

16 July 2008

2007 GRAIN CO-PRODUCTION PROJECT– JULY 2008

This report has been prepared by AACL as the Project Manager of the 2006, 2007 and 2008 Grain Co- Production Projects.

I am pleased to advise that the entire crop for the 2008 season was planted prior to June 30 as planned. A complete summary will be sent at the end of the month. Please find below a short outlook report.

RAINFALL

The majority of regions in the state are going forward with reasonable subsoil moisture, even though the rainfall in June was generally below average.

The northern wheat belt of Western Australia (WA) is looking at average yields with areas across to the western parts having good rains through June and thus yields should be above average.

The southern regions of WA are still in line for average yields, except Esperance which is predicting a shire average of 1.5t/ha against a normal season of 2t/ha.

The eastern area of the state has the greatest variability with the northern and southern half of this region having average crop estimates, whilst a small area around Merredin (central) is expecting below average yields.

Overall, with good subsoil moisture, average yields across the state should be achieved with the long term rainfall outlook showing no trend to being either drier or wetter than normal.

PRICING

There are a number of key swing factors that should play out over the next three months. The outcome of these factors will largely determine where this year's crop prices finish.

Bearish

- Large global year-on-year increases in production should see a rebuilding of global and US stocks - barring significant issues with the southern hemisphere crop.
- Key crops to watch are those from Australia and Argentina.

Bullish

- Late and wet planting of the US soybean and corn crops is positive for grain prices in general. The US Dept of Agriculture's monthly global supply and demand estimate in June allowed for ZERO loss in acres planted. This will not be the case as many farmers simply were unable to get on the ground (it was under water!) resulting in corn and soybean values rallying, particularly in the US.
- Argentine government's imposition of grain export taxes has not only seen a change in demand for their grain from buyers (Argentine farmers blockaded exports from that country as protest) but has also sent a signal to Argentine farmers to consider cutting inputs and/or area (which will effect yields) for their upcoming 08/09 crops. The first of these crops is wheat and is typically planted May to August.

Uncertain

- The size of the Australian wheat crop
- Australian wheat crop. Current estimates are for a 19 to 25mmt harvest which has slipped below early estimates (circa 22 to 27mmt). There are differing views from analysts as to what this means. Some feel that anything below 23mmt will be supportive for the global wheat market / price. Others are of the view that the Australian crop size only becomes supportive below 19mmt. Our view tends to the latter, as we're seeing larger than expected yields out of the northern hemisphere offsetting the expected large Australian crop.

While the current indicative Free on Board (FOB) price of wheat is approximately \$350/t, we expect the price to be in the range of \$300/t to \$350/t later in the year. The pricing outlook is similar (to wheat) for malt barley and \$270/t to \$320/t for feed barley.

For further information please contact Robert Melville on (08) 9217 3113 or 0418 888 133.

Yours sincerely

A handwritten signature in black ink, appearing to read 'AMCB', with a long horizontal stroke extending to the right.

ANDREW MCBAIN

Managing Director