

30 November 2009

## **2008 GRAIN CO-PRODUCTION PROJECT– NOVEMBER 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 for most regions or is expected to commence within the next few weeks.
- Ample global supply of wheat, barley and canola continues to put downward pressure on prices and is likely to impact returns.

---

## **SEASONAL OUTLOOK**

### *Western Australia*

Harvest has commenced in the northern and central Grain-belt region of Western Australia, however patchy rain and thunderstorms have delayed harvest progress in some of these areas. It is unknown at this stage if any grain quality issues will arise from harvest rain received to date. Harvest in southern and south coastal areas is expected to commence within the next few weeks. There have been insufficient harvest results to assess yield estimates at this stage.

### *South Australia*

Harvest has begun across South Australia including the Eyre Peninsula and Yorke Peninsula and is expected to be well underway by the end of November. Recent fires in South Australia have not affected AACL contracted crops. There have been insufficient harvest results to assess yield estimates at this stage.

### *Victoria*

Minimal harvest has commenced through Victoria. AACL expects that harvest will begin in earnest in early December. There have been insufficient harvest results to assess yield estimates at this stage.

### *New South Wales*

Harvest is underway in northern and central NSW with over 50% of contracted Farmers in this region having started.

Crop conditions have not improved from the previous investor report however there have been insufficient harvest results to assess yield estimates at this stage. Recent fires in New South Wales have not affected AACL contracted crops.

---

## **PRICING**

### *Wheat*

The fundamentals of the wheat market remain unchanged from last month. Current ample global wheat supplies on the back of two of the largest ever global wheat crops have resulted in little incentive for end users to aggressively buy wheat and thus push physical prices up.

US wheat futures markets continue to be volatile, driven by hedge fund activity. Despite the bearish fundamentals, wheat futures have rallied significantly in the past month. The appreciation of the Australian dollar, coupled with the reluctance of the end user to buy, has triggered an increase of local prices, although nowhere near the extent that futures prices have rallied. Recent Australian rainfall has had some negative effect on expected grain quality in some regions. The likely downgrade in the quality has affected the prices being offered in the local markets, with the spread between higher and lower quality wheats increasing.

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 market price of \$250/t FOB currently. While the current indicative FOB price of wheat in the AACL Project Pool ("Project Pool") is approximately \$260/t, the price is expected to be in the range of \$245/t to \$285/t at the finalisation of the Project Pool.

### *Barley*

The *malt barley* story remains unchanged from last month's update - supply worldwide is plentiful due mostly to the excellent yield and quality of the European crop. The malt barley market is similar to the wheat market - with ample existing supplies and solid production prospects there is currently little incentive for acquirers to aggressively buy.

The vast majority of demand for *feed barley* comes from the Middle East where domestic production has generally been favourable this season resulting in decreased import demand. Feed barley pricing from the major Middle Eastern market competitor (Black Sea origins) have firmed, supporting Australian values.

In Australia, decreased regional demand and strong production potential means the prospect of significant price rallies appear remote. The recent rainfall has also caused the market to price in greater premium for malt barley.

The current indicative market FOB price for malt barley is \$230/t and \$180/t for feed barley. All barley contracts were priced on feed barley values that were approximately \$215 FOB at the time of contracting farmers. The indicative FOB range for the Project Pool is \$210/t to \$250/t for malt barley and \$160/t to \$200/t for feed barley.

---

## **AACL COMPANY ANNOUNCEMENT**

AACL Holdings Limited (the parent company of AACL) has appointed Peter McEwen as non-executive chairman. Mr McEwen has been working in the Western Australian fertiliser industry for almost 30 years, including his current position as chief executive officer of Summit Fertilizers, which he has held since 1993.

Summit Fertilizers is the second largest supplier of fertiliser to Western Australian farmers and is a 100% subsidiary of major Japanese trading house Sumitomo Corporation.

Mr McEwen has maintained a high level of activity in the industry, serving on the board of the Fertiliser Industry Federation of Australia since 1997, acting as chairman for four years. He is also currently a member of the joint Western Australian Government and Fertiliser Industry Working Party on the use of highly-soluble fertiliser in environmentally sensitive areas of south west Western Australia.

AACL managing director Andrew McBain said the company was very pleased to attract someone with Mr McEwen's eminent industry experience on board.

Mr McBain said "Peter brings a wealth of experience in the agricultural and specifically fertiliser industries. We believe Peter will provide a significant contribution to the further development and growth of AACL's national business."

Mr McEwen has a Bachelor of Science with First Class Honours in Chemistry from the University of Western Australia, a Graduate Diploma in Chemical Engineering from Curtin University and has completed a Company Directors' Diploma. He is also a Fellow of the Australian Institute of Company Directors.

---

For further information in regards to this report please contact your Financial Adviser or our office on (08) 9217 3777 or [robert.melville@aacl.com.au](mailto:robert.melville@aacl.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read "R. Melville". The signature is fluid and cursive, with the first letter of the first name being a large, stylized capital 'R'.

**ROBERT MELVILLE**  
**Director - Capital Markets**

