

The information in this document is general in nature. Individual client needs and objectives have not been considered. Any advice in this document is General Advice Only.

Weekly Price Outlook

2009 Crop

	Downside	Upside	Action
Wheat			
CBOT	Low	Low	
Basis	Medium	Low	
Cash	Medium	Medium	Sell
Barley			
Feed	Low	Low	Sell
Malt	High	Low	Sell
Canola			
ICE	Medium	Low	
Basis	Low	Low	
Cash	Medium	Low	Sell

2010 Crop

	Downside	Upside	Action
Wheat			
CBOT	Low	Medium	Be Ready
Basis	Medium	Low	Be Ready
Cash	Medium	Medium	Be Ready
Barley			
Feed	Low	Low	Hold
Malt	Low	Low	Sell
Canola			
ICE	Low	Medium	Sell
Basis	Low	Low	Hold
Cash	Low	Medium	Sell

Position on Sales

2009 Crop

Wheat	Mt Barley	Fd Barley	Canola
100%	100%	100%	100%

2010 Crop

Wheat	Mt Barley	Fd Barley	Canola
20%	10%	0%	20%

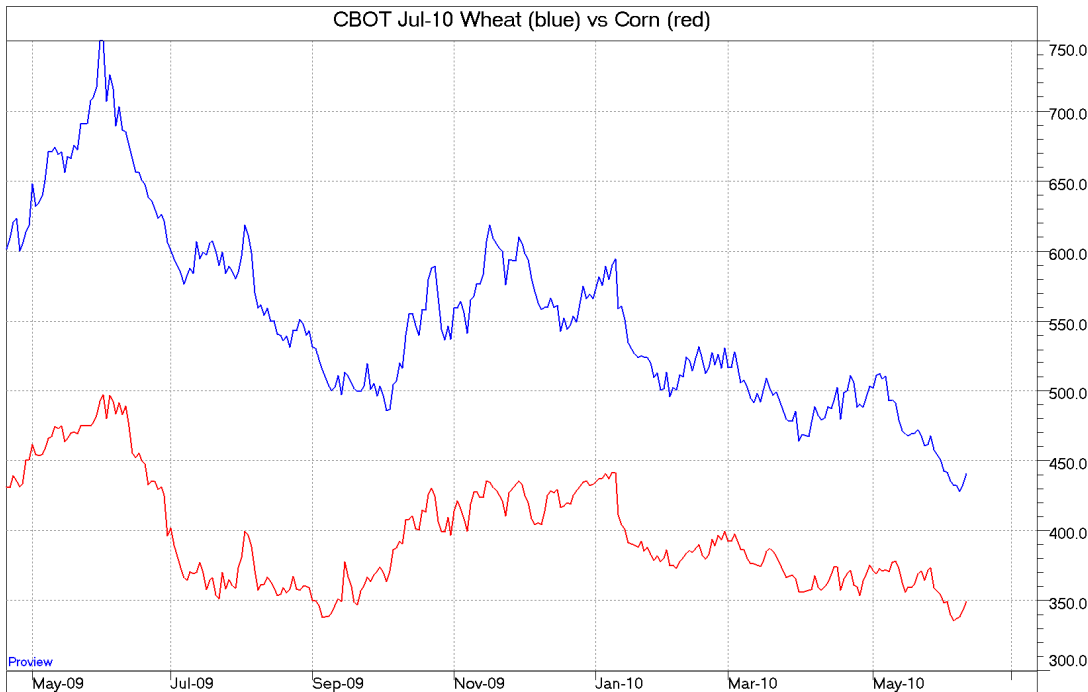
Wheat International

Advice Box:

In the advice box we give generic advice to our clients such as price targets, timing of sales and products we prefer to use. For this example the advice has been deleted.

- CBOT wheat futures ended the week slightly higher on the back of some bullish updates to the corn balance sheet in the USDA report released Thursday.
- CBOT Dec-10 wheat has lost 70 USc/bu in the past five weeks - some analysts are suggesting a correction higher was due.
- The USDA report lowered world wheat production estimates for 2010/11 by

CBOT Jul-10 Wheat (blue) vs Corn (red)



Futures

Contract	Close	Change
ASX WAW Wheat (AUD/t)		
Spot	205	-7 ↓
Jan-11	210	-6 ↓
CBOT Wheat (USc/bu)		
Spot	441	9 ↑
Jul-10	441	9 ↑
Dec-10	486	6 ↑
ICE Canola (CAD/t)		
Spot	397	15 ↑
Nov-10	402	16 ↑

Currency

AUD/USD		
Spot	0.8560	0.0383↑
Dec-10	0.8342	0.0323↑
AUD/CAD		
Spot	0.8820	0.0185↑
Nov-10	0.8614	0.0219↑

WA Basis

ASX WAW vs APW2 (AUD/t)		
Spot _{old crop}	15	-2 ↓
Jan11 _{new}	22	4 ↑
CBOT vs APW2 (USc/bu)		
Spot _{old crop}	69	-6 ↓
Dec10 _{new}	41	11 ↑
ICE vs Canola (CAD/t)		
Spot _{old crop}	-3	-4 ↓
Nov10 _{new}	5	-3 ↓

2009 Cash Bids

Kwinana (FIS)		
APW2	219	-9 ↓
ANW1	249	-1 ↓
SFT1	NA	
Fd Barley	180	-5 ↓
Mlt Barley	205	-25 ↓
Canola	447	3 ↑
Lupins	201	↔
Mill Oats	192	10 ↑
Fd Oats	172	↔

2010 Cash Bids

Kwinana FIS		
APW2	232	-2 ↓
Fd Barley	170	-6 ↓
Mlt Barley	237	-6 ↓
Canola	473	3 ↑
East Coast Newc (Port)		
APW1	213	↓ -8
Fd Barley	195	↓ -5
Mlt Barley	235	↓ -12
Canola	458	↑ 6

Refer to the MarketAg daily Bid Sheets for more detail.

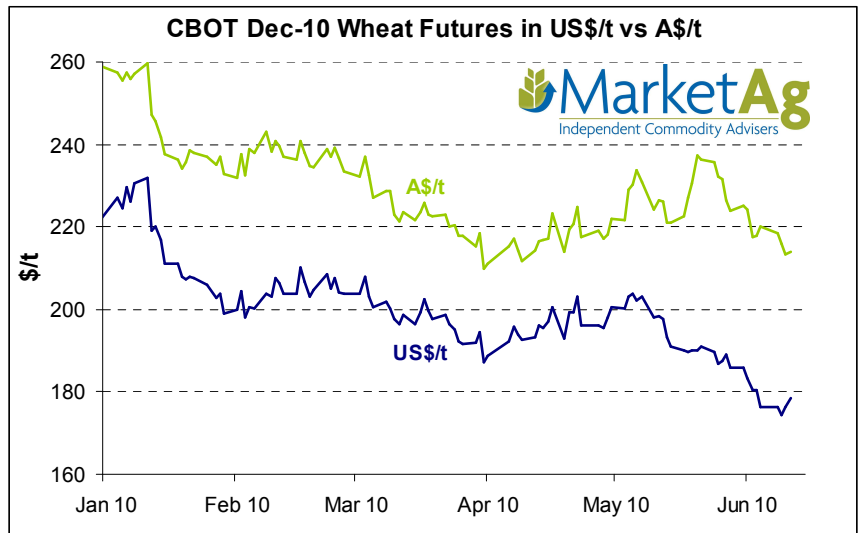
East coast prices as at Friday 11 June 2010.

* changed from last week

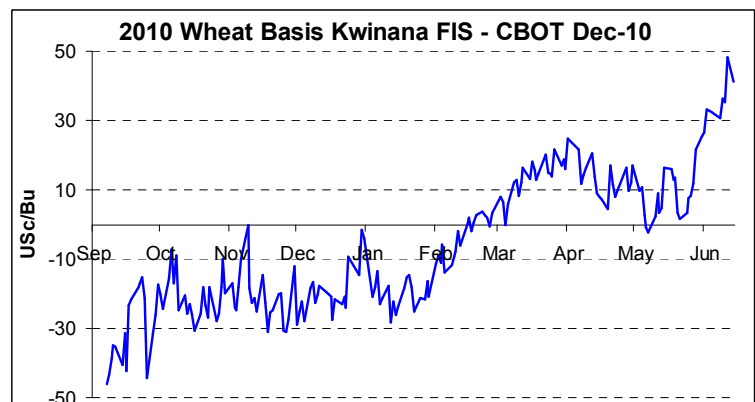
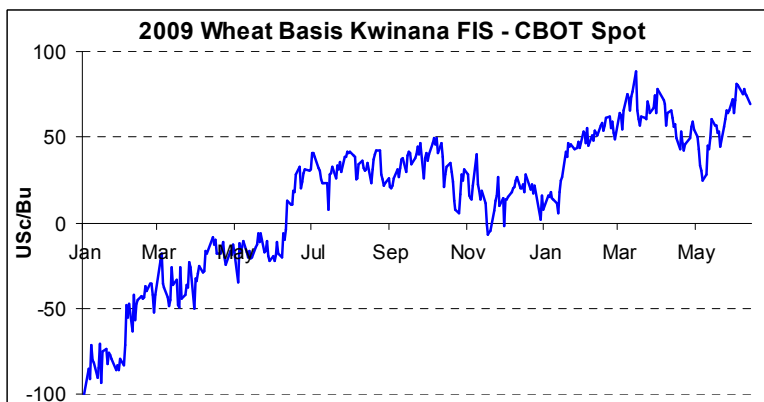
- 3.7mmt to 668.5mmt. Ending stocks were also lowered 4.2mmt to 193.9mmt (still 1mmt higher than last year).
- EU wheat production was down 2.1mmt due to flooding in Eastern Europe and dryness in France and the UK. Production out of Syria and Turkey were also lowered on rust issues.
 - US wheat ending stocks were lowered 0.16mmt but remain at the highest level since 1988.
 - The surprise in the report was corn, with the USDA increasing ethanol and feed usage and cutting US ending supplies by 6.7mmt. World corn ending stocks were also down 6.9mmt from last month to 147.32mmt.
 - The Canadian Wheat Board estimated Canadian wheat plantings will be the lowest since 1971 at 19 m acres due to extreme wet weather. CWB now expect a wheat crop of 18.9mmt (24.3mmt last year). The CWB is 2.1mmt less than USDA's estimate.
 - Early indications of the US wheat harvest (Texas and Oklahoma) are high test weights, reasonable yields, BUT low protein at around 11.5%; 5 year average is 12.5% for US hard red winter wheat.
 - Reports of US elevators (=CBH bin) already being filled to capacity in north Texas and southwest Oklahoma ie. their stocks are bulging with low protein grain (limited market) and two previous seasons of large crops.
 - Basis in the US (not here!) is under pressure due to the low protein.
 - US Wheat Associates are talking about finding new markets for their low protein wheat (eg. Asia and North Africa). This may mean more competition for Aussie wheat?
 - Funds remain near their record net short position in CBOT.

Wheat Local

- The sharp jump in the A\$ over the week did not do much for local cash prices - refer chart.
- Old crop APW2 prices fell almost \$10/t for the week.
- Note the number of buyers outside the Kwinana and Albany port zones is getting less and less. This remains a large risk in holding old crop going forward.
- New crop cash prices only fell \$2/t for the week as basis has pushed strongly higher. This is largely due to farmers remaining reluctant sellers of cash at a price providing a skinny profit margin at best, and many areas of the WA wheatbelt remaining dry.



- ANW1 maintains a premium over APW2 in new crop bidding of around \$10/t.
- Please note the new format for the 2010 bid sheet – this is to make the document easier to read and include more information such as Delivered End User bids and grade spreads for an increasing number of Multi-Grade wheat contracts on the second page.



- The expressions of interest for the CBH Hectare Advantage Pool for wheat and barley closed today.

Advice Box: *Our advice on committing to pools at this stage of the year has not changed – regardless of the type of contract. We are hesitant on committing production risk at this stage of the year to a pool where price risk remains with the grower. Our preference for forward sales is via a fixed pricing product.*

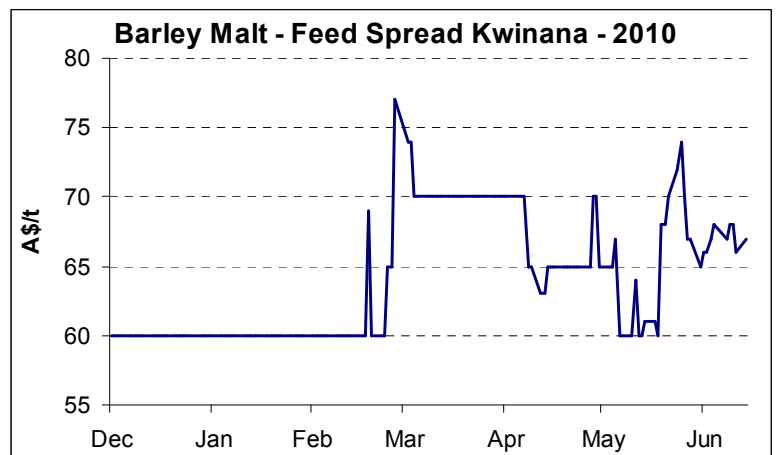
Point of Interest: *Consider this; if a pool manager aims to hedge 20% of committed tonnes now and you commit 30% of your expected production – you have effectively created price certainty over 6% of your total production when committing 30% to delivery.*

Barley

Advice Box:

For this example the advice has been deleted.

- Feed and Malt barley prices fell on both sides of Australia during the week due to a stronger A\$.
- International feed values were supported by the USDA report tightening the corn balance sheet and strong demand.
- Analysts suggest China's corn supply is likely to remain tight despite sales from the government's reserves. Imports from the US have already started flowing in to cover a shortfall in domestic production.
- Korea bought three cargoes of corn and feed wheat and two of soymeal during the week.
- Taiwan bought 60,000t of Brazilian corn.
- There is some conjecture over the size of the Ukraine barley crop. The question is; how much smaller will it be from last year? Ukraine is the world's leading feed barley exporter.
- One analyst estimates area sown to barley in 2010 is down 26% to 2.75 m hectares. However the Farm Ministry estimates 3.2 m hectares with expected barley production at 11mmt (11.8mmt last year).
- Winter barley harvesting has begun in the far south of Ukraine.



Canola

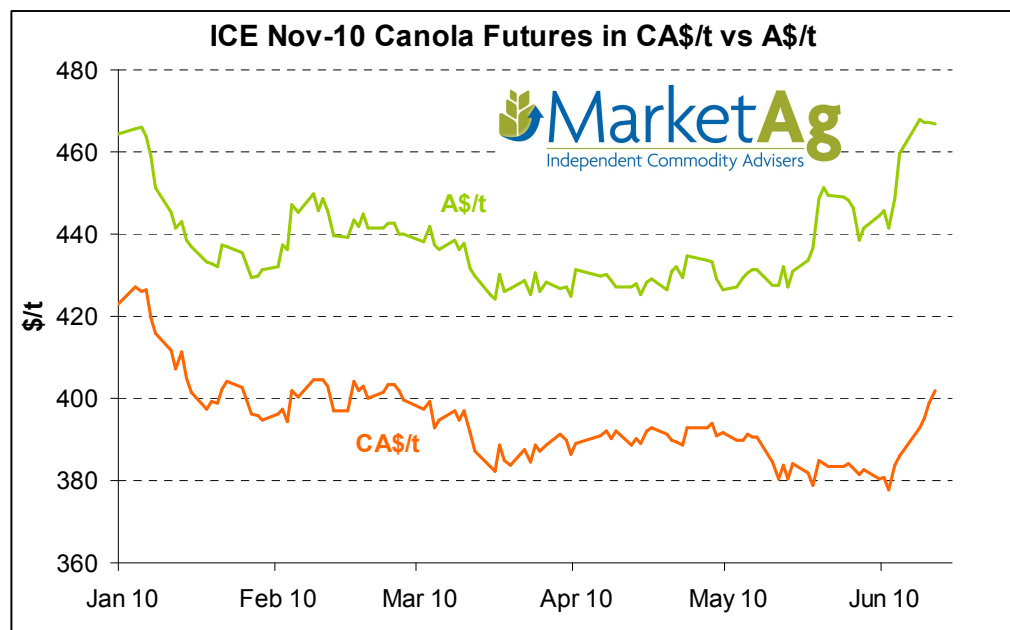
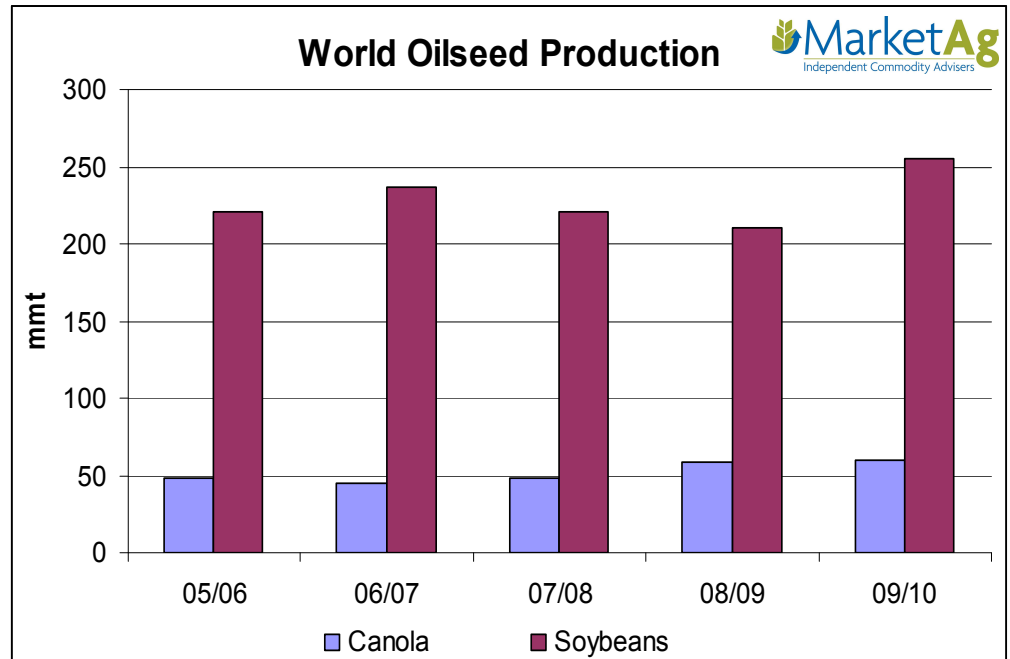
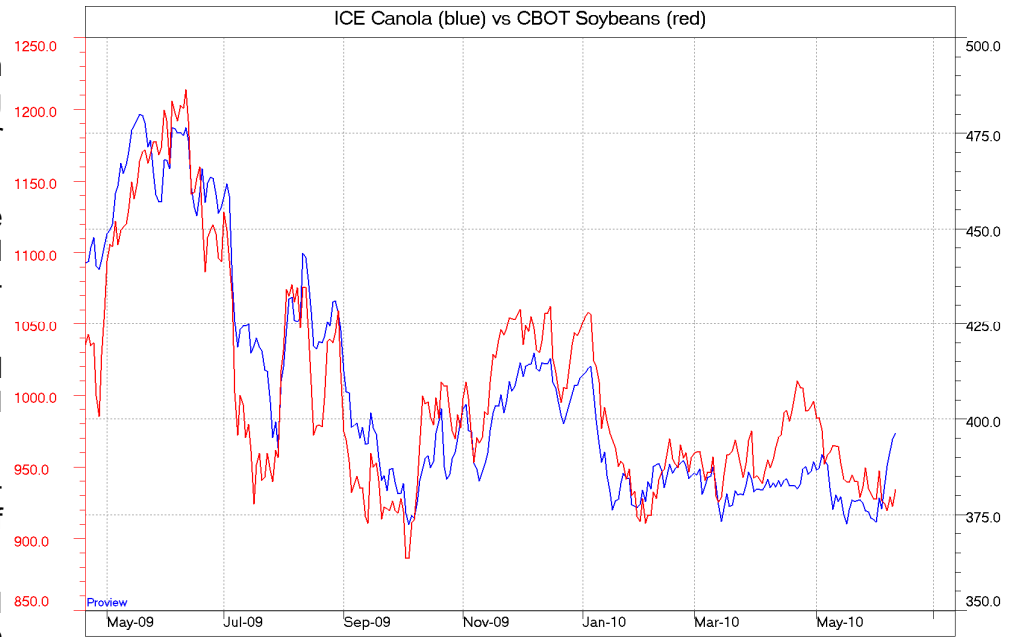
Advice Box:

For this example the advice has been deleted.

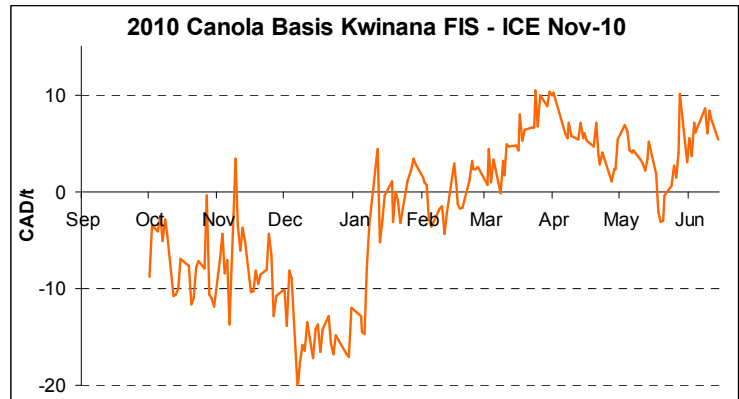
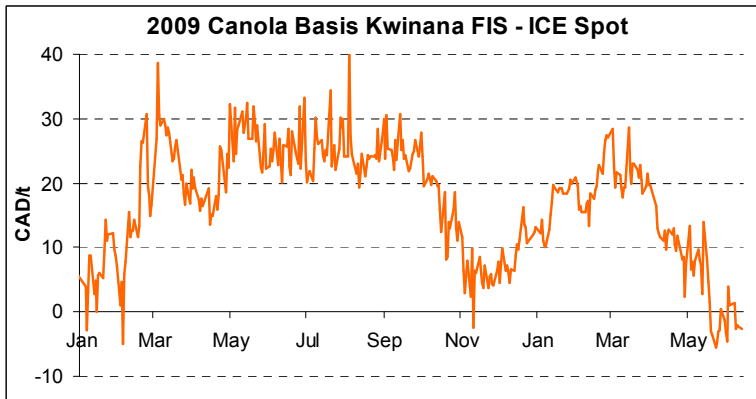
- ICE canola was the big mover for the week jumping C\$15/t. The Nov-10 contract has now jumped C\$24/t in the last six trading sessions.
- The movement in ICE canola futures is due to wet weather concerns inhibiting Canadian canola plantings and causing nervousness over development of canola already planted.
- Estimates are between 1 to 5 m acres of Canadian canola may not get planted due to the extreme wet weather.
- Overall across the Prairies, seeding of major crops is about 78% complete. Normally at this time of year, seed-

ing is entirely complete.

- ICE is becoming very focussed on local Canadian issues and leaving the rest of the oilseed complex for dead – refer top chart.
- CBOT soybeans continue to trade side ways on large plantings and Malaysian palm oil futures are currently at 7-month lows.
- Remember canola is just a small segment of the global oil seed market - refer chart below.
- China purchased 240,000t of soybeans from the US and 40,000t of soy oil.
- USDA estimates that China will import 49mmt of soybeans in the coming year; a huge amount.
- Brazilian soybean exports for May were 2nd largest in history at 5.7mmt.
- US and world soybean stocks were left mostly unchanged in last weeks USDA report.
- France estimates their 2010 winter rapeseed (canola) crop down to 4.6mmt or 17% from last year; mainly due to lower yields.
- Locally canola prices improved on the back of stronger international futures; however the kick in the A\$:C\$ over the week and weakening basis capped the gains - refer charts below and on the next page.
- CBH opened their pre-harvest canola Pool today.



Advice Box: Similarly to our recommendations with wheat pools - We are reluctant to commit production at this stage of the year to a pool where price risk remains with the grower. Our preference for forward sales at this time of the year is via a fixed pricing product.



Other Coarse Grain & Pulses

Lupins

- The lupin market has been fairly quiet with small parcels being sold out of farm stocks to end users - indicative bids are around \$270/t DEU.
- Pricing opportunities out of CBH are proving difficult and carry costs are mounting (interest \$1.20/t/mnth). Pulling them out of CBH is costly due to grading costs and grading logistics for the south west grazer market that need to be double-gee and radish free.

Field Peas

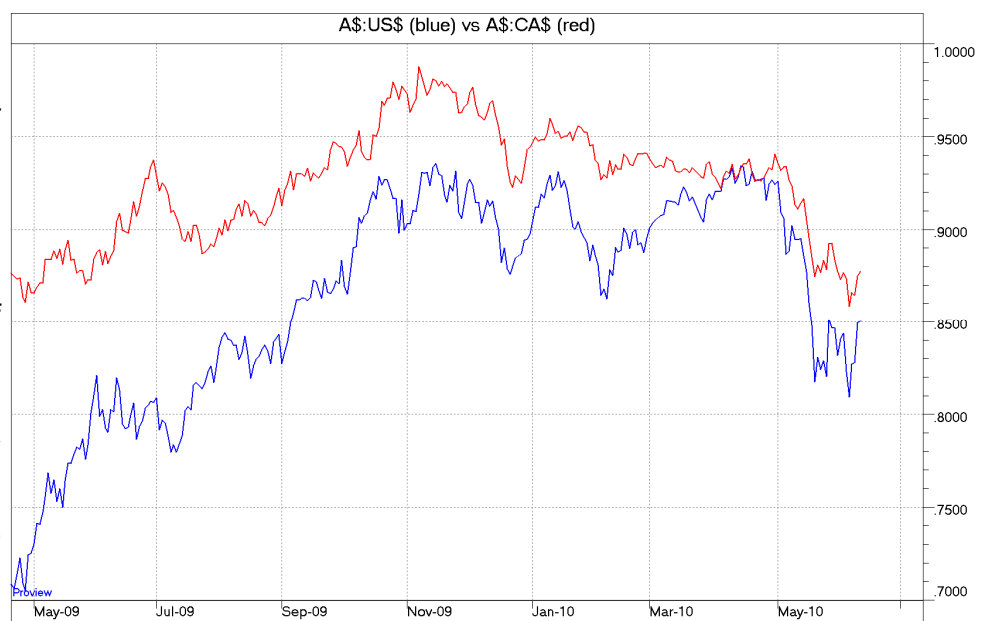
- International field pea markets are dominated by large stocks in Canada and prospects for a big crop in France, where an improvement in government subsidies encouraged sowings.
- On the demand side, India is the big player, and they are trying to boost domestic production by increasing support payments to try and lower average food prices at their retail markets. Planting is just underway.
- Current indicative bids are around \$260/t DEU.

Oats

- Indicative DEU oat prices as follows: feed \$185/t, Wandering \$200/t.

Aussie Dollar

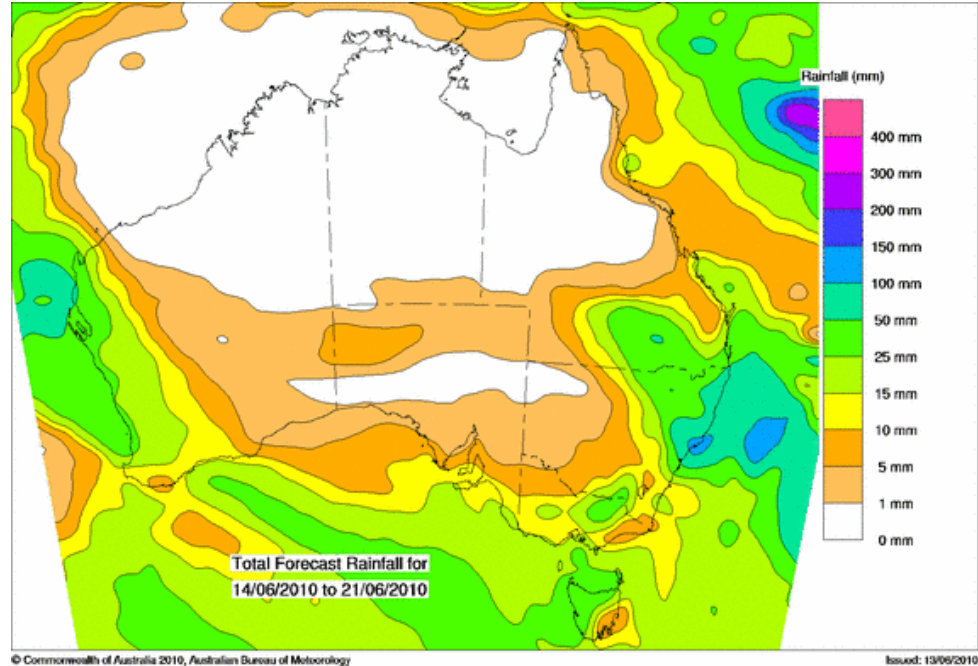
- The A\$ ended the week up nearly 4 US cents and 2 Canadian cents after a good week on global equities.
- The US Dow Jones Index provided its first weekly gain in a month, up 2.8%.
- Some good economic news out of Asia during the week also supported equities and the A\$.
- The quarterly report from the Bank for International Settlements painted a gloomy picture for European debt. French (\$493b) and German (465b) banks have lent nearly \$1 trillion to Spain, Greece, Portugal, and Ireland as at the end of 2009.



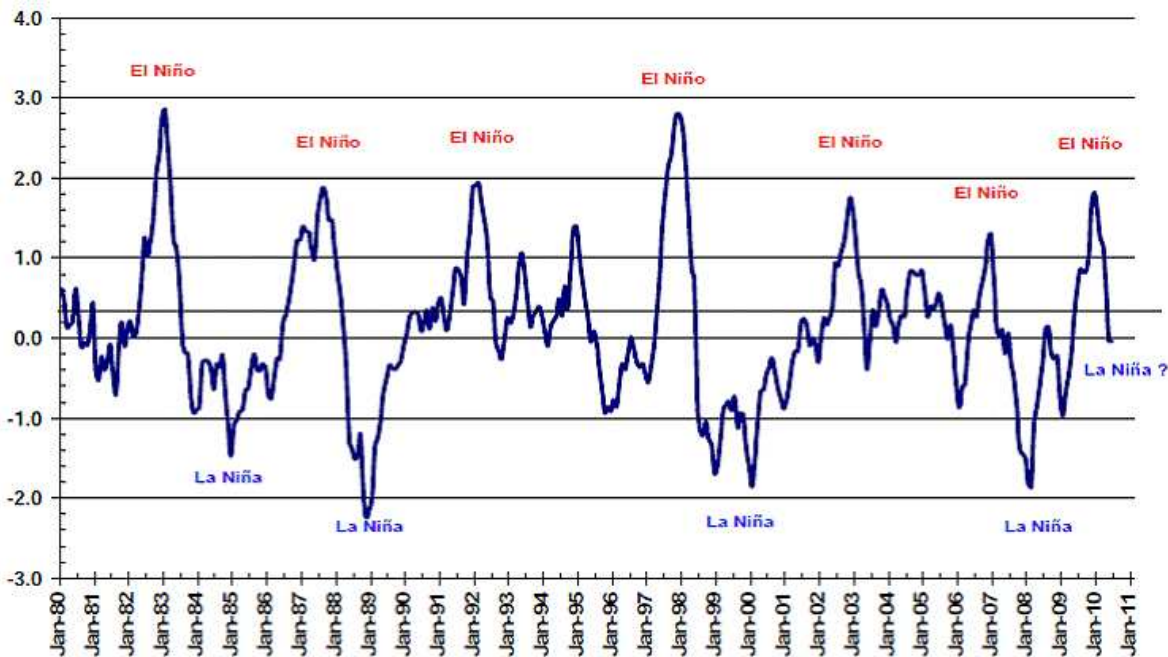
- The report only tables lending disclosed by the large participating banks and not the smaller institutions. Some analysts fear the numbers understate the problem.
- The RBA is due to release the minutes of this month's board meeting on Tuesday.

Weather Wrap

- The weather forecast for the coming week looks promising for many areas of the WA wheatbelt - refer chart to the right.
- The chart below may be of interest when crystal ball gazing on the weather. The theory is we need a strong La Niña pattern to get above average rainfall. Looks like we are at the “in-between stage” currently. At least the trend is in our favour.



Eastern Pacific Sea-Surface Temperature Anomalies



Source: NOAA, Citigroup

Pools

We will provide a full comparison of 2008/09 pools in due course.

Disclosure: MarketAg Pty Ltd, holds AFS Licence 325 936, to provide financial product advice in derivatives and foreign exchange contracts.

Disclaimer: MarketAg, any associated companies, its officers & employees advise that they shall not be liable in any way whatsoever for any loss or damage arising out of or in connection with the contents of the information provided. The information is general only and any advice has been prepared without taking into account specific objectives, financial situation or needs. It is proprietary and must not be distributed without prior permission from MarketAg. The **Weekly Price Outlook** and **Position on Sales** sections of this document provide indicative information only. Call your adviser for specific recommendations.