

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 WA wheat pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB			
Grade	EPR	Grade	EPR
APW2 (PWT)	\$253	AUH2	\$241
H1	\$269	ANW2	\$238
H2	\$261	AGP1	\$238
ANW1 (PNV)	\$248	AUW1	\$223
ASW1	\$243	FEED	\$203

Barley

Barley EPRs have been maintained with four new malt 2 grades added.

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 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
Malt 2 – Gairdner	\$205
Malt 2 - Baudin	\$210
Malt 2 – Buloke	\$190
Malt 2 - Vlamingh	\$190
F1	\$185
F4	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 2009/10 WA canola 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 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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