

## Grain Report

Monday, December 06, 2010

**Shorts**

The Australian dollar rose to a two-week high against a broadly weaker U.S. currency as far weaker than expected American jobs data hurt the greenback. Sentiment toward the Aussie dollar was also bolstered by strong commodity prices which generally rose in tandem with soaring oil prices above \$89 a barrel, their highest in 25 months. (mytravelexnews.com)

**From the editor...**

Its been a big week in grain. Markets are up across the board as wetness here, dryness in South America (both La Nina) and speculators in the US push values higher.

More rain is forecast for this week, and while this might help our cricketers in Adelaide we think most growers would rather see dry weather and Australia lose the second test.

The week we welcome Jason Hunt on work experience for the summer, helping out primarily with grain.

- Angus Brown

## USDA Crop Progress:

Crop Cond:	Current (last year)	
	Fair	Good/Exc
Wntr Wheat	37 (31)	47 (63)

**This Week's Strategy**

As we say in this report, there is no one strategy fits all at this stage, most are taking a wait and see what we've got approach and holding onto hedge positions which are currently in place.

**Ag Concepts Branches Out**

Ag Concepts are now assisting lamb growers with the marketing of physical lambs direct to processors. Our market information and analysis will guide advice on when to sell and who to sell to. If you would like to know more please call or email the office.

**Inside this issue:**

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**Price Trends**

Futures Contract	This Week
CBOT Wheat Dec '10	↑ 90¢ 738 US¢/bu
CBOT AUD Dec '10	↑ \$26 274 AU\$/t
CBOT Soy Jan '11	↑ 62¢ 1300 US¢/bu
CBOT Corn Dec '10	↑ 21¢ 559 US¢/bu
ICE Canola Nov '10	↑ \$24 553 CA\$/t

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## Grain Market Focus

Monday, December 06, 2010

### Milling Wheat Price Squeeze

*Analyst: Angus Brown*

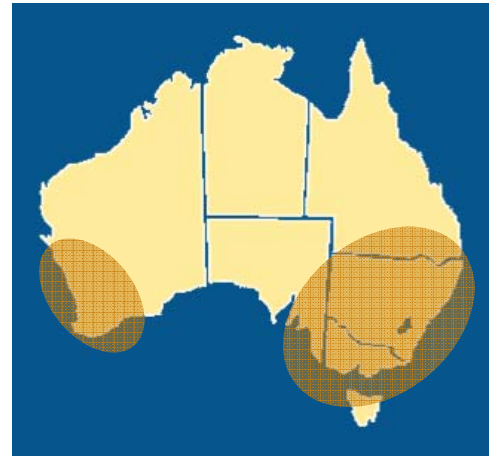
**More rain in NSW and Victoria has the trade in a tizz over whether there is going to be enough Milling Wheat on the east coast to meet demand, and even meet the open interest on the ASX Milling Wheat contract.**

2010/11 Harvest contracts	Price
Newcastle APW1	\$320
Newcastle F1 Fixed	\$175
Geelong APW1 Fixed	\$255
Geelong F1 Fixed	\$178
Adelaide APW1 Fixed	\$262
Adelaide F1 Fixed	\$182
Fremantle APW2 Fixed	\$290
Fremantle F1 Fixed	\$190

This weeks chart shows the rolling CBOT spot contract (red) along with the ASX Milling Wheat January contract. On Friday ASX MW moved to a \$43 premium to CBOT as those holding sold contracts scrambled to close out as worries grew that there may not be enough APW in NSW to deliver to cover the 1.2 million tonne open interest.

When there is a squeeze on like this those holding bought positions will hold onto contracts to see how high the price can go. Realistically the price should only go as high as the export price plus freight from Victoria or South Australia. At the moment this value would be about \$330-350/tonne. This is providing that there is milling wheat in Victoria and SA, and there are also a lot of variables in working this out.

Basically, a grain grower who normally delivers into the Melbourne Port Zone shifting to Port Kembla to can get the premium available on NSW Milling Wheat



Futures.

In Victoria the best APW1 fixed price today is \$315, which is a very good price, but is still only a \$15-20 premium to CBOT which is where we were last week.

Feed grains have rallied this week in sympathy with milling grains, but at a slow rate due to the expected strong harvest over the coming weeks.



### What does this mean?

We are seeing an unprecedented harvest period, as rain is upsetting the apple cart in a number of ways. At this stage there is no set strategy for grain sales as there is great uncertainty about quality on both an individual farm level, and at a national level. Even keeping up with prices and multigrade spreads is a full time job.

There is still a very good chance that once a fortnight of fine weather comes onto the maps prices will ease as harvest gets going, but we still need to weigh this up with the chance that we wont get a week of fine weather. In which case who knows what will happen.

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## Domestic Markets

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### ASX NSW Milling Wheat

NSW Milling Wheat had a very strong week, as concerns over the availability of milling wheat on the eastern seaboard persist, following the recent widespread rain. These quality issues are increasing the premium of ASX MW to CBOT wheat and has Jan-11 at a premium to next year.

Contract	Settle	High	Low	Volume	O/I	+/- LW
Jan-11	329	333	266	7297	60048	+74
Jan-12	318	320	290	4167	31861	+35

### ASX WA Milling Wheat

WA wheat continued to rally last week on the back of increases in NSW MW. Dryer season concerns continue to persist in the west, which is keeping higher quality wheat at a premium.

Contract	Settle	High	Low	Volume	O/I	+/- LW
Jan-11	338	338	299	755	18210	+39
Jan-12	328	328	292	1000	15965	+36

### ASX Feed Barley

Feed Barley regained strength last week, despite the adverse conditions on the eastern seaboard, as it tracked MW on its squeeze. Reports out of the US indicate strong global demand for feed grain into the future which will provide support for the export price of feed.

Contract	Settle	High	Low	Volume	O/I	+/- LW
Jan-11	205	208	180	695	15727	+29
Jan-12	223	224	200	175	3176	+23

### ASX Sorghum

Sorghum started trading again, at around the feed barley price on the Jan-11 delivery. Winter cropping is obviously still the major concern.

Contract	Settle	High	Low	Volume	O/I	+/- LW
Jan-11	214	220	212	100	250	-7
May-11	214			0	0	-7

### ASX Canola

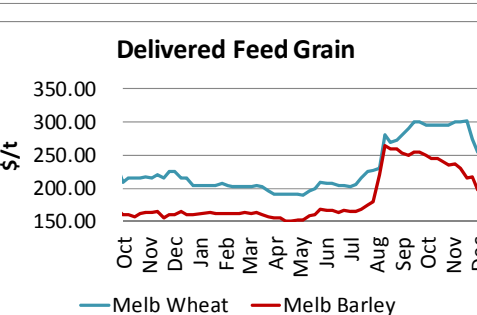
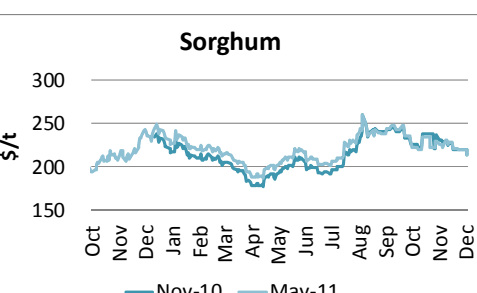
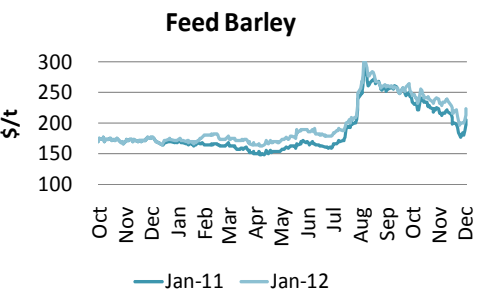
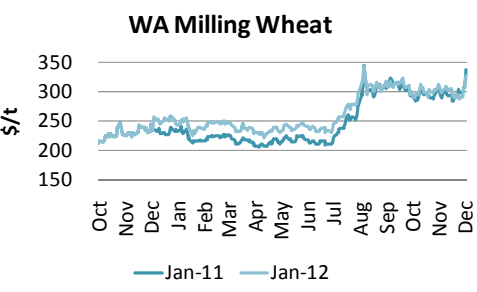
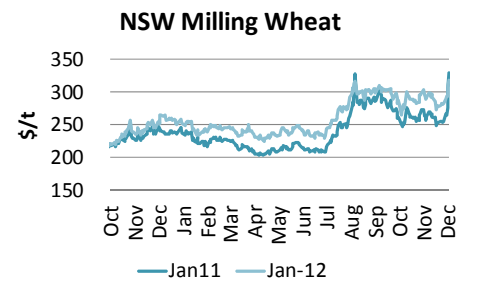
Canola saw limited trading with at track values. Rallied on the back of ICE and increases in global soybean indicators.

Contract	Settle	High	Low	Volume	O/I	+/- LW
Jan-11	545	550	515	4	301	+30
Jan-12	546			0	0	+30

### Delivered Physical Prices

Commodity	Syd	Melb	Adel	Perth	Darl. Dwns
Feed Barley	215 (-10)	198 (-20)	194 (-9)	211 (-19)	220 (-5)
Feed Wheat	250 (5)	255 (-20)	260 (5)	287 (2)	236 (-4)

Delivered feed prices continued to slip as the weather damaged crop continues to be assessed across the eastern states.



## International Markets

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### CBOT Wheat

The CBOT soared last week, as concerns over higher quality wheat appear global. The market factored in the ASX MW increase, and several global importers indicated interest in high protein wheat, resulting in a 13-14% rally for the week. Concerns about the US winter crop and issues with corn and soybeans in South America added to the bullish outlook.

The resulting effect in our terms was slightly subdued due to the corresponding increase in the dollar.

		(US ¢/bushel)					
Contract	Settle	High	Low	Volume	O/I	+/- LW	
Dec-10	738	738	647	9663	2872	+90	
Dec-11	809	822	768	509	54450	+45	

		(AU \$/metric tonne)					
Contract	Settle	High	Low	Volume	O/I	+/- LW	
Dec-10	274	274	240	9663	2872	+31	
Dec-11	315	320	299	509	54450	+28	

### ICE Canola

ICE Canola rebounded over the week, continuing to track the CBOT Soybean indicator. Despite a small increase in Canadian crop outlooks, dryer conditions in South America lead the market.

Contract	Settle	High	Low	Volume	O/I	+/- LW
Jan-11	553	557	529	53677	102592	+24
Jan-12	523	524	497	365	838	+27

### CBOT Soybeans

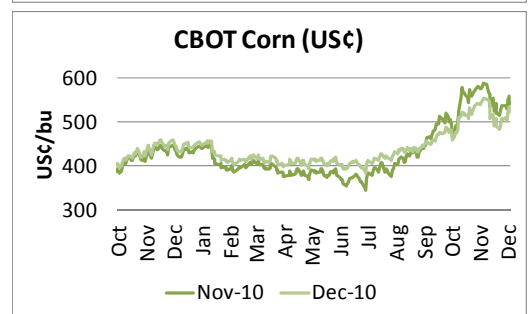
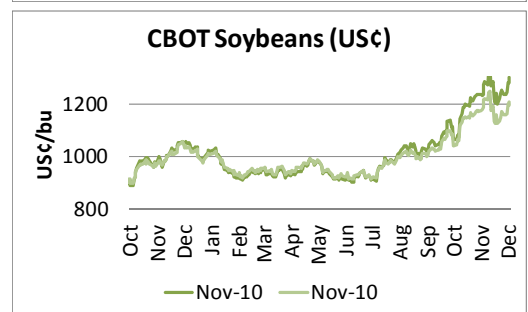
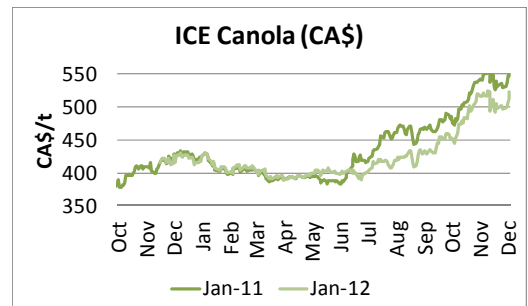
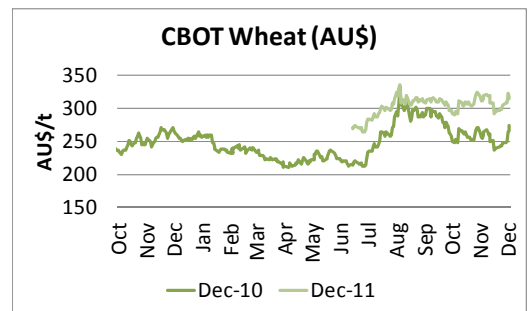
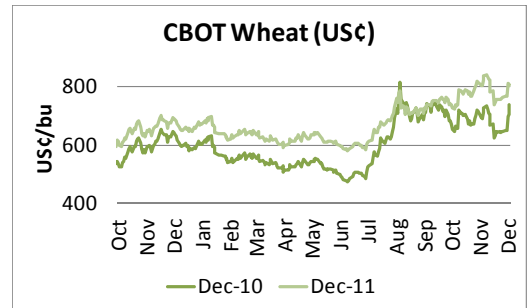
Soybeans rallied last week with reports of dryer conditions in South America continuing to concern traders. The slide in the US dollar last week contributed further to the CBOT rally as US exports appear more attractive.

Contract	Settle	High	Low	Volume	O/I	+/- LW
Jan-11	1300	1301	1230	35286	249326	+62
Nov-10	1208	1210	1152	2541	99382	+50

### CBOT Corn

Corn continued its rally from the previous week. This can be expected given the increase in the CBOT Wheat and Soybeans. The dryer conditions in Argentina are also adding pressure to Corn prices as are global concerns about feed grain supply.

Contract	Settle	High	Low	Volume	O/I	+/- LW
Dec-10	559	560	530	66311	21119	+21
Dec-11	535	538	504	4198	260468	+21



## Price Deciles

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An alternative to guessing what will happen in the future is to look at what has happened in the past. Previous prices will obviously not tell you where the price will be next year or the year after, however they can provide an indication of the range in which prices have moved and how much time they have spent at varying levels.

*For example; if the price is at the 60% level since 1998, it has spent 60% of the time since 1998 below that level and 40% of the time above that level.*

### International

Rank	CBOT Wheat Percentiles			
	Since 1998		Since 2003	
	US¢	AUD	US¢	AUD
Min	237	134	279	138
10%	262	152	312	156
20%	274	161	330	172
30%	289	173	355	183
40%	317	183	389	195
50%	343	194	461	202
60%	385	202	494	220
70%	469	219	536	251
80%	527	255	633	292
90%	717	306	803	327
Max	1,192	473	1,192	490
Current	93%	86%	89%	79%

Rank	ICE Canola		CBOT Soy		CBOT Corn	
	1991	2003	1999	2003	1999	2003
	CA\$	CA\$	US¢	US¢	US¢	US¢
Min	220	233	425	500	187	191
10%	265	273	466	559	204	209
20%	287	293	507	588	210	228
30%	307	342	549	622	222	240
40%	325	369	575	686	234	261
50%	341	384	622	799	246	331
60%	370	402	748	912	292	362
70%	395	419	885	964	359	379
80%	415	444	978	1,025	387	407
90%	437	522	1,120	1,206	437	514
Max	750	750	1,631	1,631	787	787
Current	98%	92%	96%	94%	96%	95%

\*International futures percentiles are calculated from the daily settlement prices of the most relevant contract to our winter crop harvest. AUD values are calculated using CME USD/AUD December futures. Prices are not de-trended or deflated.

### Domestic Feed Grains

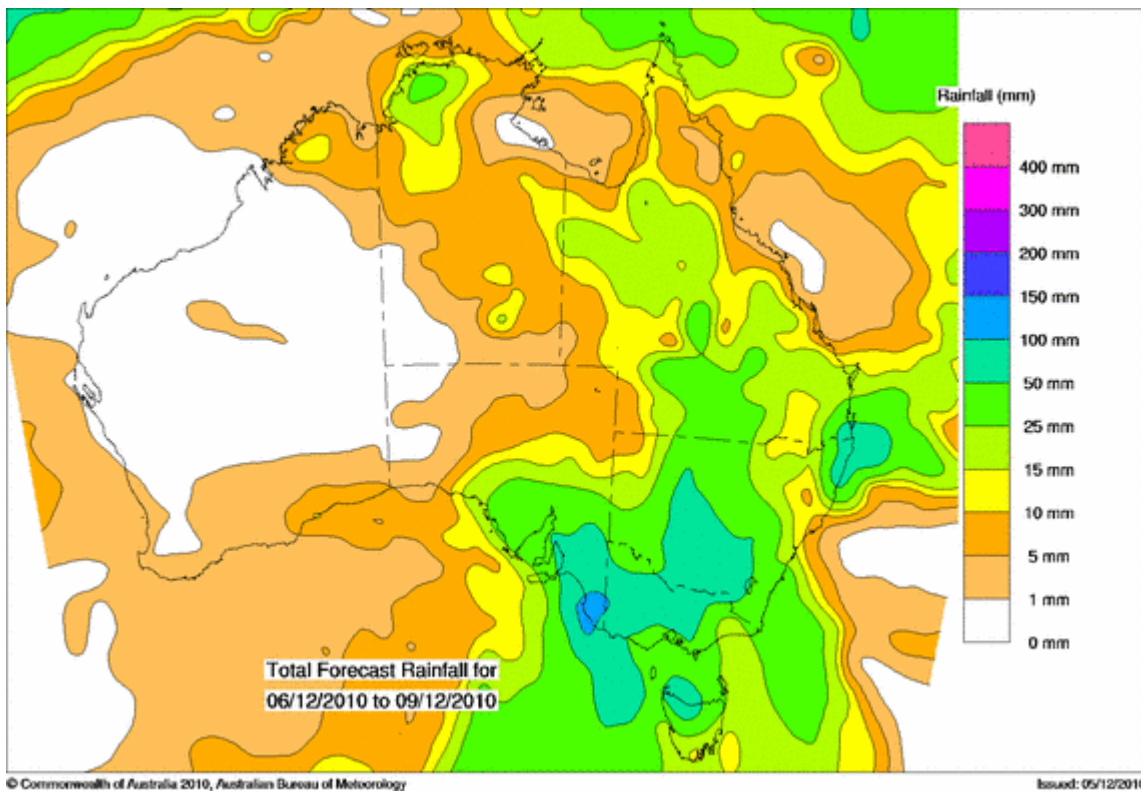
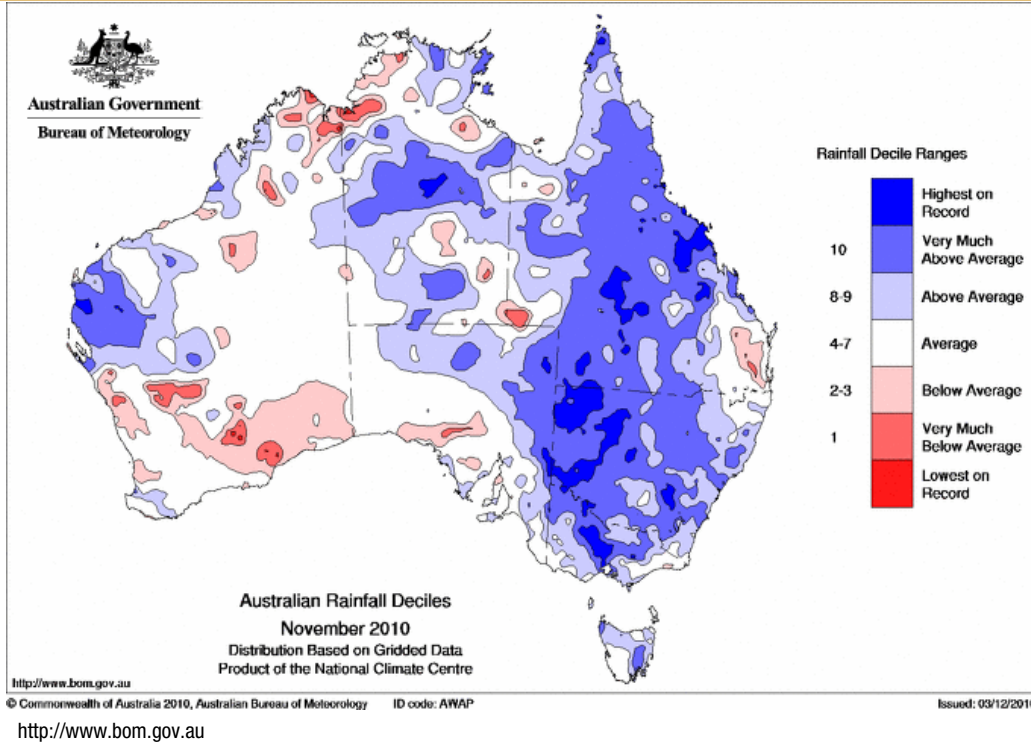
Feed Grain Deciles since 1993						
	Feed Wheat	Feed Barley	Feed Oats	Triticale	Sorghum	Maize/Corn
Min	104	90	85	165	124	120
10%	153	137	105	180	145	179
20%	164	160	127	190	162	195
30%	182	172	155	200	173	210
40%	195	183	165	208	180	225
50%	212	198	175	227	192	240
60%	225	214	200	256	205	255
70%	245	235	220	310	230	300
80%	280	255	270	330	250	330
90%	320	320	350	380	294	385
Max	515	465	480	450	455	480

Prices at 6/12/2010						
Price	250	215	160	231	265	335
Current	70%	60%	34%	52%	84%	82%

\*Domestic feed grain percentiles are calculated from weekly prices for grain delivered to Sydney end users. Prices are not de-trended or deflated.

Rainfall

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http://wxmaps.org/pix/prec7.html

http://www.bom.gov.au

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