29 October 2009

2007 GRAIN CO-PRODUCTION PROJECT– *OCTOBER 2009*

This report has been prepared by AACL as the Project Manager of the 2007, 2008 and 2009 Grain Co-Production Projects. In summary:

- Harvest has commenced in some regions, however
- The majority of harvesting is not expected to commence until mid November.
- Forecast production across the Australian Grain-belt ranges from above expected production to less than expected production in some regions.
- The recent appreciation of the Australian dollar has placed downward pressure on the local value of all Australian commodities and falling prices will likely have a negative impact on returns.
- Harvesting is unlikely to finish until late January 2010.
- It is likely that AACL will store grain and sell a substantial amount of grain in the second half of 2010 with an expectation of receiving potentially higher prices.
- Returns for investors are unlikely to be estimated until mid 2010, however
- Indications of the estimated taxation position are likely to be provided by April 2010.

SEASONAL OUTLOOK

Western Australia

Over the last month, below average rainfall over much of WA has caused growing conditions in some areas of WA to decline.

The northern region of WA is still on track for average to above average yields. The yield prospects for central and eastern regions have reduced due to lack of October rain and recent hot weather.

The southern and Esperance regions continue to experience dry weather which will impact on expected yields.

Harvest is due to commence for most northern, central and eastern areas by mid November with southern and Esperance farmers likely to commence in late November.

Region	Rainfall to Date (Growing Season)	Risk Factors	Yield Outlook (dependent on risk factors)
WA Northern	Average to above average	Dry spring in northern and eastern areas	Average to above average
WA Central Eastern Southern	Average to below average	Dry, warm spring	Below average
WA South Coast	Average to below average	Dry, warm spring	Below average
SA Eyre Peninsula	Above average	Harvest rain, delivery logistics	Above average
SA Mid North Yorke Peninsula Lower North	Above average	Harvest rain, delivery logistics	Above average
VIC Wimmera Mallee Southern Central North North East	Above average to below average	Adequate spring finish for higher rainfall areas	Average to above average
NSW Northern	Below average	Dry conditions	Average
NSW Central Southern Riverina	Well below average	Dry, warm spring	Well below average

PRICING

AUD$

The recent appreciation of the Australian dollar has placed downward pressure on the local value of all Australian commodities and the wheat, barley and canola markets have not been immune.

Wheat

Fundamentally the wheat market is bearish, largely due to ample global wheat supplies on the back of two of the largest ever northern hemisphere winter wheat crops. With ample supplies of old crop (2008 season) and no significant production issues with the new crop (2009 season), there is currently little incentive for end users to aggressively buy wheat and thus push prices up.

Bearish fundamentals have not stopped the US wheat futures market, driven by hedge fund activity, from pushing up significantly in the past couple of weeks. The continued appreciation of the Australian dollar and the reluctance of the end user to buy has meant that local prices have moved up, but nowhere near the extent that futures prices have rallied.

Wheat prices have fallen from an estimated $330/tonne Free on Board (FOB) price at the time of contracting farmers (April/May) to an estimated $255/t FOB currently. While the current indicative FOB price of wheat in the AACL Project Pool ("Project Pool") is approximately $265/t, the price is expected to be in the range of $245/t to $285/t at the finalisation of the Project Pool.

GRAIN SALES

Harvest is expected to be completed at different stages across the country with some regions finishing in November and others in late January to early February. As the grain is sold, AACL reconciles every load of grain to ensure that the Project is paid the correct amount per load. This is an important reconciliation process which can take some time to accurately complete.

In addition, it is likely that some of the Project grain will not be sold until the second half of next year where better opportunities may present for selling grain than exist currently due to the large supply in the northern hemisphere.

The impact of these factors is that we expect it to be mid 2010, or possibly later, until we are able to accurately estimate the return position for investors. However, it is expected that a taxation estimate will be made by April 2010.

For further information in regards to this report please contact your Financial Adviser or me on (08) 9217 3777 or robert.melville@aacl.com.au.

Yours sincerely

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