



5 December 2008

2008 GRAIN CO-PRODUCTION PROJECT– DECEMBER 2008

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

SEASONAL OUTLOOK

Harvest is now well underway and approximately 25% of the AACL project crops have started being harvested. To date, around 66,000 tonnes of AACL contracted wheat and barley has been delivered to receival sites nationally. This represents approximately 19% of the expected AACL tonnage based on our pre-harvest estimates.

The pre-harvest Project yield expectation was that 91% of contracted production would be achieved. After further assessment, it is now likely this figure will be revised to 92%.

The wheat delivered to date has been of good quality, however harvest progress has been slowed by rainfall and lower than normal temperatures. The rainfall in some areas has contributed to the possible downgrading of wheat and barley quality and the extent of this will only be known when we are able to assess quality results.

Approximately 8% of the AACL crops have been completed by contracted farmers who are mostly in the northern grain-belt of WA where harvest traditionally begins the earliest in the country. Harvest is expected to be complete by January 2009.

PRICING OUTLOOK

Wheat

Prices for benchmark grade APW have remained relatively constant over the last month with firm bids for wheat equating to a FOB price range of \$320/t to \$340/t. The rainfall during harvest has increased the proportion of lower grade wheat and consequently, prices for these grades have come under pressure. AACL has made material wheat sales across all wheat grades at current prices or better. If wheat prices continue to fall, these sales will tend to soften the effect of falling wheat values.

Barley

The pricing outlook for malt barley is similar to wheat where firm bids equate to \$310/t to \$330/t FOB. Feed barley values have continued to drop in response to a drop in Saudi Arabian import subsidies and from competing and abundant global corn and feed wheat supplies. Prices for Feed barley are now equating to \$190/t to \$200/t FOB, down \$40/t from a month ago. Again, AACL has made barley sales at prices levels above current values and these will soften the effect of falling barley values.

For further information about the Projects or content of this report, please contact Robert Melville on (08) 9217 3113 or 0418 888 133.

Regards,

AACL