

WEEKLY MARKET REPORT

WEATHER

Significant rainfall spread across Southern QLD during the week with the heaviest falls in Northern NSW taking its average monthly rainfall to 70%. Skies look clear over this next week with no sign of any moisture around at all.

TOWN	WEEKLY	August	2011
Oakey	12.6mm	12.6mm	741.8mm
Miles	16.4mm	16.6mm	401.6mm
Roma	12.6mm	12.8mm	512.6mm
Garah	15.6mm	15.6mm	279.4mm
Goondiwindi	17.4mm	17.4mm	380.2mm

LOCAL

Recent rains have been very much welcomed across the Downs and Northern NSW. Things are shaping up well for the winter harvest as well as underwriting summer crop plantings that have also commenced over the past week. Local markets continue to reflect the high volatility dominating offshore markets with daily price moves of over \$5 not being uncommon. Old crop sorghum has been range trading between the \$210 and \$222 ex-farm off the Downs. New season sorghum has been well bid across a similar range of \$215 - \$222 exf Downs for March/April delivery. New season wheat multigrades have come off recent highs of \$285 BNE Track to be now bid in the \$260 to \$270 range. Protein spreads have firmed to +\$30 for APH and +\$15 for H2.

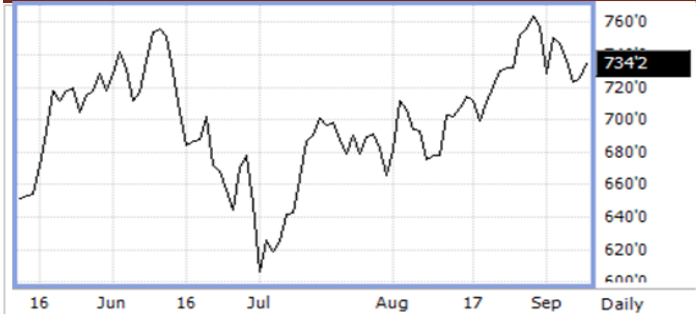
GLOBAL

The monthly USDA report was released overnight which produced some bearish figures despite a large cut in the US corn yield. Corn yields came in at 148.1bu/acre, which was below market expectations however the fall in production was almost offset by a large reduction in demand. As a result corn ending stocks came in well above market estimates. It was a similar story for soybeans although the higher stocks were due to a larger production estimate in the US instead of revisions to domestic demand. Global wheat production jumped 6mmt due to upward revisions in Canada, Ukraine and Europe while US wheat exports were cut by 75mbu and boosted ending stocks well above expectations. US crop conditions were also released after the close and the corn crop good to excellent rating has increased 1% following several weeks of falls, while the soybean crop is unchanged at 56% good/excellent, 8% below last year.

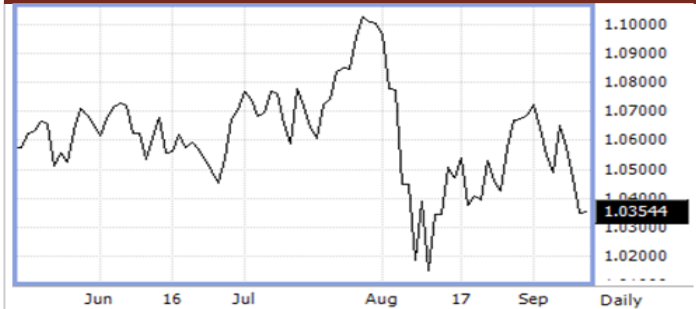
SEP '11 CBOT WHEAT



SEP '11 CBOT CORN



AUD/USD



CONTRACT	LAST	DAILY	WEEKLY	MONTHLY	YEARLY
CBOT Sep 11 Wheat	USc 699.75	↓ -1.25	↓ -2.1%	↓ -0.4%	↓ -6.5%
CBOT Sep 11 Corn	USc 734.25	↑ 8.25	↓ -0.3%	↑ 4.6%	↑ 54.7%
CBOT Sep 11 Beans	USc 1,387.50	↓ -29.00	↓ -1.7%	↑ 4.5%	↑ 33.8%
ICE Oct 11 Cotton	USc 110.72	↔ 0.00	↑ 4.2%	↑ 9.9%	↑ 30.0%
ASX Sep 11 Wheat	AUD 252.30	↔ 0.00	↔ 0.0%	↓ -3.3%	↓ -11.6%
ASX Sep 11 Barley	AUD 212.50	↔ 0.00	↔ 0.0%	↓ -3.6%	↓ -16.8%
ASX Sep 11 Sorghum	AUD 231.50	↔ 0.00	↓ -1.5%	↓ -3.5%	↓ -4.7%
AUD/USD spot rate	1.0356	↑ 0.00	↓ -2.8%	↑ 0.1%	↑ 10.8%
ASX/CBOT Wheat basis	AUD 3.90	↓ -2.80	↓ -1.38	↓ -6.53	↑ 12.74
ASX/CBOT Sorghum basis	-AUD 47.76	↑ 3.14	↓ -6.25	↓ -19.80	↓ -86.48

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FOCUS– USDA REPORT LACKING A SPARK

Our topic last week focused on whether the USDA would revise corn yields sharply lower and our questions were emphatically answered as the USDA pulled estimated yields back 4.9bu/acre to 148.1bu/acre. Market estimates leading up to the report averaged around 149.2bu/acre and although there were some reports the USDA would take a conservative approach until further information was available the recent weather conditions and the impact it had on the corn crop was obviously too great to ignore. However, in response to the large yield cuts demand was also slashed by a similar amount and therefore ending stocks came in above market estimates. The USDA are clearly suggesting demand rationing is occurring as they slashed US feed usage by 200mbu, exports by 100mbu and ethanol usage was also cut 100mbu. While we perhaps need more concrete evidence that rationing is taking place the net result of these changes was fairly neutral, evident from only a small change in the futures markets in comparison to the last couple of USDA reports where prices have reacted quite severely. Wheat tended to once again follow the lead set by corn and, similarly to corn, the results were roughly in line with market expectations. The USDA reaffirmed their view that rationing is taking place as feed wheat usage was estimated at 130mmt, the second highest figure on record. Theoretically this should perhaps result in strong support for global wheat prices, however production estimates in a number of countries were revised sharply upward — and in line with market

expectations – which neutralized any advancements. Canadian production rose 2.5mmt, Europe increased 2.3mmt and Ukraine 1mmt resulting in a 5.7mmt boost to global wheat supplies. Global stocks are therefore comfortable although they are generally of lower quality which should continue to support higher quality wheat prices.

The soybean sector provided the biggest shock as US yield and production estimates came in above market expectations which resulted in a sharp drop in prices. US bean yield estimates actually came in above last months figures which is surprising given the weekly crop condition reports have continually shown declines in recent weeks. What was also a surprise was the increase in US bean exports particularly given the recent drop in demand from China. Expected large bean supplies from Brazil and negative crush margins in China are also continuing to weigh on the market.

While this report may not have provided the bullish sentiment that growers were looking for there are a few stories on the radar. Temperatures are expected to heat up across much of Australia through the weekend and while it is not a major concern just yet further rain will be needed shortly as we enter the key growth period. The USDA also release their 1 September stocks report at the end of the month which analysts will use to consolidate and assess the agency's latest numbers while the October report will also come around quickly with potentially further revisions to corn and soybean yields.

USDA SEPTEMBER SUMMARY

USDA Estimates September 2011	USDA Sep	Market Est.	USDA Aug	USDA MOM % Change
2011/12 Crop Production (mbu)				
US Corn	12,497	12,505	12,914	-3%
US Soybeans	3,085	3,025	3,056	1%
2011/12 Yield Estimates (bu/acre)				
US Corn	148.1	149.2	153.0	-3%
US Soybeans	41.8	41.2	41.4	1%
2010/11 Ending Stocks (mbu)				
US Corn	920	974	940	-2%
US Soybeans	225	232	230	-2%
2011/12 Ending Stocks (mbu)				
US Corn	672	636	714	-6%
US Soybeans	165	152	155	6%
US Wheat	761	667	671	13%

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