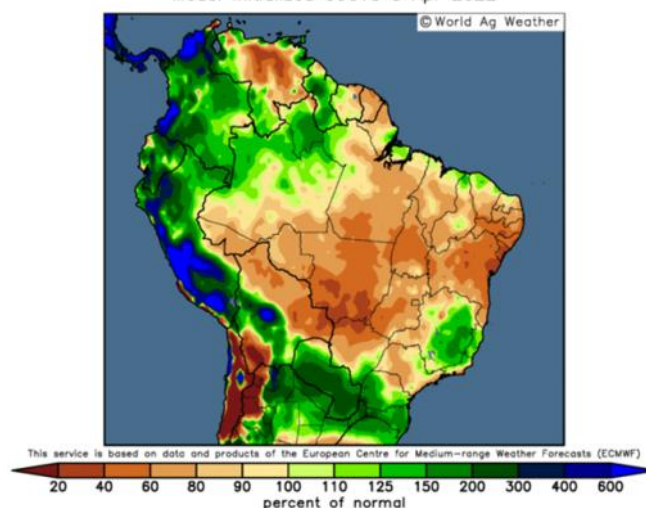
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been exposed to very dry conditions and as a result, production estimates had been revised lower. Previously, several key growing regions for the second corn crop saw some decent rainfall which looked like it could reverse the drought like conditions in central Brazil. However, since this event, conditions have once again turned dry. The state of Mato Grosso which accounts for over 40% of Safrinha corn production could see as low as 40-60% of normal precipitation over several growing regions in the next two weeks. If April is dry, there will be limited opportunities for additional precipitation as the wet season ends. Approximately 20% of Safrinha corn in Mato Grosso should enter pollination during late April. If Safrinha corn yields fall below trendline, the world balance sheet will struggle to cope amid the shortage created by the loss of Ukrainian exports. Furthermore, in years when Brazil has had a stressed first crop, tonnes for the export focused second (Safrinha) crop have been diverted for domestic consumption. This combined with low beginning stocks could extend the period of tight availability of Brazilian corn in the world market until late June or even July as they limit exports during this period until the harvest of the Safrinha crop.

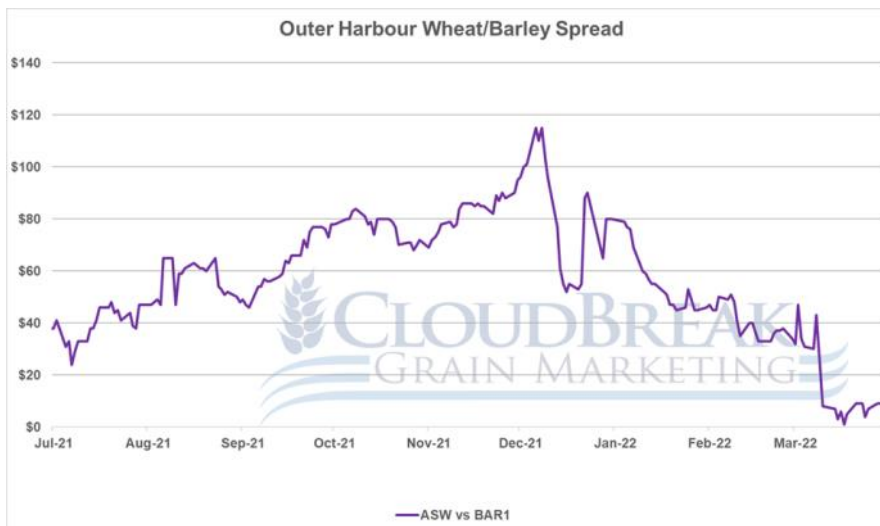
US Ethanol – With energy prices soaring due to sanctions against Russia, the US is considering removing restrictions on higher ethanol gasoline blends in order to lower fuel prices in the US. If the US goes ahead with expanding ethanol use, US ending stocks of corn will further tighten at a time when US corn is highly sought after due to the conflict in the Black Sea. Ethanol exports have remained strong with February seeing exports grow by 16% MoM. If the Russo-Ukrainian War continues and sanctions against Russia escalate, the world could increasingly look towards biofuels to meet their energy needs.

Outlook – South Australian barley prices eased somewhat but still remains at an extremely high decile. BAR1 prices are currently trading between \$390-395/MT on an Outer Harbour basis and the spread between wheat and barley remains extremely tight despite prices easing. On the world market, Australian barley remains extremely cheap and with the increased cost of freight due to the Russo-Ukrainian War Australia is well protected into our traditional markets in southeast Asia and the Middle East. The shipping stem continues to be lined with vessels, with all Vitorra ports fully booked for April and May. With numerous barley vessels spread across multiple buyers and low grower liquidity there should be plenty of opportunities for making additional sales. In the delivered markets, barley prices are around a \$400-410/MT in the mid-north making it a viable option for tonnes stored on farm.

ECMWF Ensemble Median: Percent of Normal Precip
Days 1–14: 00UTC 6 Apr 2022 – 00UTC 20 Apr 2022
Model Initialized 00UTC 5 Apr 2022



CloudBreak recommends finishing up sales of old crop barley over the next month to take advantage of near decile 10 prices. With limited stocks, growers should look to target sales with the timing of vessels. For the more bullish minded individuals, it could pay to hold longer and see how the second Brazilian corn crop develops. As for 2223 season barley. If the conflict between Russia and Ukraine continues to disrupt Black Sea exports, Australia's established market share for barley in the Middle-East should expand. Furthermore, given the possibility the second Brazilian corn crop is impacted by dry conditions, the limited availability of corn should further strengthen barley prices. However, given that there is still the possibility of peace or a ceasefire between Russia and Ukraine or a weather reversal in South America, it would be worth locking in some of these high decile prices we are currently seeing to take some risk off the table. As such, CloudBreak recommends looking to make sales between 5-10% of conservative production estimates.



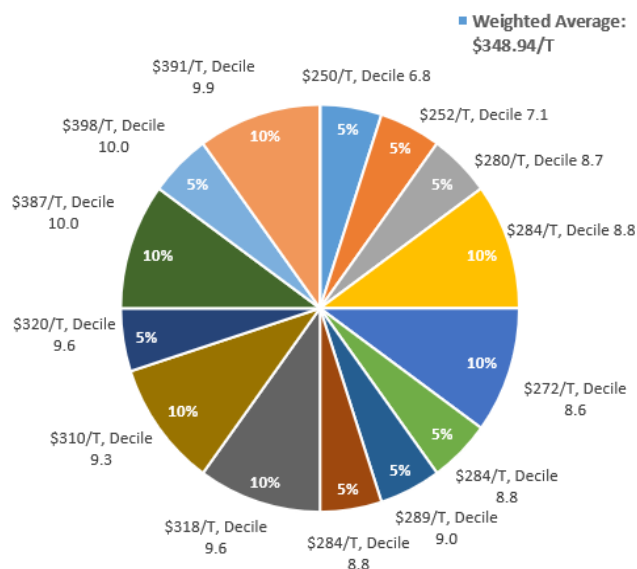
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Recommendations

2122 Barley—Monitor and Sell, Total 100% Sold

2223 Barley—Monitor and Sell, Total 5-10%

CloudBreak - 2021/22 Season Barley Sales Recommendations



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Previous—South Australian barley prices have remained elevated, trading between \$395-400/MT on an Outer Harbour basis. The spread between wheat and barley has plummeted, and barley briefly traded at evens with ASW1 wheat. In the global market, Australian barley remains some of the cheapest in the world giving us a major competitive advantage into those markets in the Middle East, particularly the Arab Gulf states. The shipping stem has numerous barley vessels in most port zones spread between several buyers. This has resulted in barley stocks drying up and grower liquidity is currently thin as stocks to use is forecast to reach its lowest level since 2013. In the delivered market, barley has been trailing behind track pricing as there has been much more liquidity in the wheat market with the abundance of SFW1 this season.

CloudBreak currently recommends to be 90% sold on 2122 barley to take advantage of the near decile 10 prices. With limited grower liquidity and the timing of vessels CloudBreak will likely look at recommending finishing up sales for 2122 season barley in the coming month. With that said, the prices we are seeing now usually only occur during years of severe drought. Therefore, no one would blink twice if you were seeking to finish up sales sooner. As for 2223 season barley, the spread between old and new crop is simply too wide to justify making significant forward sales. Additionally, with the spring planting campaign of barley and corn upon us we could see improvements in new season prices depending on how severe disruptions are. As such, CloudBreak's recommendation for new season barley remains unchanged at 5% of conservative production estimates.

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