

WEEKLY MARKET REPORT

WEATHER

Rainfall has generally subsided across most of the region, although the flood damage is still continuing for areas of SW Qld and northern NSW. The outlook for the rest of the week remains clear with the potential for a few showers on Sunday in some areas.

TOWN	WEEKLY	February	2012
Oakey	48.8mm	53mm	82mm
Miles	14.8mm	17mm	17.6mm
Roma	21mm	140.2mm	305.8mm
Garah	5.4mm	152.8mm	284.8mm
Goondiwindi	0mm	32mm	173mm

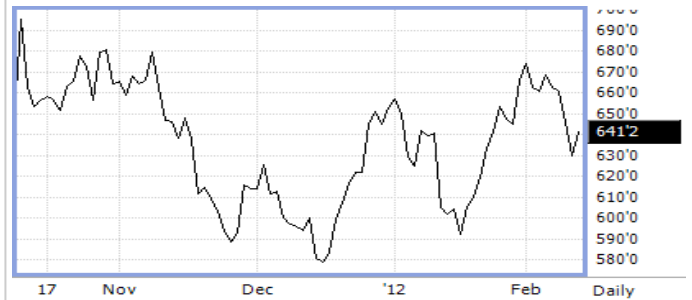
LOCAL

The local grain markets continue to remain relatively quiet as the farmers and traders alike try to come to terms with the devastation across Northern New South Wales and Western Queensland due to the recent flood damage. Downs farmers however, have been more fortunate with drier weather allowing headers to advance the sorghum harvest and by all reports quality and yield results have been favourable. The sorghum market continues to remain range bound with the Brisbane track market trading between a \$183 to \$187/mt on the back of limited grower liquidity. Wheat markets have also remained quiet with grower price expectations above current pricing levels.

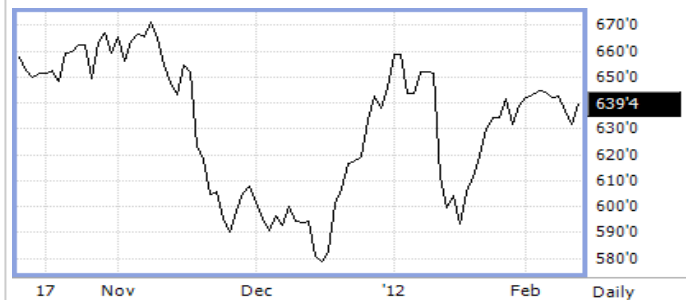
GLOBAL

The focus over the past few days has been Greece and whether the parliament would approve the austerity measures put forward to them by the European Union that would allow the 130 billion euro bailout package to proceed. Amid the heavy protests the measures were approved and commodity prices rallied as investors returned to the market. Dry weather is now impacting Brazil and with the acreage fight also heating up in the US soybeans is finding some strong support. Egypt has finally returned to the US wheat market, purchasing a cargo over the weekend and the ongoing cold weather in the Black Sea and the logistical issues associated with it has lead to growing optimism that the demand will grow. There are suggestions the cold weather through the Ukraine and parts of Europe is far more severe than first mentioned, and in particular on the rapeseed crop, with snow cover through these regions very limited, resulting in high rates of winter kill.

MAR '12 CBOT WHEAT



MAR '12 CBOT CORN



AUD/USD



CONTRACT	LAST	DAILY	WEEKLY	MONTHLY	YEARLY
CBOT Mar 12 Wheat	USc 641.25	↑ 11.25	↓ -3.2%	↑ 6.5%	↓ -34.5%
CBOT Mar 12 Corn	USc 639.50	↑ 7.75	↓ -0.4%	↑ 6.7%	↑ 3.7%
CBOT Mar 12 Beans	USc 1,252.00	↑ 23.00	↑ 1.6%	↑ 8.1%	↓ -7.9%
ICE Mar 12 Cotton	USc 96.96	↑ 0.52	↑ 2.5%	↑ 1.6%	↓ -16.5%
ASX Mar 12 Wheat	AUD 206.50	→ 0.00	↓ -3.1%	↓ -1.7%	↓ -32.3%
ASX Mar 12 Barley	AUD 184.00	→ 0.00	↓ -1.1%	↓ -0.5%	↓ -18.2%
ASX Mar 12 Sorghum	AUD 187.50	→ 0.00	↓ -3.6%	↓ -6.3%	↓ -15.2%
AUD/USD spot rate	1.0738	↑ 0.01	↓ -0.6%	↑ 4.0%	↑ 7.1%
ASX/CBOT Wheat basis	-AUD 23.67	↑ 2.17	↓ -10.14	↓ -17.18	↑ 30.03
ASX/CBOT Sorghum basis	-AUD 58.43	↑ 2.98	↓ -17.55	↓ -27.54	↓ -37.36

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FOCUS — UKRAINE CANOLA AND BARLEY CROP IN TROUBLE

Last week we touched on the cold weather in Europe and the Black Sea region and what impact it may have on the planted crop. The speculation in the market has increased somewhat as to the amount of damage that has occurred and there are now concerns that large portion of winter crops, particularly through areas of the Ukraine, will need to be replanted in the spring season. The situation is certainly more serious in some regions than others and hasn't affected the whole of Europe and the Black Sea, however it is likely to have a significant impact on the global supply of several crops. One of the crops most severely affected is reportedly rapeseed and given the importance of both the Ukraine and Europe in international trade, major reductions in production may impact global prices quite drastically.

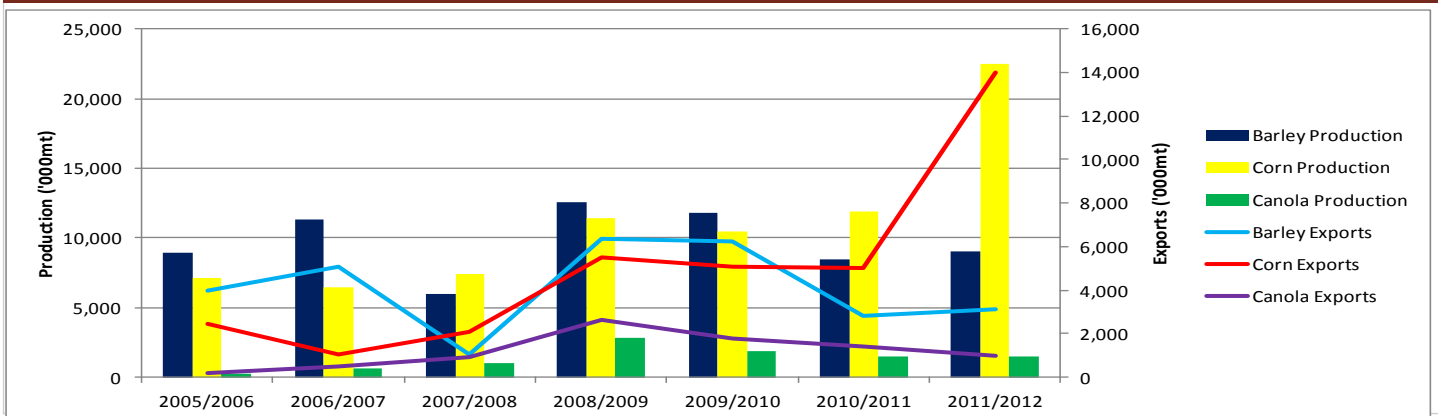
The Ukraine is one of the key markets for Europe to acquire rapeseed from, particularly given their non-GM status. In the past few years Europe has generally imported in excess of 1mmt in each year from Ukraine and in 2008/09 this figure jumped to over 2mmt. This puts into perspective the potential issues as initial production estimates for 12/13 for the Ukraine have already plummeted to around 800kmt-1mmt and could possibly fall further once more information is known on the impact of the cold weather. It will ultimately lead to a lower amount of seed available for European consumption and potentially higher demand from other countries, such as Australia. Recent reports have suggested that over 300kha of rapeseed plantings throughout the country will need to be re-seeded in

spring, which is likely to be replanted to corn, sunflowers or barley. However growers through the region are unlikely to get an accurate picture on the impact of the cold weather until early March.

While some damage to the wheat crop can be absorbed in the global market due to large supplies, it is a different story for barley where global stocks are already at tight levels. There is more spring barley planted in the Ukraine than the winter variety, however winter barley still accounts for over 30% of the total acreage and a fall in production would still have a major impact on their balance sheet. There is the potential that growers may re-plant the affected winter barley areas to spring barley, however corn is now a much more attractive option for growers. Gross margins for corn are very strong and Ukraine have increased corn production from 10-11mmt in the past three years to a massive 22.5mmt in 2011/12. There are suggestions plantings for corn could be up another 15% YOY. Sunseeds are also reportedly generating better margins than that of spring barley so we may not see too much of the lost barley production re-sown to spring varieties.

The Black Sea region provided the spark two years ago to a lackluster market and it could potentially be the story the bullish traders are looking for in the canola and barley sectors. Wheat is a bit different given the abundant global supplies and the US corn planting season is likely to provide the direction in the medium term.

UKRAINE PRODUCTION AND EXPORTS



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