

WEEKLY MARKET REPORT

WEATHER

July rainfall has been higher in the south of the state but the central west still remains a concern, with less than 40% of the monthly average falling. There will be light rainfall approaching on Tuesday, then clearing through to the weekend.

TOWN	WEEKLY	July	2011
Narrandera	5.6mm	19.8mm	381.4mm
Cowra	2mm	12.2mm	265.2mm
Hillston	0.4mm	17.6mm	267.6mm
West Wyalong	1.8mm	10.2mm	305.4mm
Oaklands	9mm	30.4mm	373.4mm

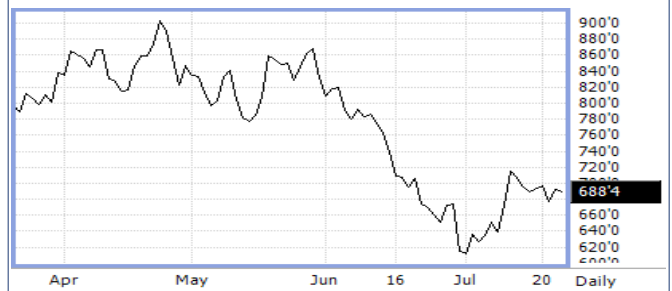
LOCAL

Old season crop was lightly traded in southern NSW last week. Wheat values softened over the week with trade revolving mainly around lower feed grades. Barley remained steady with little domestic demand and values remaining at export parity. Canola was marginally down with very little trade. New seasons bids remain fairly static as markets wait for new fundamental news. Southern Ag Grain will be in your area in August for grower meetings to discuss product releases for the 11/12 season. Details will be published over the coming weeks.

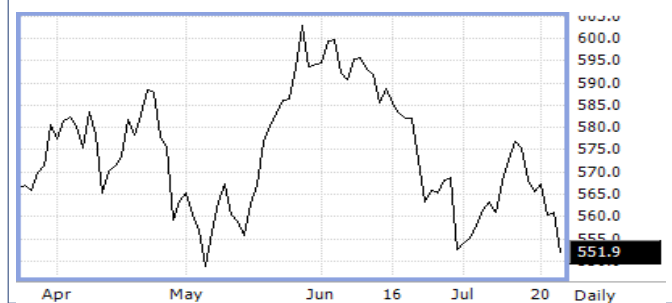
GLOBAL

The weather in the US is helping to keep things quite volatile, and after the extreme heat on the corn and soybean crop in the Midwest last week the weather has since eased with rain over the weekend. The USDA downgraded the quality of the corn and soybean crops again this week and with stocks projected to reach 15yr lows we can expect this type of news to help maintain some level of support for prices. The wheat market is pretty much currently tracking the corn price although pressure continues to come from the Black Sea region where prices offered are well below those from other origins. In the canola market, the crop is in good shape in Canada and with a lack of fresh news and a stronger Canadian dollar prices are lacking support. Concerns remain over the economies both sides of the Atlantic. The new bailout package for Greece helped return some risk to the market and pushed the Aussie dollar higher, while there are still some serious concerns surrounding the state of the US economy and whether they are able to find a solution for their debt problem.

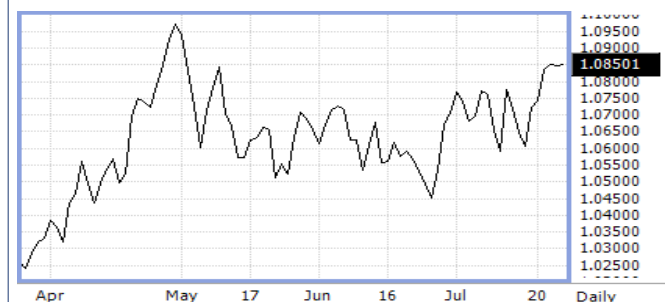
SEP '11 CBOT WHEAT



NOV '11 WCE CANOLA



AUD/USD



CONTRACT	LAST	DAILY	WEEKLY	MONTHLY	YEARLY
CBOT Sep 11 Wheat	USc 688.50	↓ -3.75	↓ -1.2%	↑ 4.2%	↑ 2.6%
CBOT Sep 11 Corn	USc 678.75	↓ -11.25	↓ -1.3%	↑ 3.3%	↑ 64.9%
CBOT Sep 11 Beans	USc 1,364.50	↓ -16.50	↓ -1.1%	↑ 4.1%	↑ 39.7%
ICE Nov 11 Canola	AUD 551.90	↓ -9.00	↓ -2.7%	↓ -2.5%	↑ 35.3%
ASX Sep 11 Wheat	AUD 242.30	↔ 0.00	↔ 0.0%	↑ 2.1%	↓ -16.2%
ASX Sep 11 Barley	AUD 206.50	↔ 0.00	↓ -1.2%	↓ -4.4%	↓ -19.2%
ASX Sep 11 Canola	AUD 540.00	↔ 0.00	↔ 0.0%	↑ 0.9%	↑ 11.1%
AUD/USD spot rate	1.0850	↑ 0.00	↑ 1.0%	↑ 3.4%	↑ 20.3%
AUD/CAD spot rate	1.0272	↔ 0.00	↑ 0.9%	↓ -0.9%	↑ 10.4%
ASX/CBOT Wheat basis	AUD 7.51	↓ -1.13	↑ 5.46	↑ 4.13	↓ -8.09
ASX/ICE Canola basis	-AUD 0.22	↑ 9.39	↑ 20.69	↑ 15.09	↓ -47.87

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FOCUS

The weather continues to play a vital role in the direction of the markets; however the forecast has eased in the US this week after last week's heat wave. While this will remain a key focus there is another story potentially unfolding that could have a significant impact locally. Saudi Arabia is the world's major importer of barley and for some time now the government has remained quiet on whether they would extend the subsidies that help with imports. The total amount imported by Saudi in 10/11 was approximately 5.3mmt, down from 7.5mmt in 09/10, and expectations for the coming year were that imports would increase by about 25% to around 6.6mmt, but still not return to the levels of 09/10 and earlier.

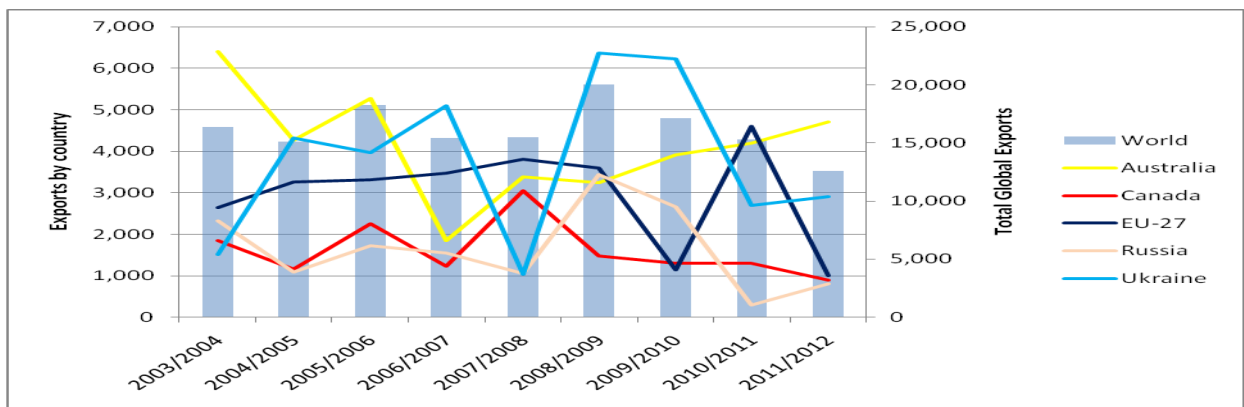
However there are reports circulating that the stocks situation in Saudi is tight and with supplies needed to get through the holy month of Ramadan the Saudi interior minister warned traders they would be subject to harsh penalties if they hoarded barley. There are also reports the Saudi government has finalized a contract to import 2.7mmt of barley which is to be delivered within the next two months while on top of this they are said to be signing a further contract for an additional 3.5mmt to meet the country's needs in the fourth quarter of 2011. This is a total of 6.2mmt which is to be delivered in the next 5 months, not far off initial estimates for the entire 11/12 year.

If this were to unfold it could have major implications on

the global supply and demand of barley. Global stocks are expected to tighten to levels similar to 07/08 and are heavily influenced by the situation in Europe where ongoing production issues are expected to result in the amount available for export to fall over 75% from 10/11 to just 1mmt. The USDA also recently revised the Ukraine crop down 1mmt limiting their ability to meet further demand, while Russian exports are still not expected to return to levels prior to the drought that crippled production last year. Therefore, combining all of the expected Ukraine and Europe exports with what is expected to head to Saudi Arabia from Australia between now and December (approx 700kmt) the total amount available is approximately 4.5mmt, some 1.7mmt short of what is being reported.

Australia has limited potential to meet any further demand between now and the end of the year especially given production is estimated to decline again this season following a lower planted area. Stocks are projected to remain tight in 11/12 and any demand that is moved forward will need to be rationed from 2012. Therefore there are two possible outcomes. Either the reports that are coming through are inaccurate and the Saudi's are not expected to import these amounts, or if the reports are true we have a potentially dynamic situation for the barley market. This is a story that will continue to unfold in the coming days and weeks and may provide a real kick for those still holding on to old season feed barley.

BARLEY EXPORTS FROM MAJOR GLOBAL SUPPLIERS



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