

Pool update

18 December 2009

Emerald 2009/10 mid December pool update

Emerald Group Australia (Emerald) today announced increases to its barley and canola estimated pool returns (EPR) while wheat 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 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 increased by \$10 per mt.

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 focussed 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 WA barley pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB	
Malt 1 – Gairdner	\$240
Malt 1 – Baudin	\$245
Malt 1 - Stirling	\$245
Malt 1 – Hamelin	\$225
Malt 1 - Buloke	\$225
Malt 1 – Vlamingh	\$225
Malt 2 – Gairdner	\$210
Malt 2 - Baudin	\$215
Malt 2 – Buloke	\$200
Malt 2 - Vlamingh	\$200
Malt 2 - Stirling	\$210
F1	\$195

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 2009/10 WA canola 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 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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