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Domestic Wheat

The basis level, which is the difference between CBOT Dec wheat futures and the price of wheat, is often a very useful tool in determining if a price is good. The AWB pool estimate for APW is currently about \$270t FOB, FOB means Free On Board, or loaded onto a ship at port. Historical pool returns used to use ASW as the benchmark up until a few years ago but today we use APW so in my analysis I've deducted \$15/tonne off the current estimate to bring it back to an ASW price. Since 94 there has been a number of years where the global stocks to use ratio has been about the same as the latest 2009/10 projection, roughly 28%. In these years the AWB pool returned basis levels varying from US 7c/bu to US\$1.21/bu, that's a huge variation and one that is heavily influenced by the production of wheat in Australia, in the years where Australian production was effected by drought the basis was much higher than the years it was not, in other words the AWB must have sold back into the domestic market at a premium to the overseas market to achieve this larger pool basis in these drought years. In years where the local production was not effected by drought the pool basis often struggled to break 40c, (the average is 55c), so with rain you can see the pool could be under considerable pressure, without rain cash should lead the way.

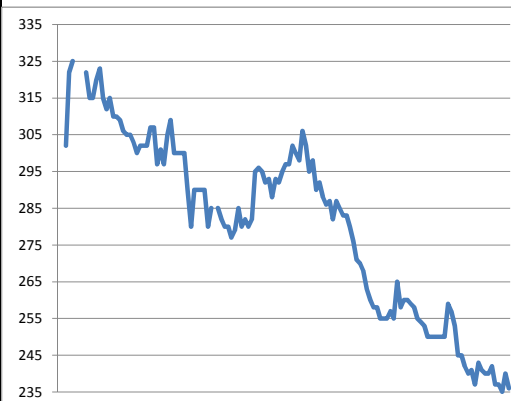
Other Grains

The sorghum market remains weather driven with most buyers now looking for firm offers from sellers before looking at bidding seriously, this is common practise as free stocks dry up and growers try to price into a rising market, the trade or consumer don't want to be seen to be bulling the market higher do they. While on the subject of firm offers it is important to understand what a firm offer is exactly as recently there has been a little confusion with some sellers. A firm offer can be given to a broker, trader or consumer, the offer should outline the price wanted, the time the offer is open for and any quality or delivery specifications. For instance the correct way to offer is by stating "I have 500t of SOR1 sorghum ex farm Premer for September pickup buyers call for \$205, offer expires at 5pm today. All the main contract details are clear and there is no surprises. It is also important that you only offer firm to one entity as you don't want to sell your grain twice, that would be a bit embarrassing and may create more than excess paper work.

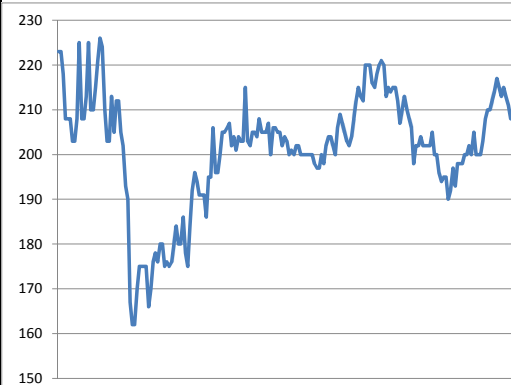
International Markets

With the International Grains Council lifting global wheat production last week the EU and US futures markets remained fairly stagnant. Week on week we see the CBOT Dec 09 wheat contract improving by 8c after trading up about 11.5c by mid week. Cooler weather in the Canadian Prairies have a few speculating that the late crops up there may see some frost damage, this has kept that market some what buoyed in the short term but without a frost event we may see spring wheat values slip in the short term. India continues to get useful rain in the north, although monsoonal rainfall is still some 25% behind average there is little concern by the trade at present, although we have seen the Indian Government announce that it has ample stocks to cater for any decrease in 2009/10 wheat production or shortfall before harvest in early 2010. The Nth China plain remains dry with drought maps indicating a growing dry band across the corn and soybean belt in the far north, overlay the drought map and the COLA weather rainfall prediction map and there does not look to be any relief in the short term. China continues to buy US soybeans at an amazing rate, this is basically confirmation of just how bad thing could be in that region.

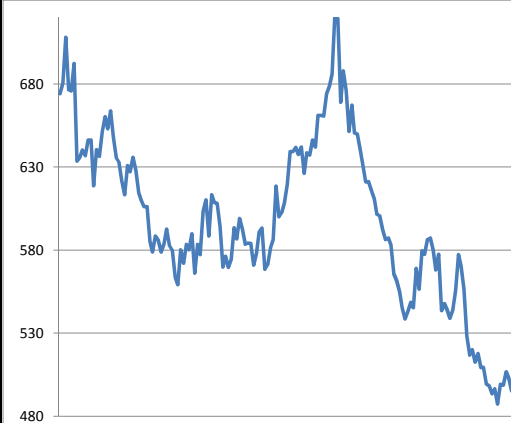
APW1 Multi Grade Dec 09 Track Newcastle



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	467.00	-8	APH	\$242.00	MLT1	\$235.00	Location	2009	2009
KCBT Wheat	500.00	-8 1/2	H2	\$237.00	F1	\$200.00	Gunnedah	\$175.50	\$185
MGEX Wheat	521.50	-17 1/4	APW	\$235.00	F1 X Farm LPP		Premer	\$175.50	\$185
ASX Milling	\$251.00	\$0.00	ASW	\$205.00	Sorghum Track NTL		Spring Ridge	\$178.25	\$185
ASX Sorg	\$203.50	\$1.00	AGP	\$180.00	2009	\$208.00	Werris Creek	\$181.25	\$185
CBOT Corn	321.00	-2	FED1	\$210.00	2010	\$210.00	Willow Tree	\$183.25	\$185
Currency	0.8419	0.0033	Multigrade 09 / 10 Wheat		Canola Track Newcastle		Quirindi	\$181.75	\$185
Chickpeas	Del Nбри	\$445	Newcastle Track	\$236.00	Canola 09/10	\$495.00	Ex farm S / O / N buyers call.		

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