

Strategy

Wheat

(2009/10) - *** Updated ***

The current price rally to around \$220-\$230 FIS for 09/10 APW2 is a good opportunity for old season sales. Have your wheat sold by the end of the month.

(2010/11) - *** Updated ***

The current rally is a good opportunity to commence 10/11 sales. Target multi-grades of around \$230 FIS. By the end of May we strongly recommend having at least a portion of your grain sold—even if prices remain unattractive to you.

(2011/12) - Unchanged

Target \$290-\$300 AUD Dec 11 swaps.

Barley

(2009/10)— Unchanged

Malt barley should have been sold by now. Sell feed at current prices.

(2010/11) - *** Updated ***

Target malt/feed multi-grades of \$230/\$170 FIS. Some varieties of malt barley have now reached this target.

Canola

(2009/10) - Unchanged

Be ready to sell on any rallies during May. Have your canola sold by the end of May.

(2010/11) - *** Updated ***

The current rally is a good opportunity to commence 10/11 sales. If production risk allows, have a proportion of canola sold by the end of May.

2009/10 cash prices

	APW2	Canola
Kwi	\$236.50	\$428
Alb	\$235	\$421
Esp	\$225	\$418
Ger	\$227	\$418

Market update

Key Points:

- Support for domestic prices despite weak fundamentals.

Domestic cash prices for both old and new season crops firmed in the last week as the AUD fell against the USD. More concerns filtered into the market today over fears the Spanish banking industry is in trouble. With little change in fundamentals, we believe the current rally is a good opportunity to make sales given most WA farmers would have received some welcome rains recently.

Strategy update 2010/11

Key Points:

- Current rally due to falling dollar a good opportunity to start or continue 10/11 sales

With no change to grain market fundamentals around the world, the drop in the dollar has given us an unexpected pricing opportunity that should be taken advantage of.

Our general suggested strategy for 10/11 is (do make sure you tailor this advice to your own personal circumstances):

IF you are comfortable with taking on the production risk:

WHEAT—Consider selling 20-

The outlook for wheat still remains neutral/bearish as the USDA predicts another big global harvest of approximately 672mmt—the third biggest on record. Despite usage at a record high 664mmt, stocks will approach 200mmt. In the EU wheat plantings are expected to be similar to last year. Despite one of the coldest winters in the last 10 years, there have been few reports of winter kill. Recent conditions have been very favourable, so much so that yields of around 5.4 t/ha are expected (production 139mmt).

Ukraine has experienced some winter kill losses, though recent conditions have been favourable and so a harvest of around 20.9mmt is expected. Russia have also experienced some winter concerns and a soft finish will be important, but are still forecast to produce 58mmt—the third highest volume in the last 20 years. The USDA is forecasting an increase in area sown in Argentina due to better planting conditions in comparison to last year, though at 3.2m ha would be the second lowest in 10 years.

2010/11 Pools

A number of 2010/11 pools are open or are about to open:

Plumgrove/CBH Grain—Managed Pool. Clearly defined hedging profile between May 2010 and March 2011.

Viterra (ABB) - Pre Harvest Pool. Cash advance on contracted tonnes available before harvest. Hedged between July 2010 and December 2011. Separate from harvest pool.

Graincorp—Pre Harvest Pool. Hedged between now and June 2011. Separate from harvest pool.

Emerald—Harvest Pool with early commitment bonus.
AWB—Harvest Pool with early commitment bonus.

Foreign exchange

In the last week the AUD has traded a range from \$0.8070 to \$0.8788 and is currently in to lower end of the range.

The concerns over Europe's debt problems led to a rout of the AUD against the USD and the JPY. The AUD was nearly off 7 cents for the week (from Monday to Friday last week

the AUD fell nearly 8 cents). The AUD was hit particularly hard on a combination of heightened risk aversion, the RBA confirming that it will put a hold on rate rises, weakening commodities and some weaker Australian economic data. Rumours that the RBA were going to step in to stabilise the AUD at \$0.8100 were in the market late Friday

which helped provide support.

Risk aversion is likely to remain for the coming months. Where we head to from here is anyone's guess and it basically comes down to what pans out in Europe in the coming months. If more problems emerge, further downside is likely.

Foreign Exchange 2009/10 Pool Estimates



2009/10 Estimated Pool Return - Harvest pools only - \$/t FOB				
Acquirer	Wheat (APW)	Malt Barley (GA1)	Feed Barley	Canola
ABB (Viterra)	\$245.00	\$242.00	\$167.00	\$445.00
AWB	\$242.00	\$269.00	\$176.00	n/a
Emerald	\$240.00	\$235.00	\$190.00	\$470.00
Graincorp	\$251.00	\$230.00	\$185.00	\$465.00
Grainpool	\$245.00	\$230.00	\$180.00	\$462.00
Plumgrove	\$244.00	n/a	n/a	n/a

Grain Futures & Foreign Exchange

FUTURES

Chicago / CBOT			
Decile	Month	Price	Change
	Jul-10	467.50	-1.50
0.5%	Dec-10	516.50	-1.00
	Mar-11	546.50	0.00
	Jul-11	577.50	-3.50
	Dec-11	611.75	0.75

CBOT Inter Month Spreads		
Jul10 Dec10 Sprd	49.00	
Dec10 Mar11 Sprd	30.00	

Canola / WCE		
Month	Price	Change
Nov-10	383.30	1.40
Jan-11	387.70	1.00
Nov-11	401.60	-1.80

Kansas / KCBOT		
Dec-10	520.00	0.75
Dec-11	590.00	1.25

Decile in CBOT table shows the top % of prices that Dec futures have traded in since 1985

FOREIGN EXCHANGE

USD / AUD Exchange Rate		
Month	Price	Change
Spot	0.8135	-0.0585
Dec-10	0.8072	
Dec-11	0.7779	

CAD/AUD Exchange Rate		
Month	Price	Change
Spot	0.8815	-0.0236

ASX WA Milling Wheat Futures			
Month	Price	FIS Equiv	Change
Jul-10	\$218.50	\$235.67	6.00
Jan-11	\$224.50	\$241.70	10.50
Jan-12	\$244.00	\$261.30	9.00

Cash Prices & Basis

Blank boxes indicate no prices available at the time of publication

2010/11 Cash Price and Basis Information

(Cash prices inclusive of CBH charges, basis is exclusive of fees)

WHEAT		GERALDTON	Change	FREMANTLE	Change	ALBANY	Change	ESPERANCE	Change
Multi Grade Price		\$236.00	\$11.00	\$240.00	\$14.00	\$234.00	\$12.00	\$232.00	\$11.00
CANOLA									
Fixed Grade Price		\$451.00	\$20.00	\$452.00	\$21.00	\$452.00	\$21.00	\$450.00	\$22.00
BARLEY									
Barley - Malt		\$240.00	\$13.00	\$250.00	\$18.00	\$246.00	\$14.00	\$241.00	\$14.00
Barley - Feed		\$175.00	\$5.00	\$176.00	\$4.00	\$176.00	\$4.00	\$173.00	\$4.00
BASIS		GERALDTON	Change	FREMANTLE	Change	ALBANY	Change	ESPERANCE	Change
Wheat									
Basis (c/bu Dec-10 FIS)		1.95	-3.86	10.74	2.60	-2.44	-1.28	-6.83	-3.34
Canola									
Basis (Jan-11 port)		0.39	-1.20	-8.65	0.12	-8.65	0.12	-10.37	1.10

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