

# SQP HARVEST WHEAT POOL 2010/11

Strategy  
Update

JULY 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 yield has seen futures markets vary wildly over recent weeks/months and has resulted in more subdued demand from a lot of markets.
- Locally wheat values have continued to decline. Significant softening of off shore markets coupled with a lack of nearby demand, both from an export and domestic point of view, has seen Milling wheat grades fall in excess of \$50 per mt in less than two months. The potential size and supply of new season wheat (and other grains) has added to the easing of current seasons wheat values on most grades. New seasons wheat production forecasts have been raised on most regions, to a national forecast in excess of 24 million tonnes.
- Feed wheat markets have seen a number of tenders in recent months, which have allowed us to execute some good sales, however bottlenecks at port continue to test the trade.
- As such Pool returns have been revised back slightly on milling grades with APW down \$5 per mt. Lower grades have not been changed this month as markets have remained steady relative to the higher grades.

### Strategy

- The lack of demand and buying interest for wheat is likely to step up with Iran showing signs of re-entering the market - something we have not seen for some time. As such this leads potentially to some positives in terms of pricing some higher grade wheats in the near future, however prices are likely remain pressured in the current market.
- Pricing grain before the new crop will be an important opportunity, as new crop supplies can and will add another level of complexity to the market. Feed grade tenders into the Japanese and Korean markets will remain a focus for the pool in coming months.

## POOL HIGHLIGHTS

### KEY INFORMATION

Estimated Pool Return APW Base Grade	Current EPR	Including EOP*
<b>Current Pool Return</b>	<b>\$332</b>	<b>\$350</b>
<b>March 2010 Pool Opening</b>	<b>\$285</b>	<b>\$303</b>
<b>December 2010 Return</b>	<b>\$320</b>	<b>-</b>

### FULL GRADE INFORMATION

Grade	Current EPR	Including EOP*
H1^	\$385	\$403
H2^	\$355	\$367
APW1^	\$336	\$354
ASW1^	\$292	\$310
AUH2^	\$313	\$331
AGP1	\$278	\$296
AH9	\$253	\$271
SFW1	\$250	\$268
FED1	\$240	\$258
FED2	\$222	\$240

**\*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 cash flow 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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