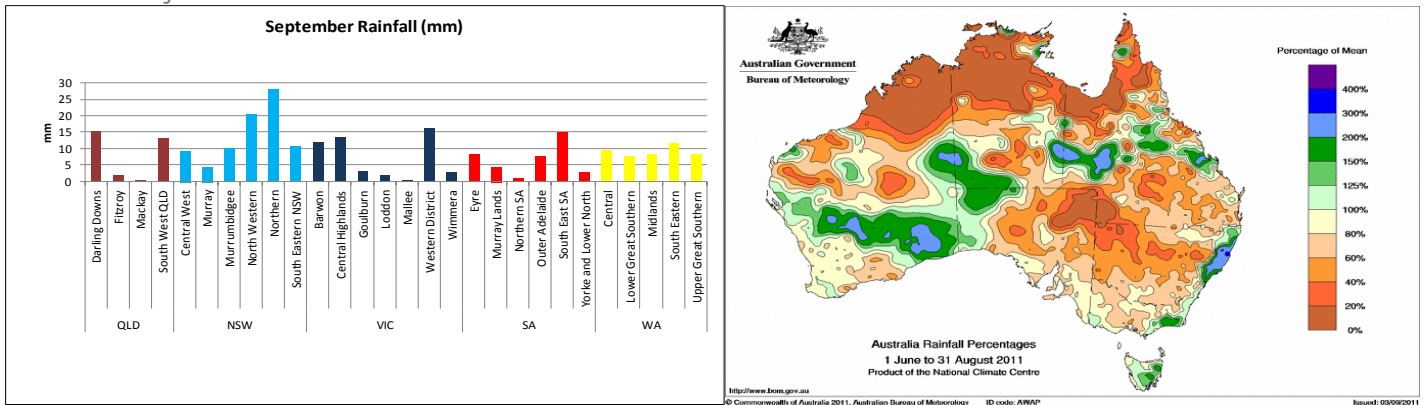


MONTHLY MARKET REPORT

WEATHER

Rainfall has been sound, without being spectacular, in recent times although northern NSW and southern QLD have both received some much needed moisture this month. With spring upon us and the weather beginning to warm up further rain will be needed very shortly, particular with temperatures through NSW and northern VIC warming up this weekend. WA rainfall has been good, particularly up through the Geraldton region, however down around Esperance rainfall has been predominantly coastal with crops further inland looking for some decent moisture. A front will move through southern WA on Sunday which is expected to reach southern SA and VIC early next week while the radar remains clear elsewhere. Climate models have not altered much since last month. There is still a moderate chance of a La Nina event occurring in the last quarter of 2011, however the SOI has remained stable in the past few weeks with ocean temperatures yet to reach levels associated with a La Nina. The BOM is forecasting above average rainfall for SW WA and much of QLD, while for most of SA and VIC the chances of above average rainfall sit at just 35-45%.



WHEAT

In recent times the wheat market has hit a little flat spot with the monthly USDA report failing to provide any short-term spark that some were hoping for. The USDA cut corn yields by more than what the market expected, to 148.1bu/acre, but they also slashed demand significantly and the net effect was a carry-out figure greater than predictions prior to the release. The USDA are basically suggesting demand rationing of corn is taking place at current price levels, although we are yet to see too much evidence of this actually taking place, and wheat is being substituted into feed rations as a result. Wheat exports from the US were also revised lower by 75mbu as the price discount out of the Black Sea continues to weigh on the market, with Egypt recently purchasing further large parcels from the region. Adding to the neutral theme of the report were some large revisions to expected production in many other countries, although these were generally pulled in line with market expectations anyway. Canadian production rose 2.5mmt to 24mmt, Europe increased 2.3mmt to 135.8mmt and Ukraine production also increased 1mmt, resulting in global wheat production rising some 5.7mmt. This figure may seem bearish on the surface however most analysts had already factored in these numbers and they subsequently did not come as any great surprise.

Where do we go from here then? In terms of further key reports to be released, the USDA has their quarterly stocks report out at the end of the month while the October monthly report may well provide further surprises in the corn field with greater cuts to yield expectations a distinct possibility. Global stocks of higher protein wheat remain a key issue, particularly on the back of a wet finish to both the European and Ukrainian harvests, which may augur well for local growers if the finish to the season is accommodating. That is still a long way off though with the key spring growing period almost upon us and the weather beginning to warm up. Temperatures through northern Victoria and NSW are expected to rise in the coming days and it won't be long before growers will be looking for further moisture to see them through. It is the same through parts of SA and WA where rainfall has been sound over the past couple of months, but WA in particular after the drought last year has not got a great amount of subsoil moisture and will need further rain shortly. It is not a huge issue just yet however it is certainly something to watch in the coming weeks. Old season feed wheat prices have softened slightly with a large barley export program in Victoria this month shifting the focus away from wheat. Demand should continue to quite strong though given the current price relative to other global feed grains, which is at least providing some level of support to current values.

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BARLEY

The local barley market has found some support in recent times due to a large export program for September, particularly on the east coast. Around 540kmt is on the current shipping stem from Victoria, NSW and SA, a rise of 142% on the August export figure and this is creating a bit of a squeeze on supply, resulting in some pricing opportunities for those still holding on to old season grain. The global outlook has become a little more subdued with no fresh news out of Saudi Arabia on whether they are still looking to import their 6.2mmt of feed barley by December, a figure that was being reported on last month. The current price spread between feed wheat and barley from the Black Sea in particular will be placing great pressure on whether this will occur, although we are seeing a pick-up in the number of vessels heading to Saudi from Australia this month. Unlike wheat feed barley prices from the Black Sea region are certainly not at great discounts to those from other origins and Australia continues to be very competitive in this department. We should therefore continue to see good demand from Australia which will bring with it pricing opportunities as we move into the new season.

CANOLA

The soybean market has taken quite a hit in the past week following the USDA report in which yield estimates came in above expectations. This ultimately put a bearish spin on the US production figure as well as carry-out stocks, which came in above market estimates. The yield adjustments came as a bit of a surprise given the weekly condition reports that the USDA release have continued to show a decline in the health of the crop and suggested yields should perhaps have come in lower than those predicted. There are also lingering concerns over the Chinese situation, particularly given the negative crush margins that continue to be reported and there are also reports large amounts of soybean meal is being stockpiled in the country. The negative sentiment has rolled over into the canola market as well, which comes at a time when harvest is picking up in Canada and an increase in grower selling is placing further pressure on prices. However it is not all bad news as canola crush margins in China are strong and with some concerns over the Ukrainian crop demand for Australian canola from Europe should remain solid. Weather is still an issue on both sides of the Pacific with the US soybean crop needing to avoid any frosts while the Australian crop will require further rainfall, particularly after temperatures warm up in the east of the country this weekend.

GROWER NEWS

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