

Pool update

17 November 2009



Southern Ag Grain 2009/10 mid November pools

Southern Ag Grain 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.

Southern Ag Grain 2009/10 wheat pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB			
Grade	EPR	Grade	EPR
APW2 (PWT)	\$255	AUH2	\$245
APH2 (APH1)	\$277	AGP1	\$240
H1	\$272	HPS1	\$233
H2	\$263	AUW1	\$225
ASW1	\$245	FEED	\$200

Barley

Barley EPRs have been increased by \$15 per mt across all grades. These strong moves include dry weather premiums for what is now considered to be a domestic supply and demand equation. These premiums are likely to continue while uncertainty surrounds the size of the sorghum plant and related harvest.

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 Southern Ag Grain's EPRs at substantial premiums to current cash markets.

Southern Ag Grain 2009/10 barley pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB	
Grade	Number 1 pool
Malt 1 - Gairdner	\$260
Malt 1 - Baudin	\$260
Malt 1 - Schooner	\$260
Malt 1 – Buloke	\$250
Malt 1 – Flagship	\$240
Malt 1 - Sloop	\$240
F1	\$230
F2	N/A
F3	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 we have 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.

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

Note: All Southern Ag Grain pools are managed and executed by Emerald Group Australia. Estimated Pool Return (EPR) is as at date of release and at a defined level of protein, screenings and moisture for each pool pay grade. Prices are net of management fees. 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 in changing market conditions and management performance.

For more information on Southern Ag Grain’s pool returns call 1300 880 432 or visit our website at www.southernaggrain.com.au.

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Background information

Southern Ag Grain is a newly formed joint venture between southern NSW grower group Southern Agventure Ltd and leading Australian grains manager Emerald Group Australia Pty Ltd.

Southern Ag Grain services the specific needs of southern NSW grain farmers. Proudly local and farmer focused, this unique organisation provides a transparent, competitive suite of marketing products to grain producers in the southern region of New South Wales.

Based in Wagga Wagga, Southern Ag Grain joint venture partners maintain regional and joint venture offices throughout NSW, Victoria, South Australia and Western Australia.

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