

Pool update

1 July 2010



Southern Ag Grain 2009/10 July pools

Southern Ag Grain (SAG) today announced its barley, canola and wheat pool estimated pool returns (EPR) were maintained.

Wheat

Both SAG's Old and New crop wheat pools have remained unchanged for bread wheat this month. As the Northern Hemisphere harvest gets underway most of the market are concentrating on the nearby stocks position that has most of the major wheat producers harvesting new crop while old crop supplies still abound. This has placed pressure on Futures markets that have weakened considerably over the last few weeks. The continued volatility in our FX rate is helping to protect new crop wheat prices for the shorter term.

No change in values HOWEVER Noodle wheat values were increased by \$5 per mt in response to premiums being seen in old crop noodle markets in WA. SAG recently loaded to the first MAFF vessel from the port of Albany and we will continue to look for new opportunities for our noodle wheat growers.

Australian Noodle wheat, due to quality and consistency, have inelastic demand from Japan and Korea as well as some other smaller south east Asian markets and with the reduction in tonnage produced in the 2009/10 crop year we are seeing domestic premiums increase as buyers look to secure noodle wheat to supply into these premium markets.

The premiums seen in the domestic market are now being seen in the FOB market with SAG merchandising 4 MAFF vessels in the previous 3 months into premium Japanese market with partners Sumitomo, one of the vessels was the Albany vessel.

SAG's strong merchandising program of FOB noodle wheat has allowed us to capture these premiums for SAG's Noodle wheat growers and expect that these premiums will remain into the 2010/11 season.

Southern Ag Grain 2009/10 wheat pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB			
Grade	EPR	Grade	EPR
APW1	\$254	AUH2	\$244
APH2 (APH1)	\$276	AGP1	\$239
H1	\$271	HPS1	\$232
H2	\$262	AUW1	\$224
ASW1	\$244	FEED	\$199

Barley

Barley EPRs have been maintained.

Domestic markets have been relatively quiet of late with the grower merchandising stocks when required and consumers currently comfortable with their positions. In the coming few months increased domestic feed demand may support old crop barley.

Globally attention has turned to weather in the EU, US, Canada and China. A few scare stories however fundamentally crops are still rated better than last year and carry out stocks are substantial. The AUD will play the main role in pricing domestic grain. Presently Australian barley remains uncompetitive against EU and Ukraine/Russia values. However, the AUD/USD is still below the average (0.8960) for this year to date.

Domestic new crop values have steadily climbed since harvest with consumer interest appearing to commence coverage, particularly on malt barley.

Southern Ag Grain 2009/10 barley pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB	
Grade	Number 1 pool
Malt 1 - Gairdner	\$270
Malt 1 - Baudin	\$270
Malt 1 - Schooner	\$270
Malt 1 – Buloke	\$260
Malt 1 – Flagship	\$265
Malt 1 - Sloop	\$250
F1	\$240
F2	N/A
F3	N/A
F4	N/A

Canola

Canola EPRs remain stable at \$470 per mt.

Local canola markets have seen a spike in prices over recent weeks which have been driven largely by currency moves resulting from financial market concerns in the European zone. Credit concerns in the Euro zone have led to a bout of de-risking, meaning that money has flowed out of “risky” investments (of which the AUD is considered one) and back into the USD. Therefore we have seen recent weakness and bouts of volatility in the Australian dollar. The new season US soybean crop is in good shape with planting progress at 74% complete. The situation with the Canadian canola crop is slightly different with very wet conditions in Saskatchewan and Manitoba delaying planting progress and adding yield risk to what was considered to be a large upcoming

crop. Local conditions remain favourable with most areas receiving welcomed rain recently. Whilst some areas still require planting rains, these areas are now in the minority.

Southern Ag Grain 2009/10 canola pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB	
Grade	EPR
Canola	\$470

Note: All Southern Ag Grain pools are managed and executed by Emerald Group Australia. Estimated Pool Return (EPR) is as at date of release and at a defined level of protein, screenings and moisture for each pool pay grade. Prices are net of management fees. Wheat base grade is APW and all prices are Free On Board (FOB) and deductions associated with payment option choice and location to be taken into account. All prices are in Australian dollars (AUD) and are estimates only and subject to change over the life of the pool as a result in changing market conditions and management performance.

For more information on Southern Ag Grain’s pool returns call 1300 880 432 or visit our website at www.southernaggrain.com.au.

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Background information

Southern Ag Grain is a newly formed joint venture between southern NSW grower group Southern Agventure Ltd and leading Australian grains manager Emerald Group Australia Pty Ltd.

Southern Ag Grain services the specific needs of southern NSW grain farmers. Proudly local and farmer focused, this unique organisation provides a transparent, competitive suite of marketing products to grain producers in the southern region of New South Wales.

Based in Wagga Wagga, Southern Ag Grain joint venture partners maintain regional and joint venture offices throughout NSW, Victoria, South Australia and Western Australia.

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