



WEEKLY MARKET REPORT

WEATHER

There were some isolated heavy falls this past week, particularly through the south western regions of the state, as well as through the east. That pattern is set to continue with the east forecast to receive further moisture while the western half of the state should remain generally fine.

TOWN	WEEKLY	February	2012
Winchelsea	9.4mm	14.2mm	35.8mm
Westmere	0.8mm	2mm	19.2mm
Horsham	0mm	0.2mm	8.8mm
Ouyen	0mm	0mm	7.6mm
Swan Hill	0mm	0.8mm	26.4mm

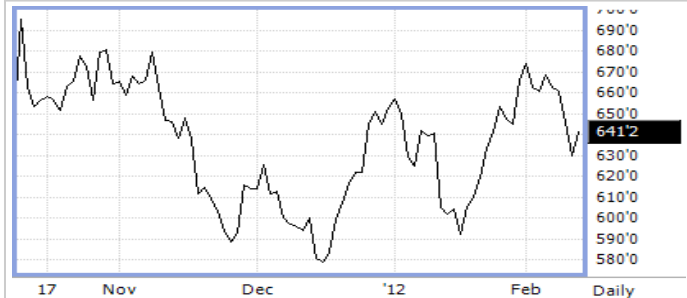
LOCAL

Mallee growers are looking closely at opportunities to price on farm grain. Firm booking times and a good price seems to be the driver. The USDA report last week appears to have done markets no favours. Pool opportunities remain in place as cash markets remain relatively static. Wimmera growers have slowed selling pace after a hectic few weeks as those with grain left sit back and consider their marketing options. With the announcement of the closure of the balanced pool this Friday the majority of calls are centered around pool ESR's and calculating the value of quality rewards on wheat tickets. WD growers have been active marketers of grain over the past month as growers move to create their own Hedge by letting go in store grain and holding on farm grain. Warm weather is mostly welcomed at this time of year, hopefully putting an end to issues faced last year such as slug damage and weed control. Early sowing this year will require rainfall as against the full moisture profile evident twelve months ago.

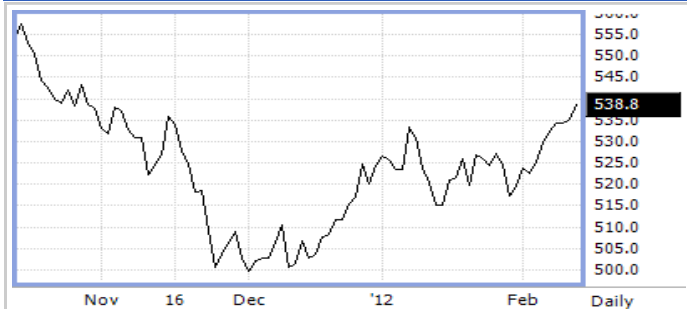
GLOBAL

The focus over the past few days has been Greece and whether the parliament would approve the austerity measures put forward to them by the European Union that would allow the 130 billion euro bailout package to proceed. Amid the heavy protests the measures were approved and commodity prices rallied as investors returned to the market. Dry weather is now impacting Brazil and with the acreage fight also heating up in the US soybeans is finding some strong support. Egypt has finally returned to the US wheat market, purchasing a cargo over the weekend and the ongoing cold weather in the Black Sea and the logistical issues associated with it has lead to growing optimism that the demand will grow. There are suggestions the cold weather through the Ukraine and parts of Europe is far more severe than first mentioned, and in particular on the rapeseed crop, with snow cover through these regions very limited, resulting in high rates of winter kill.

MAR '12 CBOT WHEAT



MAR '12 WCE CANOLA



AUD/USD



CONTRACT	LAST	DAILY	WEEKLY	MONTHLY	YEARLY
CBOT Mar 12 Wheat	USc 641.25	↑ 11.25	↓ -3.2%	↑ 6.5%	↓ -34.5%
CBOT Mar 12 Corn	USc 639.50	↑ 7.75	↓ -0.4%	↑ 6.7%	↑ 3.7%
CBOT Mar 12 Beans	USc 1,252.00	↑ 23.00	↑ 1.6%	↑ 8.1%	↓ -7.9%
ICE Mar 12 Canola	AUD 538.80	↑ 3.50	↑ 1.2%	↑ 4.6%	↓ -8.0%
ASX Mar 12 Wheat	AUD 206.50	→ 0.00	↓ -3.1%	↓ -1.7%	↓ -32.3%
ASX Mar 12 Barley	AUD 184.00	→ 0.00	↓ -1.1%	↓ -0.5%	↓ -18.2%
ASX Mar 12 Canola	AUD 475.00	→ 0.00	→ 0.0%	→ 0.0%	↓ -9.5%
AUD/USD spot rate	1.0738	↑ 0.01	↓ -0.6%	↑ 4.0%	↑ 7.1%
AUD/CAD spot rate	1.0915	→ 0.00	↑ 1.7%	↑ 3.4%	↑ 10.1%
ASX/CBOT Wheat basis	-AUD 23.67	↑ 2.17	↓ -10.14	↓ -17.18	↑ 30.03
ASX/ICE Canola basis	-AUD 42.12	↓ -3.22	↓ -19.61	↓ -25.55	↑ 23.43

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FOCUS—UKRAINE CANOLA AND BARLEY CROP IN TROUBLE

Last week we touched on the cold weather in Europe and the Black Sea region and what impact it may have on the planted crop. The speculation in the market has increased somewhat as to the amount of damage that has occurred and there are now concerns that large portion of winter crops, particularly through areas of the Ukraine, will need to be replanted in the spring season. The situation is certainly more serious in some regions than others and hasn't affected the whole of Europe and the Black Sea, however it is likely to have a significant impact on the global supply of several crops.

One of the crops most severely affected is reportedly rapeseed and given the importance of both the Ukraine and Europe in international trade, major reductions in production may impact global prices quite drastically.

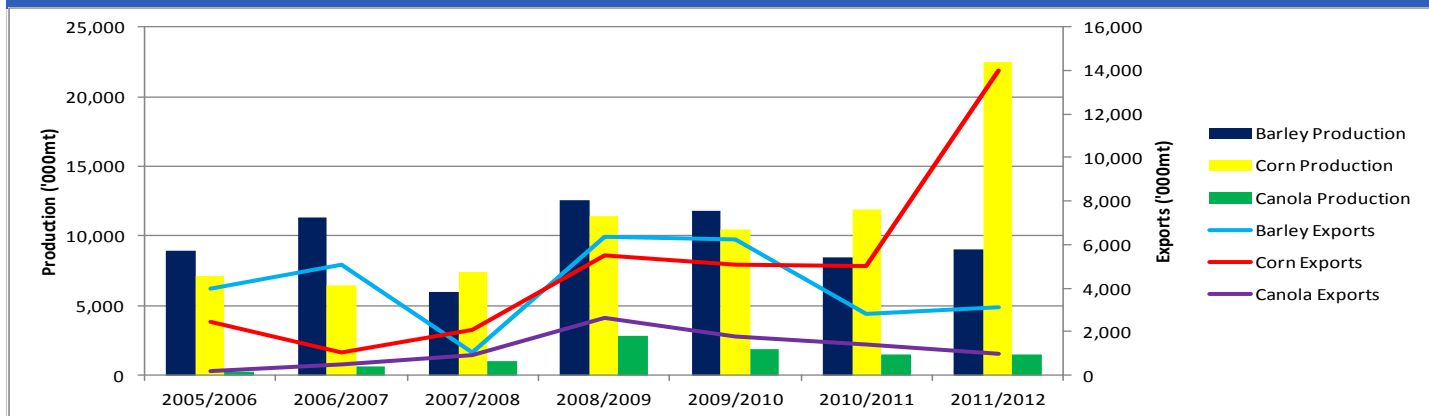
The Ukraine is one of the key markets for Europe to acquire rapeseed from, particularly given their non-GM status. In the past few years Europe has generally imported in excess of 1mmt in each year from Ukraine and in 2008/09 this figure jumped to over 2mmt. This puts into perspective the potential issues as initial production estimates for 12/13 for the Ukraine have already plummeted to around 800kmt-1mmt and could possibly fall further once more information is known on the impact of the cold weather. It will ultimately lead to a lower amount of seed available for European consumption and potentially higher demand from other countries, such as Australia. Recent reports have suggested that over 300kha of rapeseed plantings throughout the country will need to be re-seeded in

spring, which is likely to be replanted to corn, sunflowers or barley. However growers through the region are unlikely to get an accurate picture on the impact of the cold weather until early March.

While some damage to the wheat crop can be absorbed in the global market due to large supplies, it is a different story for barley where global stocks are already at tight levels. There is more spring barley planted in the Ukraine than the winter variety, however winter barley still accounts for over 30% of the total acreage and a fall in production would still have a major impact on their balance sheet. There is the potential that growers may re-plant the affected winter barley areas to spring barley, however corn is now a much more attractive option for growers. Gross margins for corn are very strong and Ukraine have increased corn production from 10-11mmt in the past three years to a massive 22.5mmt in 2011/12. There are suggestions plantings for corn could be up another 15% YOY. Sunseeds are also reportedly generating better margins than that of spring barley so we may not see too much of the lost barley production re-sown to spring varieties.

The Black Sea region provided the spark two years ago to a lackluster market and it could potentially be the story the bullish traders are looking for in the canola and barley sectors. Wheat is a bit different given the abundant global supplies and the US corn planting season is likely to provide the direction in the medium term.

UKRAINE PRODUCTION & EXPORTS



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