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**Domestic Wheat**

Interesting to see a number of old crop parcels still hitting the market place, not a brilliant year to carry stock over at the moment but with the potential for crop failure on the east coast increasing what difference would this make. Looking at historical pool returns the basis is understandably at its peak in years of drought, the last drought pool reflected a basis of roughly US\$1.21/bu, current pool estimates would reflect roughly US\$1.10 basis, yes very strong indeed. We also need to understand that there would be potentially movement in the US futures markets and global values if Australia was to decrease its production significantly. Without production failures in other countries the projected impact Aussie failure would have is roughly US\$1.00/bu. So given the pool is projected at AUD\$270/t FOB and is reflecting a drought type basis already then the US\$1.00/bu would theoretically go straight on top, which is roughly AUD\$44.00/t today, so a pool estimate at AUD\$314.00/t FOB works back to about AUD\$235.00/t ex farm LPP for APW type wheat. We really need to see this Indian and Chinese situation worsen to increase global prices if we are to see big premiums again in 2009. With rain you can only assume that the AWB pool will be under immense pressure to fall.

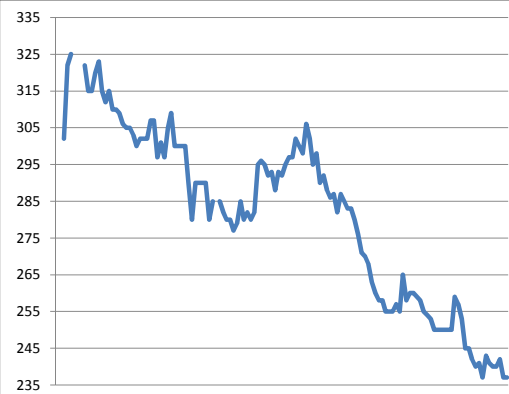
**Other Grains**

To date increased demand for soybeans has not been reflected as big price moves in Canola but this may change in the coming months. Of course local production will play its part but we also see decreases in production in Canada and likely China with reports of drought in the north. We must also look at India as a potential importer, the monsoon rain has been light and the NW corner has received little rain over the last month, canola is grown in this region and production estimates have fallen significantly in recent weeks. Chick pea bids were withdrawn by some traders after a recent rally saw significant grower selling. Although production in India may still be a concern the major growing areas have received rain in recent weeks but the latest weather models do show conditions drying again over the next ten days. With weather damage the main problem in the UK and parts of western Europe we may also see the malt premium firm in coming weeks. Old crop sorghum traded to \$200 XFLPP early last week but the trade was reluctant to sustain the bid at these levels after immediate stock demand was met.

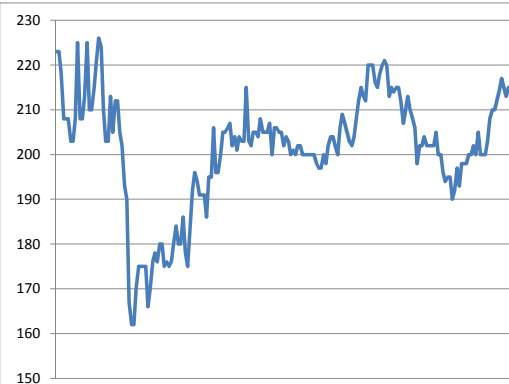
**International Markets**

US wheat futures are basically unchanged week on week after trading to the downside for most of the week prior to a rally last night. Poor harvest progress in the US spring wheat crop and production concerns in Australia, Argentina, China and India are beginning to put a floor in this market but many analyst still warn of potential downside but at these values it is hard to see wheat sliding further and still being sold by the producer. With Indian dams at about 40% capacity there is a lot of speculation as to whether India will be able to produce enough rice, wheat and sugar to supply its domestic requirements, sugar has already gone through the roof and rice is also pushing higher but what of wheat. India claim to have 33mt of reserves, harvest is in Feb, consumption is about 6mt/mnth and there is negligible private stocks so simple maths tells you they will be cutting it very close and very likely unable to build stocks in 2010. China continues to buy US soybeans like a kid with \$20 in a 20c lolly shop. Brazilian bean stocks are all but depleted and China has whispered something about a drought and production problems in the north so expect to see more in the coming weeks. Is it sustainable, well not in the long term, at these levels expect to see Brazilian acres increase dramatically.

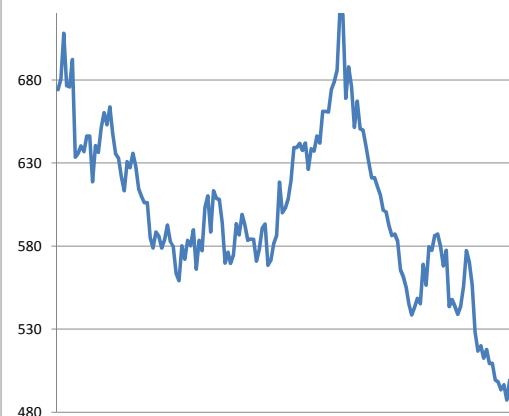
APW1 Multi Grade Dec 09 Track Newcastle



Track Newcastle Sorghum From Oct 08



CBOT Wheat Dec 09 Contract For 2009



**Today's Market Indicators For Liverpool Plains:**

**Important: Call For Site Specific Prices, Use As A Guide Only**

Nearby Futures	Move 24hr	Wheat 08/09	Newcastle	Move	Barley 08/09	Newcastle	Sorghum 09	Track	Ex Farm
CBOT Wheat	471.50	APH	\$242.00		MLT1	\$230.00	Location	2009	2009
KCBT Wheat	503.25	H2	\$237.00		F1	\$195.00	Gunnedah	\$182.50	\$197
MGEX Wheat	538.00	APW	\$235.00	\$0.00	F1 X Farm LPP		Premier	\$182.50	\$197
ASX Milling	\$251.00	ASW	\$222.00		Sorghum Track NTL		Spring Ridge	\$185.25	\$197
ASX Sorg	\$206.50	AGP	\$202.00		2009	\$215.00	Werris Creek	\$188.25	\$197
CBOT Corn	329.50	FED1	\$210.00		2010	\$213.00	Willow Tree	\$190.25	\$197
Currency	0.8367	Multigrade 09 / 10 Wheat			Canola Track Newcastle		Quirindi	\$188.75	\$197
Chickpeas	Del Nбри	Newcastle Track		\$237.00	Canola 09/10	\$500.00	Ex farm	A / S buyers call.	

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