

Pool update

6 January 2009

Emerald 2009/10 January pool update

Emerald Group Australia (Emerald) today announced stable estimated pool returns (EPR) across its wheat, barley and canola pools.

Wheat

Wheat EPRs have been maintained.

There is limited international demand for wheat at the moment, as major northern hemisphere sellers lower the price of their ample stocks to make way for new crop supplies. Exporters, such as the Black Sea and France, are aggressively selling lower protein wheat, while Germany and Canada continue to get the lion's share of protein markets. US wheat continues to be overlooked due to price. The divergence of wheat futures and physical markets continues, as CBOT wheat futures continue to make gains despite substantial stocks and limited demand. Funds, as always, have been pricing CBOT without regard for supply and demand fundamentals.

Domestically, the fluctuating Australian dollar has seen Australian wheat trade within a limited price range with most foreign exchange moves being countered by opposing CBOT adjustments. Although demand exists for Australian wheat, it is not close to the highs of December-January of 2008.

As we move into the new year, the focus will be on northern hemisphere new season production, as the markets watch closely for crop progress after the winter thaw.

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 exports priced in US dollars, the continued strength of the Australian dollar is concerning. In addition, Saudi Arabia, the main international buyer has extensive stocks and is therefore bidding at levels substantially below current cash bids, causing disruption to the markets.

The export surplus of Australian feed barley has continued to rise due to quality downgrades in most states. This will continue to put pressure on prices in the key export states of Western Australia and South Australia.

European and Canadian malt barley continues to be offered to the Chinese at prices below the current Australian values.

On a brighter note, wheat and soybean futures have been reasonably strong in recent times, which will mean feed barley prices remain stable for the short term. Despite good recent rains in New South Wales and Queensland, feed grains will be reasonably tight on the east coast until sorghum is harvested in March-April.

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 remain stable at \$470 per mt.

Oilseed markets found strength with limited trading over the holiday period. Soybean values have been buoyed by the weaker US dollar, the Chinese purchases of soybeans and short covering by speculators leading into the new year. Prospects of a major index fund rebalance in January are likely to support soybean values. US soybean yields are set to increase while South American weather continues to favour soybean crops in the major producers of both Brazil and Argentina where current forecasts are for record crops.

Locally, FX rates and lack of liquidity helped to keep canola values firm. The Western Australian crop continues to exceed expectations with estimates now at 900,000 tonnes. South Australian canola is now in the bin with a bumper crop confirmed, while the Victorian harvest continues with quality the major discussion point. As reported last month, Australian canola exports are larger than expected and the continued demand may help keep canola values firm relative to the wider oilseed complex.

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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