

WEEKLY MARKET REPORT

WEATHER

Isolated storms swept through parts of the region over the past couple of days which is expected to clear today. It looks set to remain fine through to the weekend before a system lingering in southern Queensland will move south and potentially bring rain on Sunday.

TOWN	WEEKLY	February	2012
Narrandera	6mm	6mm	75mm
Cowra	27.2mm	70.2mm	105.8mm
Hillston	8mm	9mm	61.4mm
West Wyalong	20.2mm	50.2mm	76.2mm
Oaklands	3mm	3mm	53mm

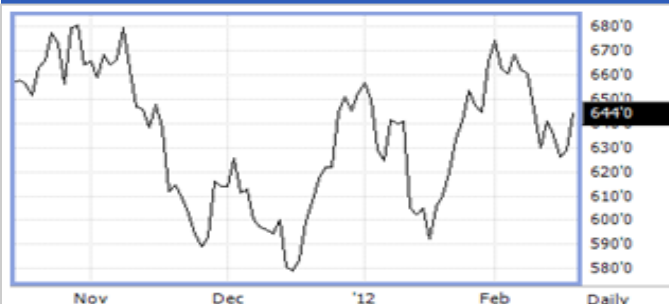
LOCAL

Well another week and more storms across southern NSW, driving to Wagga this morning there were large trees down on the road with a storm completely destroying a narrow corridor. Customers are still holding grain and realising that the market may not have much movement but are "hopeful" of a rally in the market and are hanging on. Still hearing talk of more oats going in this year and a few customers are going to try canola for the first time. With the harvest pool closing soon Southern Ag Grain are now offering our price later contract. This product allows customers to continue getting some cash flow whilst still having full control of when you market the grain. This product will open today and the grain must be fully marketed by the 30th of June. Contact the office to talk about this product and other ways we can help market your grain and help you with your cash flow requirements.

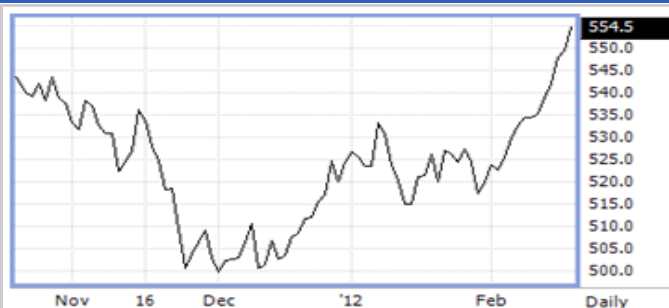
GLOBAL

Markets have generally pushed higher this past week on the back of stronger export demand out of the US and concerns over the impact of the cold weather through Europe and the Ukraine. The wheat market has found additional support from news out of the Ukraine that traders have agreed to limit wheat exports for the February-July period as the country assesses what impact the weather has had on the winter crop. There were suggestions traders had agreed to cap exports for the 2011/12 season at 4.8mmt, which is around half of what they initially planned to ship abroad. Russian prices are also rising as the cold weather hampers the movement of inland grain to the ports. Demand has increased from the US across a number of commodities with Egypt purchasing 180kmt of wheat, South Korea securing corn and China committing to soybeans. Oilseeds have also found further support on dry weather through the south of Brazil.

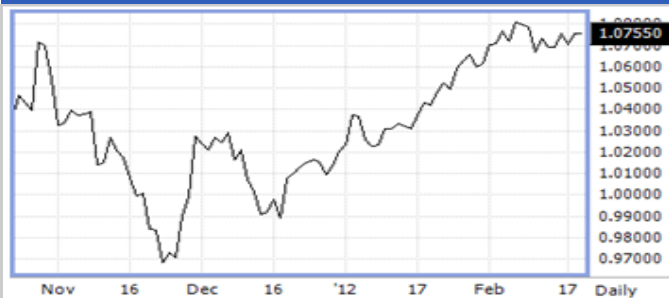
MAR '12 CBOT WHEAT



MAR '12 WCE CANOLA



AUD/USD



CONTRACT	LAST	DAILY	WEEKLY	MONTHLY	YEARLY
CBOT Mar 12 Wheat	USc 644.00	↑ 15.25	↑ 1.4%	↑ 5.5%	↓ -27.2%
CBOT Mar 12 Corn	USc 641.75	↑ 5.50	↑ 1.3%	↑ 4.9%	↑ 8.7%
CBOT Mar 12 Beans	USc 1,267.50	↑ 9.25	↑ 1.0%	↑ 6.8%	↓ -0.4%
ICE Mar 12 Canola	AUD 554.50	↑ 5.30	↑ 2.3%	↑ 6.7%	↑ 0.6%
ASX Mar 12 Wheat	AUD 210.00	→ 0.00	↑ 2.9%	↑ 1.9%	↓ -31.1%
ASX Mar 12 Barley	AUD 182.50	→ 0.00	↑ 3.1%	↓ -6.4%	↓ -18.9%
ASX Mar 12 Canola	AUD 475.00	→ 0.00	→ 0.0%	→ 0.0%	↓ -9.5%
AUD/USD spot rate	1.0753	→ 0.00	↑ 0.6%	↑ 2.6%	↑ 7.7%
AUD/CAD spot rate	1.0931	→ 0.00	↑ 2.5%	↑ 3.0%	↑ 10.5%
ASX/CBOT Wheat basis	-AUD 21.15	↑ 3.61	↓ -4.95	↓ -11.65	↓ -0.68
ASX/ICE Canola basis	-AUD 57.18	↓ -4.95	↓ -21.99	↓ -40.20	↓ -24.94

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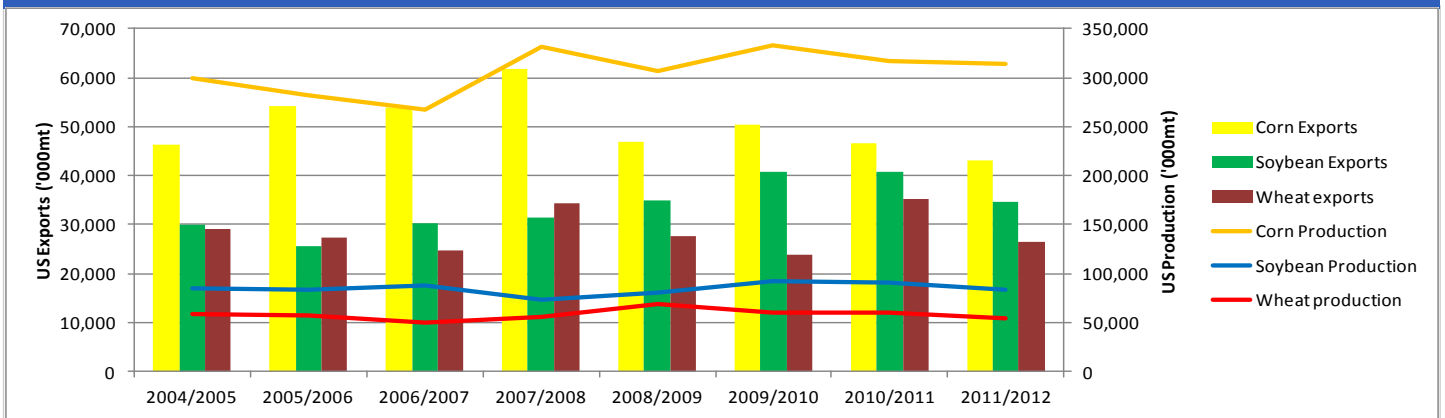
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FOCUS—US DEMAND PICKING UP

One of the major reasons for the lack of support in the markets in recent times has been the soft demand for US commodities as cheaper supplies from other regions around the globe limited gains. However in recent times due to weather and logistical influences across the globe we have seen numerous reports out of the US on strong export sales in wheat, corn and soybeans, which has ultimately contributed to some of the recent gains in prices. Cold weather through the Black Sea and the impact of drought in Argentina and southern Brazil has lead to some of the major importers securing supplies from the US. We have now seen the Ukraine place pressure on traders to limit wheat exports for the remainder of 2011/12 following the drought through the planting period and the recent cold weather which has lead to large portions of the winter crop being lost. With Russia also having some issues with getting grain to the port, as well as ships being unable to move due to frozen waterways, countries such as Egypt and Iran have had to look elsewhere for supply. The US are just one of the beneficiaries with export regions such as Australia and Canada also seeing a rise in demand. The demand through the Middle East in particular is strong with Saudi Arabia purchasing hard wheat from a number of origins, including the US and Australia. Ultimately though, with global wheat supplies so large corn is likely to drive the direction of the market over the coming months. China have signed an agreement with Argentina that will allow them to begin importing corn from the South American nation, however it does

come at a time when production is expected to be lower following the hot and dry weather. Rumors are circulating that China have purchased a major parcel of US corn and if it does hold some substance then it may only place further pressure on the US to produce a good corn crop to help replenish supplies. Demand for US soybeans has risen quite sharply in the past week with China increasing their coverage following concerns surrounding the crop in South America. After the issues in Argentina, Brazil are now the talk of the markets where dry weather in the south of the country is threatening yields. Soybean futures have jumped sharply in comparison to corn and it is resulting in US farmers beginning to consider planting beans over corn as comparative margins improve. This price support, in combination with the cold weather in the Ukraine, is helping to push up global canola prices as well. What this information reflects is that global demand is still incredibly strong, particularly out of the Asian and Middle Eastern regions. The Black Sea have dominated exports of wheat in particular since the export bans were lifted in 2011 however simple supply and demand theory tells us that this will not last forever. The export pace has been huge and now that supplies are being drawn down the attention is turning to other regions. Although demand is strong out of countries such as Australia and Argentina, the more export sales coming from the US is likely to trigger greater support for the US based futures market.

US EXPORTS AND PRODUCTION



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