

# WEEKLY MARKET REPORT

## WEATHER

Large totals for the region has brought a lot of relief and should set the area up well as we approach spring. There could be some moisture up through the central regions, however the south of NSW will likely remain clear for the remainder of the week.

TOWN	WEEKLY	August	2011
Narrandera	31.9mm	69.7mm	453.3mm
Cowra	39.8mm	71.6mm	348.6mm
Hillston	20.6mm	36.2mm	305.8mm
West Wyalong	28.2mm	44.4mm	354mm
Oaklands	26.8mm	48.4mm	421.8mm

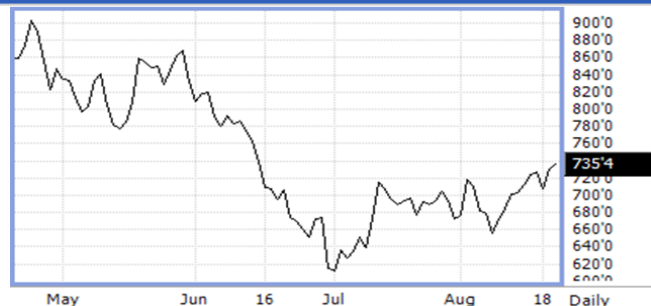
## LOCAL

Another week of significant rain falls in south and central NSW. Unfortunately these improved conditions across the east coast also resulted in softer wheat prices as values suffered under both flat price and basis falls. 11/12 APW1 local values fell from AUS\$2 over Chicago last week to -AUD\$7.5 this week. 10/11 feed values were also back \$5 by the end of the week though there is further support in these grades (FED1-AGP1) delivered Port, with FOB programs looking to run right into new season harvest. Consult the Marketwire for the delivered Melbourne prices for FED1-AGP1. Barley values also came back last week whilst canola values tracked sideways. Growers have started to show increased interest in new season pricing with the 3 windows program well supported up until the close last Friday. In other local news congratulations to Barellan 2011 Premiers Northern Riverina Football League.

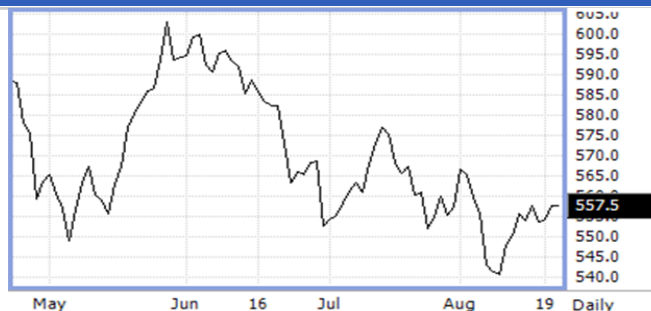
## GLOBAL

Global markets have found some strength recently with crop conditions in the US proving to be worse than expected. Harvest reports through the spring wheat belt are suggesting yields are poor while farmers through some of the key corn growing regions are also reporting ear weights and kernel sizes lower than initial expectations. This is beginning to suggest that perhaps the USDA didn't lower their yield estimates for corn by enough in their last report, which was further enhanced by the release of crop conditions overnight where the corn crop dropped a further 3% in its good-excellent rating. Soybeans also fell 2% while spring wheat was down 4%. A lack of rainfall over the weekend certainly didn't help the cause and markets should find some support early this week as a result.

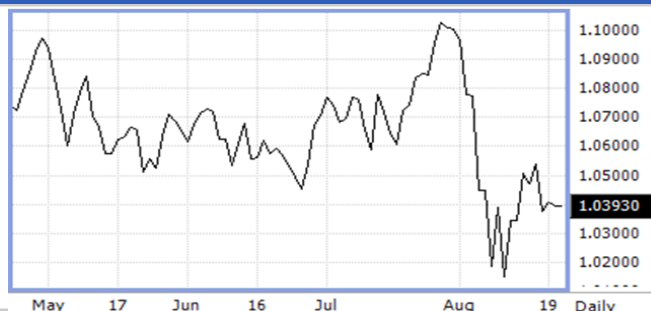
## SEP '11 CBOT WHEAT



## NOV '11 WCE CANOLA



## AUD/USD



CONTRACT	LAST	DAILY	WEEKLY	MONTHLY	YEARLY
CBOT Sep 11 Wheat	USc 735.50	↑ 4.75	↑ 1.1%	↑ 6.2%	↑ 1.9%
CBOT Sep 11 Corn	USc 720.50	↑ 9.50	↑ 1.3%	↑ 4.4%	↑ 60.6%
CBOT Sep 11 Beans	USc 1,376.50	↑ 16.75	↑ 1.5%	↓ -0.3%	↑ 37.1%
ICE Nov 11 Canola	AUD 557.50	↔ 0.00	↓ 0.0%	↓ -0.6%	↑ 35.8%
ASX Sep 11 Wheat	AUD 260.00	↔ 0.00	↑ 1.5%	↑ 7.3%	↓ -10.0%
ASX Sep 11 Barley	AUD 210.00	↔ 0.00	↓ -1.2%	↑ 1.7%	↓ -17.8%
ASX Sep 11 Canola	AUD 540.00	↔ 0.00	↔ 0.0%	↔ 0.0%	↑ 11.1%
AUD/USD spot rate	1.0394	↔ 0.00	↓ -1.4%	↓ -4.2%	↑ 16.7%
AUD/CAD spot rate	1.0294	↔ 0.00	↓ -0.3%	↑ 0.1%	↑ 9.9%
ASX/CBOT Wheat basis	-AUD 0.99	↑ 2.46	↓ -2.92	↓ -7.38	↑ 7.93
ASX/ICE Canola basis	-AUD 3.02	↓ -0.76	↓ -2.70	↑ 4.41	↓ -50.74

Information independently provided by

**LACHSTOCKCONSULTING**

[www.lachstockconsulting.com.au](http://www.lachstockconsulting.com.au)

## FOCUS

One of the main concerns in recent times has been the US corn balance sheet and how further demand rationing is needed to alleviate the tight stocks situation. Reports are suggesting this is beginning to be implemented given the current price difference between corn and wheat and the latest information on US cattle in feedlots emphasizes why this rationing needs to occur. Despite the volatility in the grain markets the numbers for cattle and calves on feed for the slaughter market in the US have risen 8% since August 2010, and at 10.6 million head it is the third highest August inventory since 1996. On top of this new placements in feedlots during July reached 2.15 million head, 22% above 2010 and is the highest placement total for the month of July since 1996. The drought through the south of the country is one major reason why these numbers are so high.

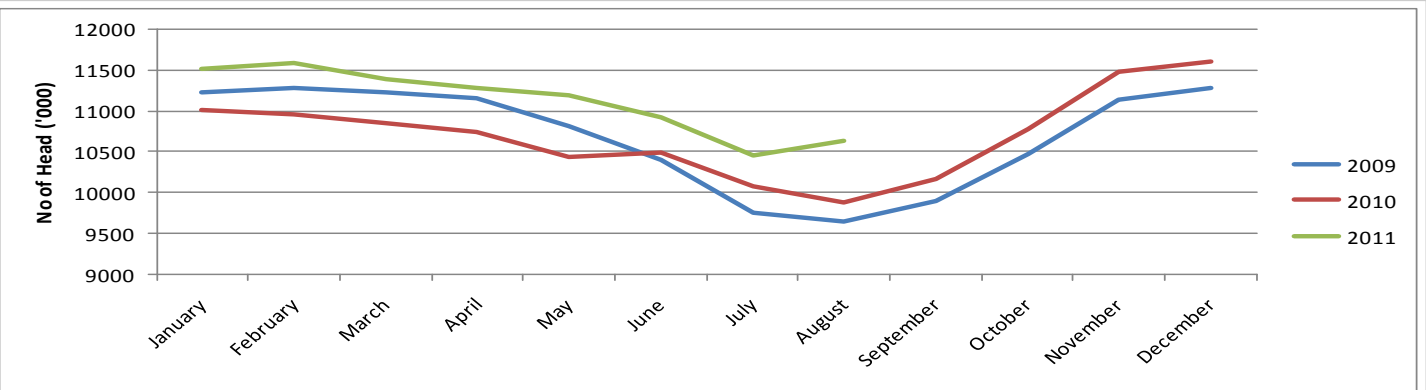
The USDA also continues to report some strong numbers in other areas of the livestock sector. Although the estimated total number of cattle slaughtered for 2011 is expected to fall 1.8% from 2010 it is still forecast to remain just shy of 35 million head. Similarly in the swine sector the estimated number of head slaughtered for 2011 is around 110 million and is predicted to be very similar to that of 2010 while the total number of dairy cattle is also expected to remain constant in 2011.

In Australia the story is much the same. The most recent quarterly report (Apr-Jun quarter) produced by Australian Lot Feeders Association (ALFA) and MLA

indicates a 2% increase in cattle on feed numbers compared to the previous quarter and a similar number compared to the same quarter last year. The total number of head has been on a steady incline since the drought when feedlots were hit extremely hard and numbers dropped sharply, although it still remains over 100,000 head below the peak. The total number of cattle turned off did jump by about 17% in the latest report in comparison to both the previous quarter and to last year. Recent ABS data is also showing the number of pig and lamb slaughterings to be tracking similar to last year although sheep slaughterings did fall some 30%, perhaps due to farmers looking to replenish their stock numbers.

This all suggests that current margins in the livestock industry are sound and therefore the demand for feed grain both locally and in the US is likely to remain strong. The type of feed grain used is the next issue and the current price spread between wheat and corn is suggesting the use of more wheat. This was highlighted recently by the USDA when they raised their estimates for the use of wheat in the US for 2011/12 by over 500kmt while reducing the amount allocated to corn for feed by a little under 400kmt. With the latest crop condition reports reducing the quality of the 2011/12 corn crop further there could be more changes to the estimates in the near future. Further price increases may be necessary in order to ration demand which would augur well for wheat demand and provide support for prices.

## CATTLE ON FEED IN UNITED STATES



Information independently provided by

**LACHSTOCKCONSULTING**

[www.lachstockconsulting.com.au](http://www.lachstockconsulting.com.au)

DISCLAIMER/DISCLOSURE: This publication has been prepared solely for the information of the particular person to whom it was supplied by Southern Ag Grain ("SAG"). This publication contains general advice only. In preparing the advice, SAG has not taken into account the objectives, financial situation and particular needs of any particular person. Before making any decision on the basis of this advice, you need to consider whether the advice in this publication is appropriate in light of your particular needs, objectives and financial situation. The information and opinions contained in this document have been compiled or arrived at from sources believed to be accurate and reliable at the time of the report, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded) by SAG, Lachstock Consulting Pty Ltd (LS), and its associates. Opinions are subject to change without notice. Neither SAG, nor LS, or other associated parties accept any liability whatsoever for any direct or consequential loss howsoever arising from any use of this document or its contents or otherwise arising in connection to it. No responsibility for any errors or omissions or any negligence is accepted by SAG, LS, or any of the respective directors, employees or agents. This document may not be reproduced, distributed or published, in whole or in part, for any purpose, except with the prior written consent of SAG.

CONTACT SOUTHERN AG GRAIN

02 6932 4400

Suite 2/17 Gurwood Street Wagga Wagga NSW 2650

[www.southernaggrain.com.au](http://www.southernaggrain.com.au) | [info@southernaggrain.com.au](mailto:info@southernaggrain.com.au)

