

# Pool update

28 January 2010



## EP Grain 2009/10 pool update

EP Grain today announced unchanged Estimated Pool Returns (EPR) for the recently closed Barley and Canola pools and a lowering of the still open Wheat pool.

### Wheat

International Wheat markets have continued to be weaker in recent weeks, as an absence of fund demand in futures markets and less export demand combine to take futures and FOB markets to new lows.

In recent weeks, the benchmark futures contract, CBOT, has lost in excess of 75c/bu or 12.5%. Previously, CBOT had been trading independently of physical market fundamentals and rose in spite of a bearish market. Most major exporters had ample stocks to offer, while importing nations felt more comfortable due to better local production. In effect, there was more demand for futures than physical wheat as US funds bought CBOT as part of their commodity bundle.

With a lack of fund buying in recent weeks, the demand for CBOT has dropped and as such there have not been the bids to support the market. Consequently, we have seen most of the premium in CBOT taken out as US still remains uncompetitive in the world market.

In the physical wheat market little has changed with ample export stocks making for aggressive pricing in export markets. While US wheat remains overpriced, Canadian, French and German wheat is making majority of the sales. In recent weeks, Middle Eastern tenders to Saudi and Iraq have been dominated by these origins. The recent fall in CBOT will make US wheat more competitive but not in the volumes needed to meet USDA forecasts.

Recent moves and volatility in the AUD has left the Australian wheat market weaker, as our wheat remains expensive compared to EU and Canadian wheat. Australian wheat is still competitive in South East Asian markets; however there is pressure on prices as exporting nations compete for the thin demand.

Given weakness in both hedge and physical markets, we are reducing our EPR for APW and better grades by \$9 per mt to reflect easing FOB market values. Grades below the APW mark are reduced by \$11 per mt, which is reflective of more aggressive pricing by Russian and French exporters, as there is an excess of low protein wheat throughout the world markets.

EP Grain 2009/10 wheat pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB			
Grade	EPR	Grade	EPR
APW1	\$249	AGP1	\$232
H1	\$266	AUH2	\$237
H2	\$257	AUW1	\$217
ASW1	\$237	FEED	\$192

## Barley

Barley EPRs have been maintained.

Although the market continues to be extremely volatile for both feed and malt barley, lower commodity prices have been offset by the falling Australian dollar.

A range of hedge programs and related foreign exchange cover has assisted EP Grain in maintaining current equity values.

EP Grain 2009/10 barley pool estimated pool return (EPR) base rate (\$AUD/t) by grade delivered FOB		
	Lincoln	Thevenard
Malt 1 – Gairdner	\$220	\$210
Malt 1 - Baudin	\$220	\$210
Malt 1 - Schooner	\$210	\$195
Malt 1 - Sloop	\$200	\$190
F1	\$190	\$180
F2	\$185	\$175
F3	\$180	\$170
F4	N/A	N/A

## Canola

Canola EPRs remain unchanged at \$470 this month.

Oilseed markets continue to be dominated by South American weather observations and crop forecasts.

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

*Note: All EP 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. All terms and conditions of EP Grain's pools are published on our website at [www.epgrain.com.au](http://www.epgrain.com.au)*

For more information on EP Grain's pool returns call (08) 8684955 or visit [www.epgrain.com.au](http://www.epgrain.com.au)