



# WEEKLY MARKET REPORT

## WEATHER

Totals for the week were generally higher in the north than the south and both regions would have been pleased with that. Another big front is currently pushing across from SA and is expected to bring rain to the whole state before pushing through by the weekend.

TOWN	WEEKLY	August	2011
Winchelsea	5.4mm	8.8mm	444.2mm
Westmere	2.8mm	11.8mm	403.8mm
Horsham	1.6mm	18mm	391.6mm
Ouyen	10mm	27.4mm	363.5mm
Swan Hill	13.2mm	22.8mm	304.6mm

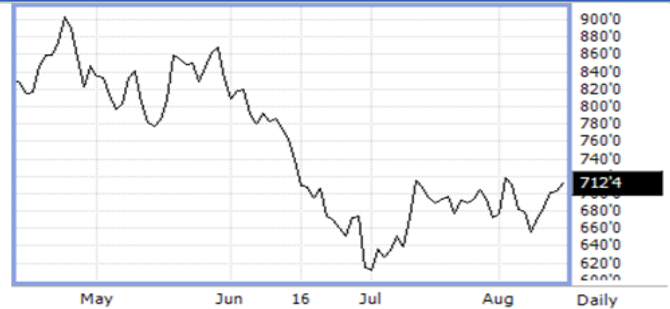
## LOCAL

With the recent rainfall events enquiry about new crop pricing has picked up as growers get more comfortable about their production risk. Wheat seems to be the grain of conjecture with some grower pricing ideals much higher than current market values. Comments such as "APW at \$260 is too cheap" & to some it may be but compared to what? If it is to pre harvest values of 2010 then yes but we cannot go back in time. Bullish sentiment on wheat is the tone of these conversations with the tightness in supply/demand & condition of the US corn crop being brought up, but its only one factor affecting pricing. There is also massive volatility in equity & commodity markets and foreign exchange, not to mention parts of Australia look like having a large crop. If you are going to dabble in the forward market make decisions relevant to your business as "speculating" on what prices could do may result in a missed opportunity.

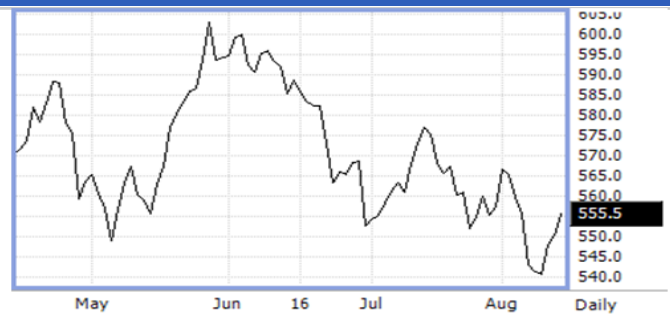
## GLOBAL

The monthly USDA reports always seem to produce some sort of surprise and last Thursday was no exception with corn and soybean yields cut more than what the market was anticipating. While corn yields were expected to fall, albeit not as much as the 5.7bu/acre that the USDA estimated, it came as a surprise the drop in soybean yields given the crucial weather period for beans is in August. The end result was a sharp increase in the futures market, although prices did close off their highs late in the session. Since then traders continue to speculate as to the condition of the US crops and this is likely to remain the focus for the coming weeks. Weather conditions have eased considerably since the heat wave in July and there is the possibility that yields for soybeans in particular could improve in the future. Demand is expected to shift to wheat which augurs well for Australian feed wheat supplies.

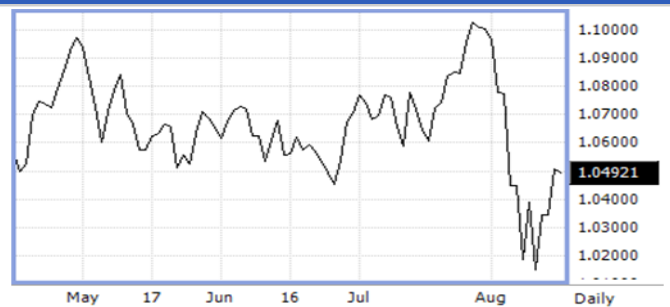
## SEP '11 CBOT WHEAT



## NOV '11 WCE CANOLA



## AUD/USD



CONTRACT	LAST	DAILY	WEEKLY	MONTHLY	YEARLY
CBOT Sep 11 Wheat	USc 712.50	↑ 10.00	↑ 4.0%	↑ 2.6%	↑ 2.4%
CBOT Sep 11 Corn	USc 707.25	↑ 5.50	↑ 4.3%	↑ 0.9%	↑ 60.2%
CBOT Sep 11 Beans	USc 1,343.50	↑ 15.75	↑ 3.7%	↓ -2.9%	↑ 31.7%
ICE Nov 11 Canola	AUD 555.50	↔ 0.00	↑ 2.7%	↓ -3.5%	↑ 28.0%
ASX Sep 11 Wheat	AUD 260.80	↔ 0.00	↑ 2.9%	↑ 6.0%	↓ -9.8%
ASX Sep 11 Barley	AUD 222.50	↔ 0.00	↑ 2.5%	↑ 3.8%	↓ -12.9%
ASX Sep 11 Canola	AUD 540.00	↔ 0.00	↔ 0.0%	↑ 0.9%	↑ 11.1%
AUD/USD spot rate	1.0467	↓ 0.00	↑ 3.1%	↓ -1.7%	↑ 16.7%
AUD/CAD spot rate	1.0278	↔ 0.00	↑ 1.8%	↑ 1.3%	↑ 9.9%
ASX/CBOT Wheat basis	AUD 9.65	↑ 4.38	↑ 2.74	↑ 5.85	↑ 5.55
ASX/ICE Canola basis	-AUD 2.12	↓ -1.28	↓ -7.30	↑ 33.09	↓ -24.24

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## FOCUS

Despite the volatility in the global markets as well as the Australian dollar, exports of wheat for the 2010/11 grain marketing year are on track to be the largest in the past ten years. This is despite one of the worst droughts in recent memory affecting the Western Australian crop, although strong yields through the eastern states and SA easily offset this and has resulted in total wheat production finishing up around 26.5mmt. The issue has obviously been the quality of the crop produced, however global demand continues to be strong for local feed grains and this week we take a look at whether this will remain so for the rest of the year and extend into the 11/12 marketing year as well. Any concerns over finding a home for the vast amounts of feed grain have been dismissed, from January to June Australia managed to average 1.7mmt of exports per month and are now on track to export over 19mmt for the marketing year. To put this in perspective the average amount of wheat exported per month for the last ten years has only been 1.1mmt. Yes the export ban in Russia has helped the cause and production issues in other countries has also been a factor, but it has been the significantly lower prices in comparison to all other feed grains around the globe that is the main reason for the record figures. Logistical issues in the eastern states has helped maintain a price ceiling on feed grains, however in the past few weeks we have seen the situation beginning to ease and prices improving as a result. The export pace is not expected to ease too much as we approach the end of the

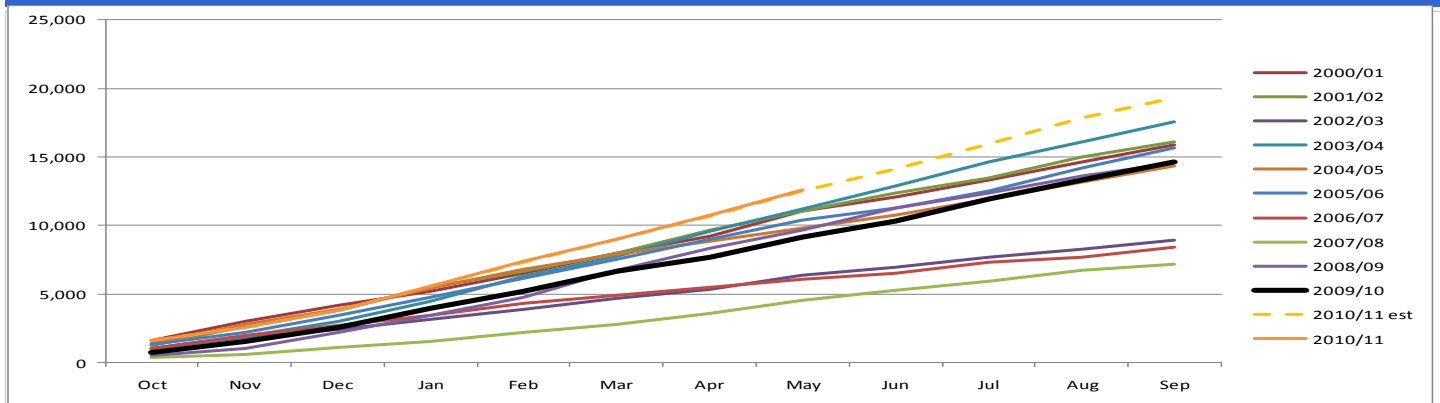
marketing year with shipping reports showing around 1.6mmt exported in July and a similar amount for August and September.

Demand is coming from some of the large Asian consumers where exports from Australia have risen some 45% to South Korea and 40% to Indonesia. South Korea in particular is one country who is traditionally a large consumer of US corn and given the price spread between the two commodities, approximately USD\$70-80/mt, this pattern may well continue.

For the 11/12 season we now know Australia has the capacity to maintain the current export pace particularly given the expected increase from WA. Barley exports are also expected to decline and provide further room for wheat given the lower planted barley area. Therefore while Australia has the ability to export another 20mmt, whether we do so will obviously depend on how we are priced into the key markets. Currently Australia is similarly priced with the US while the return of Russia and Ukraine into the market will likely see them take some demand away from Australia/US given their heavily discounted prices.

Of course, it is all dependent on how the profile of the Australian crop finishes up. There is still plenty of time left and the crucial spring period is fast approaching. After a couple of frustrating seasons I'm sure growers and consumers alike will be looking for a good finish.

## CUMULATIVE AND FORECAST AUSTRALIAN WHEAT EXPORTS



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