

# Pool update

28 January 2010

## Emerald 2009/10 pool update

Emerald Group Australia (Emerald) today announced unchanged Estimated Pool Returns (EPR) for the recently closed Barley and Canola pools and a lowering of the still open Wheat pool.

### Wheat

International Wheat markets have continued to weaken during recent weeks, as an absence of fund demand in futures markets and reduced export demand combine to take futures and FOB markets to new lows.

In recent weeks, the benchmark futures contract, CBOT, lost in excess of 75c/bu or 12.5%. Previously, CBOT had been trading independently of physical market fundamentals and rose in spite of a bearish market. Most major exporters had ample stocks to offer, while importing nations felt more comfortable due to better local production. In effect, there was greater demand for futures as US funds bought CBOT as part of their commodity bundle, than there was for actual physical wheat..

With a lack of fund buying in recent weeks, the demand for CBOT futures declined and as such there have not been any substantial buyers come in and support the market. Consequently, we have seen most of the premium in CBOT come out as US wheat remains uncompetitive in the world market.

Little has changed for the physical wheat market with ample export stocks leading to aggressive pricing in export markets. While US wheat remains overpriced, Canadian, French and German wheat is meeting a majority of demand in international markets. In recent weeks, Middle Eastern tenders to Saudi and Iraq have been dominated by these origins. The recent fall in CBOT will make US wheat more competitive but not in the volumes required to meet current USDA forecasts.

The Australian wheat market has been weakened further by the recent moves and volatility in the AUD, this has also left our wheat remaining expensive compared to EU and Canadian wheat. Australian wheat is still competitive to South East Asian markets; however there is pressure on prices as exporting nations compete for the thin demand.

Given weakness in both hedge and physical markets, we have reduced our EPR for APW and better grades by \$9 per mt to reflect easing FOB market values. Grades below the APW mark have been reduced by \$11 per mt, which is reflective of more aggressive pricing by Russian and French exporters, as there is an excess of low protein wheat throughout the world markets.

Emerald 2009/10 WA wheat pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB			
Grade	EPR	Grade	EPR
APW2 (PWT)	\$244	AUH2	\$230
H1	\$260	ANW2	\$227
H2	\$252	AGP1	\$227

<b>ANW1 (PNV)</b>	\$239	<b>AUW1</b>	\$212
<b>ASW1</b>	\$232	<b>FEED</b>	\$192

### Barley

Barley EPRs have been maintained.

Although the market continues to be extremely volatile for both feed and malt barley, lower commodity prices have been offset by the falling Australian dollar.

A range of hedge programs and related foreign exchange cover has assisted Emerald in maintaining current equity values.

<b>Emerald 2009/10 WA barley pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB</b>	
<b>Malt 1 – Gairdner</b>	\$240
<b>Malt 1 – Baudin</b>	\$245
<b>Malt 1 - Stirling</b>	\$245
<b>Malt 1 – Hamelin</b>	\$225
<b>Malt 1 - Buloke</b>	\$225
<b>Malt 1 – Vlamingh</b>	\$225
<b>Malt 2 – Gairdner</b>	\$210
<b>Malt 2 - Baudin</b>	\$215
<b>Malt 2 – Buloke</b>	\$200
<b>Malt 2 - Vlamingh</b>	\$200
<b>Malt 2 - Stirling</b>	\$210
<b>F1</b>	\$195

### Canola

Canola EPRs remain unchanged at \$470 this month.

Oilseed markets continue to be dominated by South American weather observations and crop forecasts.

<b>Emerald 2009/10 WA canola estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB</b>	
<b>Grade</b>	<b>EPR</b>
<b>Canola</b>	\$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](http://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](http://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](http://www.emerald-group.com.au).

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