

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 be weaker in recent weeks, as an absence of fund demand in futures markets and less export demand combine to take futures and FOB markets to new lows.

In recent weeks, the benchmark futures contract, CBOT, has 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 more demand for futures than physical wheat as US funds bought CBOT as part of their commodity bundle.

With a lack of fund buying in recent weeks, the demand for CBOT has dropped and as such there have not been the bids to support the market. Consequently, we have seen most of the premium in CBOT taken out as US still remains uncompetitive in the world market.

In the physical wheat market little has changed with ample export stocks making for aggressive pricing in export markets. While US wheat remains overpriced, Canadian, French and German wheat is making majority of the sales. 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 needed to meet USDA forecasts.

Recent moves and volatility in the AUD has left the Australian wheat market weaker, as our wheat remains expensive compared to EU and Canadian wheat. Australian wheat is still competitive in 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 are reducing our EPR for APW and better grades by \$9 per mt to reflect easing FOB market values. Grades below the APW mark are 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 SA Port Adelaide - Wallaroo wheat pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB			
Grade	EPR	Grade	EPR
APW1	\$249	AGP1	\$232
H1	\$266	HPS1	\$225
H2	\$257	AUW1	\$217
ASW1	\$237	FEED	\$192
AUH2	\$237		

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.

Emerald 2009/10 SA Port Adelaide barley pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB	
	Number 1 pool
Malt 1 – Gairdner	\$220
Malt 1 - Baudin	\$220
Malt 1 - Schooner	\$210
Malt 1 - Sloop	\$200
F1	\$190
F2	\$185
F3	\$180
F4	N/A

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