



8 October 2008

2008 GRAIN CO-PRODUCTION PROJECT– OCTOBER 2008

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

For your information, 2008 GCP Certificates and Co-Production Unit (CPU) allocation advice has been distributed to investors in the 2008 GCP Project. Investors in the 2006 and 2007 Project have also been sent their relevant CPU allocation advice for the 2008 planting. No action is necessary to be taken by investors with regards to the CPU information as it is provided only for the purpose of informing where their crops are located.

SEASONAL OUTLOOK

Crop prospects were boosted by excellent rainfall across the WA Grain-belt in the last week of September. The majority of eastern states contracted crops were still in reasonable condition after receiving good rainfalls towards the end of September.

Although there was excellent rainfall in September, there was also a significant frost event in the southern half of WA in late September which will impact on crop yield. The extent of the damage and impact on yield is yet to be determined and AACL is currently inspecting crops in frost susceptible areas.

AACL's current yield estimate is to produce 80% of contracted yield across the project areas. This is a similar estimate to the previous investor report in September and reflects the impact of late rains and the likely impact of frost on expected yields.

Harvest is expected to commence in approximately three weeks in the north of WA and extending throughout November and December for the remainder of the project area.

PRICING OUTLOOK

Wheat

As we indicated last month, prices have eased with firm bids for wheat equating to a FOB price range of \$310/t to \$330/t. The price trend is down, due to production in the northern hemisphere leading to an increase in wheat stocks; the global financial crisis is also adding downward pressure to prices. We expect selling pressure at harvest to continue to drive wheat prices lower, such that they could end below our previous guidance in our last report of \$300/t to \$350/t FOB. AACL has made material wheat sales 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 been under considerable pressure from Black Sea origin sales, with prices now equating to \$250/t to \$270/t FOB. Again, AACL has made barley sales which will tend to soften the effect of falling barley values.



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

Regards

AACL