

Pool update



3 December 2009

Emerald 2009/10 December pool update

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

Wheat

Wheat EPRs have been increased by \$3 per mt for all grades.

In recent weeks international wheat markets have experienced upside in both futures and global FOB markets. Funds have continued to increase their long positions, largely ignoring weak fundamentals such as export sales and US wheat stocks. As a result, US futures markets have rallied to such levels that hedging activities are currently sitting above physical market values.

At the same time as rallying US futures markets, the volatile Australian dollar has broken through \$US0.90 barrier. Earlier in the year Australian prices were battered by a falling futures market and a rallying dollar which created a double attack on Australian cash price levels. We have seen a reverse in this trend over the last couple of weeks however, with a weakening Australian dollar and strengthening US futures leading to increasing cash values.

Fundamentally, global wheat demand is relatively low with global stocks still plentiful however there are signs of demand returning for Australian wheat in the FOB markets as end user stocks dwindle. US FOB wheat remains uncompetitive with recent Egyptian tenders awarded to Russia, and US wheat export sales also remain lackluster. As a result, markets feel that futures prices need correcting. Given the state of international FOB markets, we have been cautious in our pool revision as despite international FOB markets firming, they have not kept pace with futures markets. The increase in our EPRs is therefore reflective of physical markets rather than futures' spikes.

Emerald 2009/10 central west and southern NSW wheat pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB			
Grade	EPR	Grade	EPR
APW2 (PWT)	\$258	AUH2	\$248
APH2	\$280	AGP1	\$243
H1	\$275	HPS1	\$236
H2	\$266	AH9	\$228
ASW1	\$248	FEED	\$203

Barley

Barley EPRs have been maintained. Barley values have stabilised after several months of relatively bearish news. The Australian dollar continues to remain strong, albeit volatile, and is creating a ceiling for feed barley. Saudi prices are also not being helped by cheap offerings by Russian and Ukrainian sellers.

We are also seeing a harvest pricing squeeze for feed barley in South Australia and Western Australia as tonnage deliveries come in slower than trade expectations. Dry conditions in NSW and Queensland have contributed to the strong price increases in both of those regions.

Malt barley quantity and quality has been impacted by recent adverse weather conditions in Western Australia and Victoria however there still appears to be an excellent marketing opportunity for quality malt barley as key export markets, predominantly the Chinese, seem to be purchasing tonnage from European and Canadian stockpiles.

On the whole, by taking advantage of early sales premiums and while cash prices continue to be extremely volatile due to the daily Australian dollar and international market fluctuations, EPRs remain relatively strong.

Emerald 2009/10 NSW & Qld barley pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB	
Grade	EPR
Malt 1 - Gairdner	\$280
Malt 1 - Baudin	\$280
Malt 1 – Schooner	\$280
Malt 1 – Flagship	\$265
Malt 1 – Buloke	\$255
Malt 1 - Sloop	\$250
Feed 1	\$245
Feed 2	\$230
Feed 3	\$220
Feed 4	N/A

Canola

The canola EPR has been increased to \$460 per mt.

The oilseeds market has bounced back strongly from its early November lows with canola and soybean futures rallying C\$24 per mt and \$1 per bushel respectively. The Australian dollar, despite an overall weakness, continues to show strength while local basis levels continue to remain sluggish. We expect to see basis firm post harvest as world markets have strong export commitments from Canada and an Australian crop that is reducing in size. The hot weather in the east, along with some unseasonal rain across the country has combined to create some extremely variable weather conditions, increasing uncertainty in regards to yield and quality.

South Australia is well into harvest and yields and oils are both very impressive, while in Western Australia and Victoria, the harvest is yet to really ramp up. In NSW, quality and yields have again been disappointing while NSW premiums have firmed. With harvest set to dominate the coming weeks, there may be some short term pricing pressure, however we believe there is in excess of 300,000 tonnes of exports booked so suggest there will be some strong buying interest, especially with Europe and Pakistan both sitting in the wings at the moment.

Emerald northern NSW 2009/10 canola pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB

Grade	EPR
Canola	\$460

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 is one of Australia's leading grain marketing companies. Working directly with producers and producer organisations, Emerald provides a range of marketing and risk management products that seek to maximise returns and minimise risk for grain producers.

Emerald has developed and maintains a number of alliances and joint ventures with producer organisations nationally and has offices in Melbourne, Ballarat, Horsham, Port Lincoln, Perth, Esperance, Narrogin and Geraldton. Emerald holds an Australian Financial Services License, is authorised for the export of bulk wheat by WEA and for the export of bulk barley from South Australia by ESCOSA.

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

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