

SQP HARVEST WHEAT POOL 2010/11

Strategy
Update

AUGUST 2011

MARKET & STRATEGY

Market

- The wheat market continues to be heavily influenced by speculation on the condition of the US corn crop and weather. A varied outlook on the crop yield has seen US futures markets fluctuate wildly over recent weeks and months, which has subdued demand from many of the major grain importers.
- Export demand remains light, and the wheat tenders that we have participated in recently have unfortunately not reached expected values. Notably we have seen Middle Eastern demand switch into supply from European and Black Sea origins, away from Australia. This switch in suppliers has seen higher quality grades in particular decline by in excess of \$40/mt over the past month. Feed wheat which lost significant value previously has not slipped in value to the same degree, given some of the support provided by corn and feed grain markets recently.
- With the continued pressure in the market for milling grade wheats, EPR's have dropped \$3 to \$5/mt on milling and AGP quality wheats. The feed wheat EPR has been increased by \$2/mt following better market support for this grade.

Strategy

- Throughout the eastern sea board the pool is focused on the marginal increase in feed wheat demand which, until recently, has been poor following the excessively large feed crop came to realisation earlier this year. The pool strategy in most regions is to ensure we can move the most saleable grain to the port to meet upcoming FOB opportunities. Logistics is still providing a number of challenges for the market on the east, particularly when trying to meet export demand in the extremely short time frames in loading of vessels.
- Several tenders for the Middle East, Japanese and Korean markets continue to provide physical pricing opportunities for the pool, particularly for the main export states of WA and SA. As we continue to price physical grain, the lifting of hedges will see us increase the overall pricing level of the pool to in excess of 80%.

POOL HIGHLIGHTS

KEY INFORMATION

Estimated Pool Return APW Base Grade	Current EPR	Including EOP*
Current Pool Return	\$333	\$351
March 2010 Pool Opening	\$285	\$303
December 2010 Return	\$320	-

FULL GRADE INFORMATION

Grade	Current EPR	Including EOP*
H1^	\$381	\$399
H2^	\$351	\$369
APW1^	\$333	\$351
ASW1^	\$288	\$306
AUH2^	\$308	\$326
AGP1	\$274	\$292
AH9	\$248	\$266
SFW1	\$244	\$262
FED1	\$242	\$260
FED2	\$223	\$241

***Based on March 2010 Early Order
Premium**

**^ SQP Rewards payable on protein,
screenings, moisture and test weight**

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* The payment and amount set out in the pool highlights information is indicative only, and no guarantee is given that payment will be made for the amount or in the month stated.

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