

WEEKLY MARKET REPORT

WEATHER

There were a few patchy showers this past week but nothing of great substance which is what the region is looking for. Unfortunately again there isn't much on the radar for this week with the forecast clear through to the weekend.

TOWN	WEEKLY	August	2010
Oakey	8.8mm	9.8mm	683.6mm
Miles	0mm	0mm	347.2mm
Roma	0mm	0mm	483.4mm
Garah	3.2mm	6.2mm	221.6mm
Goondiwindi	0.8mm	5mm	327.8mm

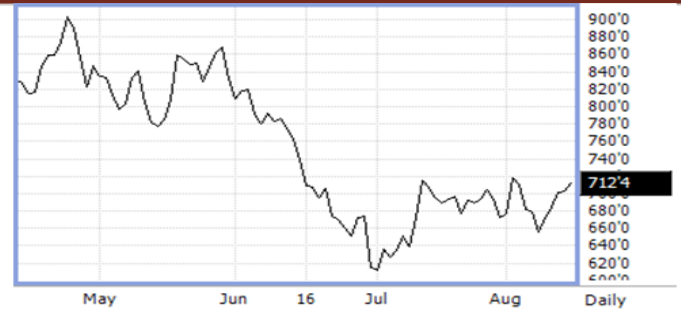
LOCAL

The persistent dry weather over much of southern Queensland is affecting many winter crops and therefore yield potential is declining as the weeks go by. Areas over the NSW border and back into Queensland have really only been planted 50-75% of the winter crop rotation originally available. Again end users are continuing to have interest in buying old crop feed wheat and we have seen these levels firm over the past couple of weeks. Small amounts of cotton seed have started to move west and in turn price levels are firming. New crop wheat multigrade's are priced at approximately AUD 270 – 280. Sorghum ex farm is of interest with a majority of these tonnages going into the port zone for export. Overall we are looking at a situation where good rainfall in the next 4 weeks will highly increase the chances of achieving a good crop or no rain at all will reduce crop production considerably.

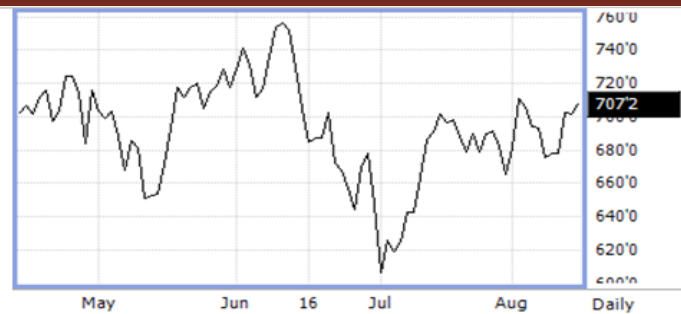
GLOBAL

The monthly USDA reports always seem to produce some sort of surprise and last Thursday was no exception with corn and soybean yields cut more than what the market was anticipating. While corn yields were expected to fall, albeit not as much as the 5.7bu/acre that the USDA estimated, it came as a surprise the drop in soybean yields given the crucial weather period for beans is in August. The end result was a sharp increase in the futures market, although prices did close off their highs late in the session. Since then traders continue to speculate as to the condition of the US crops and this is likely to remain the focus for the coming weeks. Weather conditions have eased considerably since the heat wave in July and there is the possibility that yields for soybeans in particular could improve in the future. Demand is expected to shift to wheat which augurs well for Australian feed wheat supplies.

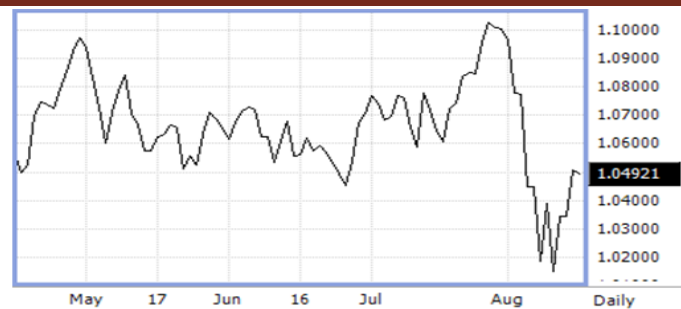
SEP '11 CBOT WHEAT



SEP '11 CBOT CORN



AUD/USD



CONTRACT	LAST	DAILY	WEEKLY	MONTHLY	YEARLY
CBOT Sep 11 Wheat	USc 712.50	↑ 10.00	↑ 4.0%	↑ 2.6%	↑ 2.4%
CBOT Sep 11 Corn	USc 707.25	↑ 5.50	↑ 4.3%	↑ 0.9%	↑ 60.2%
CBOT Sep 11 Beans	USc 1,343.50	↑ 15.75	↑ 3.7%	↓ -2.9%	↑ 31.7%
ICE Oct 11 Cotton	USc 105.03	↔ 0.00	↑ 8.0%	↑ 3.5%	↑ 33.8%
ASX Sep 11 Wheat	AUD 260.80	↔ 0.00	↑ 2.9%	↑ 6.0%	↓ -9.8%
ASX Sep 11 Barley	AUD 222.50	↔ 0.00	↑ 2.5%	↑ 3.8%	↓ -12.9%
ASX Sep 11 Sorghum	AUD 239.00	↔ 0.00	↑ 4.8%	↑ 8.5%	↓ -1.6%
AUD/USD spot rate	1.0478	↓ 0.00	↑ 3.2%	↓ -1.6%	↑ 16.8%
ASX/CBOT Wheat basis	AUD 9.53	↑ 4.50	↑ 2.62	↑ 5.73	↑ 5.43
ASX/CBOT Sorghum basis	-AUD 28.23	↑ 2.08	↑ 5.37	↑ 13.39	↓ -77.47

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FOCUS

Despite the volatility in the global markets as well as the Australian dollar, exports of wheat for the 2010/11 grain marketing year are on track to be the largest in the past ten years. This is despite one of the worst droughts in recent memory affecting the Western Australian crop, although strong yields through the eastern states and SA easily offset this and has resulted in total wheat production finishing up around 26.5mmt. The issue has obviously been the quality of the crop produced, however global demand continues to be strong for local feed grains and this week we take a look at whether this will remain so for the rest of the year and extend into the 11/12 marketing year as well. Any concerns over finding a home for the vast amounts of feed grain have been dismissed, from January to June Australia managed to average 1.7mmt of exports per month and are now on track to export over 19mmt for the marketing year. To put this in perspective the average amount of wheat exported per month for the last ten years has only been 1.1mmt. Yes the export ban in Russia has helped the cause and production issues in other countries has also been a factor, but it has been the significantly lower prices in comparison to all other feed grains around the globe that is the main reason for the record figures. Logistical issues in the eastern states has helped maintain a price ceiling on feed grains, however in the past few weeks we have seen the situation beginning to ease and prices improving as a result. The export pace is not expected to ease too much as we approach the end of the

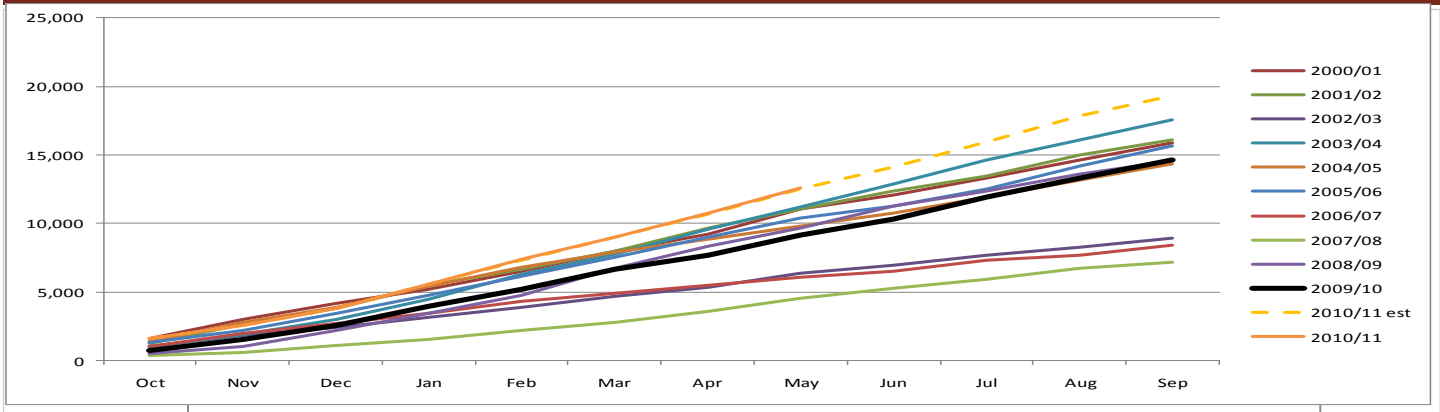
marketing year with shipping reports showing around 1.6mmt exported in July and a similar amount for August and September.

Demand is coming from some of the large Asian consumers where exports from Australia have risen some 45% to South Korea and 40% to Indonesia. South Korea in particular is one country who is traditionally a large consumer of US corn and given the price spread between the two commodities, approximately USD\$70-80/mt, this pattern may well continue.

For the 11/12 season we now know Australia has the capacity to maintain the current export pace particularly given the expected increase from WA. Barley exports are also expected to decline and provide further room for wheat given the lower planted barley area. Therefore while Australia has the ability to export another 20mmt, whether we do so will obviously depend on how we are priced into the key markets. Currently Australia is similarly priced with the US while the return of Russia and Ukraine into the market will likely see them take some demand away from Australia/US given their heavily discounted prices.

Of course, it is all dependent on how the profile of the Australian crop finishes up. There is still plenty of time left and the crucial spring period is fast approaching. After a couple of frustrating seasons I'm sure growers and consumers alike will be looking for a good finish.

CUMULATIVE AND FORECAST AUSTRALIAN WHEAT EXPORTS



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