

Pool update

17 November 2009

Emerald 2009/10 mid November pool update

Emerald Group Australia (Emerald) today announced changes to its barley and canola pool estimated pool returns (EPR) while wheat pool EPRs were maintained.

Wheat

Wheat EPRs have been maintained despite the recently updated USDA world supply and demand forecasts which include production increases of 2 million mt in Russia and Kazakhstan and an increase of 500,000 mt from the Ukraine. This increase in the FSU crop is considered very bearish for competing export origins as the large 08/09 FSU crop played a major role in the decline of international wheat values during 2009.

Chicago wheat contracts remain disconnected from international flat prices as the demand for futures outweighs demand for physical wheat. Fund money continues to flow into wheat futures and combined with the weak US dollar, have supported futures values recently. This strength however has not been reflected in international values as bearish fundamentals and cheap export FOB wheat out of the Black Sea and Europe combine to restrain international wheat flat prices.

Emerald 2009/10 WA wheat pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB			
Grade	EPR	Grade	EPR
APW2 (PWT)	\$250	AUH2	\$238
H1	\$266	ANW2	\$235
H2	\$258	AGP1	\$235
ANW1 (PNV)	\$245	AUW1	\$220
ASW1	\$240	FEED	\$200

Barley

Reflecting the challenging international marketing conditions, WA barley EPRs have been reduced.

The continued strong Australian dollar is impacting export parity pricing while regional values are been hurt by sustained aggressive marketing by Ukrainian, Russian and European marketers into Saudi Arabia, as well as a sharp increase in shipping freight rates.

Malt barley values have held up quite well in recent weeks however stormy weather conditions have resulted in quality concerns in Western Australia while hot and dry conditions in South Australia and Victoria are also keeping buyers on edge. As malt quality becomes better understood, we could see values come under pressure, with the expectation that we will have an export surplus needing to be marketed into Chinese markets in due course.

Pool hedging, including physical sales to date and extensive foreign exchange cover, is helping to keep Emerald's pool returns at substantial premiums to current cash markets.

Emerald 2009/10 WA barley pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB	
Malt 1 – Gairdner	\$230
Malt 1 – Baudin	\$235
Malt 1 - Stirling	\$245
Malt 1 – Hamelin	\$215
Malt 1 - Buloke	\$215
Malt 1 – Vlamingh	\$215
F1	\$185
F2	N/A
F4	N/A
F4	N/A

Canola

The canola EPR has been reduced to \$450.

Following improved harvest weather conditions in Canada and the US, much of the late October price gains have been eroded. The improved weather conditions have also been compounded by hedge pressure coming out of Australia as we move through early harvest. There has also been no resolution to the China black leg saga. Canada is still expected to have around 1 million tonnes of canola in the fields and current harvest moisture is an issue. This should bode well for Australian canola, which has a lower moisture content, and support Australian canola values.

Basis locally remains very soft with many wary of harvest selling implications on our local markets in the absence of China. At these levels we see Europe playing a strong supportive role and Emerald has continued to build its European execution program in recent weeks. With current prices, the farmer is not selling as expected, but we are still only a small way through harvest at this point in time. The coming weeks will continue to be dictated by weather markets and currency direction until we get past harvest and have the crops in the bin.

Emerald 2009/10 WA canola estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB	
Grade	EPR
Canola	\$450

Note: Estimated Pool Return (EPR) is as at date of release and at a defined quality level for each pool pay grade. Prices are net of management fees. Early Order Premiums (if applicable) need to be ADDED to the quoted returns. Wheat base grade is APW and all prices are Free On Board (FOB) and deductions associated with payment option choice and location to be taken into account. All prices are in Australian dollars (AUD) and are estimates only and subject to change over the life of the pool as a result of changing market conditions and management performance. All terms and conditions of Emerald pools are published on our website at www.emerald-group.com.au, and more detailed information in relation to returns and deductions can be found on each pools 'fact sheet' which can be downloaded from the web site.

For more information on Emerald's pool returns call 1300 880 432 or visit www.emerald-group.com.au

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Background information

Emerald Group Australia Pty Ltd is a leading Australian grain marketing company offering a range of grain marketing products to assist grower customers maximise returns and manage grain market risks. Emerald offers a range of pool, fixed price and tailored hedging products to a national grower customer base.

Emerald's unique business model includes commercial partnerships with growers own organisations that assist them in taking greater control and directly benefiting from grain market liberalisation.

Emerald has significantly influenced the grain marketing landscape in Australia breaking new ground with the establishment of the pool based contract premiums in 2005 and in 2008. It also led the industry in maintaining payments for quality by enhancing the quality payments matrix applicable in the 2008/09 season and extending it to include payment recognition for test weight.

For more information visit www.emerald-group.com.au.

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