

Pool update



18 December 2009

Emerald 2009/10 mid December pool update

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

Wheat

Wheat EPRs have been maintained.

Global wheat markets have remained static over recent weeks with everyone remaining comfortable with the more than sufficient global supply of new season wheat. As noted previously, the 2009/10 global wheat production levels rebounded so with most export nations holding considerable stocks supply has comfortably outweighed demand. Consequently, export demand for Australian wheat remains steady in the face of strong competition from other exporters with this reflected by a lack of buyers for nearby shipments relative to last year.

In terms of pricing, Australia is facing competition from other quality exporters such as France and Germany as well as US white wheat which after quality differences are taken into account are all currently cheaper than Australian wheat. There is however still demand for Australian wheat from premium south east Asian, Middle East and African markets. As this season's wheat quality becomes more widely known, export enquiries are also increasing. Domestic wheat values have held steady despite the falls in CBOT with the Australian dollar hovering around US\$0.90 providing support to Australian flat price levels.

We expect demand for Australian wheat to increase in the new year however to lift prices substantially there will need to be fresh global demand and a supply shock of some kind. We remain hopeful that fresh demand may emerge from the sub continent, and the northern hemisphere's new season crops find conditions tougher than the last two years. Both of these potential events would be some way off and hence we expect wheat prices in the next month to trade within the same boundaries that we have recently witnessed.

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.

Malt barley continues to trade at a significant premium to feed barley due to quality concerns in Western Australia, Victoria and New South Wales. The significant premiums are reflected in the strong estimated pool returns. Strong domestic premiums are not an issue in South Australia as most South Australian barley is exported and current quality is good.

Current feed barley prices have remained reasonably weak as international interest is limited following a heavy Europeans sales program into Saudi Arabia. As a result, track and export sales programs have been impacted however we have maintained an aggressive and subsequently successful marketing program which has resulted in stronger estimated pool returns. We remain heavily focused on domestic opportunities locally as the east coast feed demand for feed barley remains strong.

Recent falls in the Australian dollar to US\$0.89 have also helped to stabilise prices to some degree. Movements in the Australian dollar and ongoing weather issues will be critical factors for future market direction. Northern hemisphere new crop plantings will also be an important pricing barometer for the near future.

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

Canola EPRs have increased by \$10 to \$470 per mt.

Over the last two weeks oilseed markets have been somewhat volatile following an early November soybean rally as funds take profits prior to Christmas as well as mixed fundamental news. Export demand for oilseeds remains strong due to the current limited soybean supply from South America. Conversely, new crop soybean plantings and production forecasts for Argentina and Brazil have increased on the back of good weather and an improved moisture profile. Global canola demand remains strong despite concerns regarding blackleg into China.

Local canola cash prices have remained firm as exporters look to accumulate offshore sales as export expectations increase to around 700,000 mt. The amount of export business, at around 700,000 mt, is larger than previously thought, as Europe, Japan and Pakistan look to price out of Australia.

Western Australia is well into harvest with production levels expected to exceed current forecasts. The South Australian harvest is almost complete with impressive yields and quality achieved, while the Victorian harvest has slowed following inclement weather. In New South Wales, yields and quality continue to be disappointing as price premiums form.

Emerald northern NSW 2009/10 canola pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB	
Grade	EPR
Canola	\$470

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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