

7 November 2008

2008 GRAIN CO-PRODUCTION PROJECT– NOVEMBER 2008

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

SEASONAL OUTLOOK

Crop Prospects

AACL estimates the current Project production to be around 91% of the contracted production which represents a positive increase on last month's estimate. This estimate takes into account the beneficial impact of late rain in Western Australia (WA) through October, dry conditions in eastern Australia and the negative impact of frost in WA across some parts of the Project area.

Rainfall and cooler temperatures throughout October were beneficial to the expected yield of many crops in the northern, central, southern and south coastal areas of WA. As mentioned in the last update, a significant frost event in WA on 22 September has had varied impacts on susceptible crops.

In eastern Australia conditions have been varied with most crop estimates affected by dry warm weather through October. Production estimates for New South Wales, Victoria and South Australia have declined from last month.

Harvest has commenced in the northern part of the Geraldton (WA) port zone with around 3100 tonnes of AACL grain delivered, however progress has been slowed by rain in the last ten days. Most other regions are set to commence harvest within the next three weeks and are likely to continue through into early January 2009.

PRICING OUTLOOK

Wheat

Prices have remained relatively constant over the last month with firm bids for base grade "APW" wheat equating to a FOB price range of \$310/t to \$330/t.

Weather and its effect on grain values is a small concern. If the Project crops experience continual wet weather once they are mature then the risk of downgrading due to factors such as fungal staining and sprouting increases. To date however, very little of the Project wheat has been downgraded due to weather damage. Importantly, the overall effect of the improved production, combined with the grain sales that AACL has made to date, means that Investor returns are now less sensitive to potential grain price or value falls.

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 dropped sharply in the last month in response to a drop in Saudi Arabian import subsidies, with prices now equating to \$230/t to \$240/t FOB. Our concerns regarding weather damage also applies to barley but the same qualification applies – Investor returns are less sensitive from any downside in barley prices or values.

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

Regards,

AACL