

20 August 2009

2009 GRAIN CO-PRODUCTION PROJECT– AUGUST 2009

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

SEASONAL OUTLOOK

Western Australia

Overall, conditions are on track to achieve average results, however this is dependent on adequate spring rainfall. The central, eastern and southern areas of the WA Grain-belt have been sown later than normal, however average rainfall in July has helped the prospect of these crops achieving average yields.

South Australia

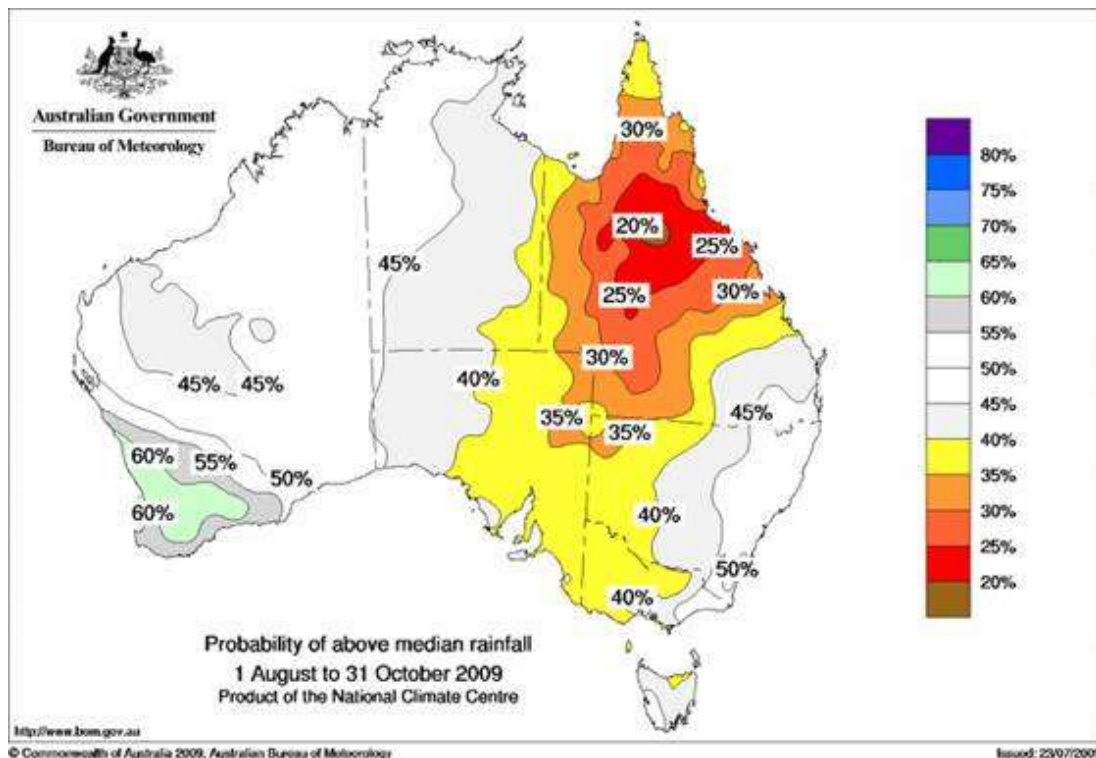
Conditions are generally good however whilst the first half of the season has been positive, there are emerging concerns over the spring rainfall outlook and whether this will enable crops to achieve better than average yields.

Victoria

Conditions are generally good however tending to be too wet in western parts. Otherwise conditions are satisfactory at present with the outlook tending towards average yields.

New South Wales

July has been dry for most parts of NSW, however crops are generally growing well with reasonable sub soil moisture. Rainfall is required in the next 7 to 10 days to maintain the current yield outlook.



| Region | Rainfall to Date (Growing Season) | Rainfall Outlook (3 months) <i>Source: BOM</i> | Risk Factors | Yield Outlook (dependent on risk factors) |
|---|--|--|---|--|
| WA Northern | Average to above average | 60% chance of average | Warm dry spring | Average to above average |
| WA Central Eastern Southern | Average to below average | 55 - 60% chance of average | Warm dry spring Frost | Below average |
| WA South Coast | Average to below average | 60% chance of average | Warm dry spring Frost Crop disease | Average |
| SA Eyre Peninsula | July rainfall taken across the whole SA agricultural area, was the wettest July since 1996, and was 26% above average. | 35 - 40% chance of average | Warm dry spring Frost | Average to above average |
| SA Mid North Yorke Peninsula Lower North | July rainfall taken across the whole SA agricultural area. Wettest July since 1996 and 26% above average. | 35 - 40% chance of average | Warm dry spring | Average to above average |
| VIC Wimmera Mallee Southern Central North North East | Average to below average | 35 - 40% chance of average | Warm dry spring | Average to slightly below average |
| NSW Northern | Below average | 35 - 40% chance of average | Conditions still wet but rainfall required over next two weeks Crop disease pressure | Average |
| NSW Central Southern Riverina | Below average | 35 - 40% chance of average | Conditions still wet but rainfall required over next two weeks Crop disease pressure | Average |

PRICING

Wheat

Wheat prices have fallen substantially from an estimated \$330/t Free on Board (FOB) price at the time of contracting farmers to an estimated \$280/t FOB currently. The contributing factors include a falling international futures price for wheat and a rising Australian dollar.

The recent US Department of Agriculture (USDA) estimates indicate global wheat demand has risen 2.7 mmt from the previous month's estimate. A 5.0 mmt increase in supply has resulted in global wheat stocks building at a faster rate than was thought a month ago. With ample supplies of old crop and no significant production issues with the new crop, there is little current incentive for grain acquirers to aggressively buy wheat and thus push prices up.

Whilst there have been production issues in Argentina and Canada (production estimates have been slashed by 1 mmt), this has not been enough to outweigh the large winter wheat crop from the northern hemisphere currently hitting the market and the large carryover in wheat stocks from last year.

While the current indicative FOB price of wheat is approximately \$280/tonne, we expect the price to be in the range of \$260/t to \$300/t later in the year. Whilst still early in the season and with estimated production expected to off-set part of the falling price, it is possible that returns received for wheat in the Project will be affected.

Barley

The European *malting barley* crop continues to ripen well and provide excellent yields and quality. Australia is expected to have an exportable surplus of approximately 1.8 mmt malt barley this season. The malt barley market is similar to the wheat market, with ample existing supplies and solid production prospects, so end users currently have little incentive to aggressively buy.

The vast majority of demand for *feed barley* comes from the Middle East and as domestic production has generally been favourable this season, their import demand has decreased.

Strong production in the EU and Black Sea region has resulted in feed barley from the Black Sea being offered well below EU barley prices.

In Australia, decreased regional demand and strong production potential means the prospect of significant price rallies seem remote.

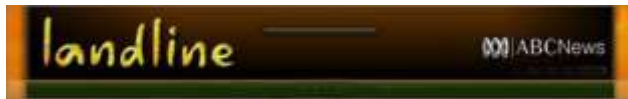
The current indicative Free on Board (FOB) price for malt barley is \$260/t and \$200/t for feed barley. All barley contracts were done on feed barley values that were approximately \$215 FOB at the time of contracting farmers. The indicative range for later in the year is \$240/t to \$280/t for malt barley and \$180/t to \$220/t for feed barley.

Canola

Given the acutely tight oilseed supply situation from last year, a good oilseed crop is required this year. Current estimated world oilseed production is a record high 422.6 mmt with stocks building 14% or 7.6 mmt year on year.

The current indicative Free on Board (FOB) price of canola is approximately \$530/t versus \$570/t at the time of contracting farmers, with the price expected to be in the range of \$500/t to \$550/t later in the year.

MEDIA COVERAGE



This month, AACL featured on ABC's Landline TV program in a story titled "Grain of Truth".

Landline – Grain of Truth (2/08/2009)

Winter rains across much of the nation's wheatbelt has fuelled cautious optimism for bumper grain crops this season. Growers are also counting on higher yields offsetting anticipated lower prices. In fact a national grains industry conference this week in Melbourne heard that unlike most industries, the global financial "cloud" may have a silver lining for farmers.

To view the program go to aacl.com.au and click on the links provided.

For further information in regards to this report please contact your Financial Adviser or me on (08) 9217 3100 or Robert.melville@aacl.com.au.

Yours sincerely

A handwritten signature in black ink that reads "Robert Melville". The signature is written in a cursive, flowing style.

ROBERT MELVILLE
Director – Capital Markets