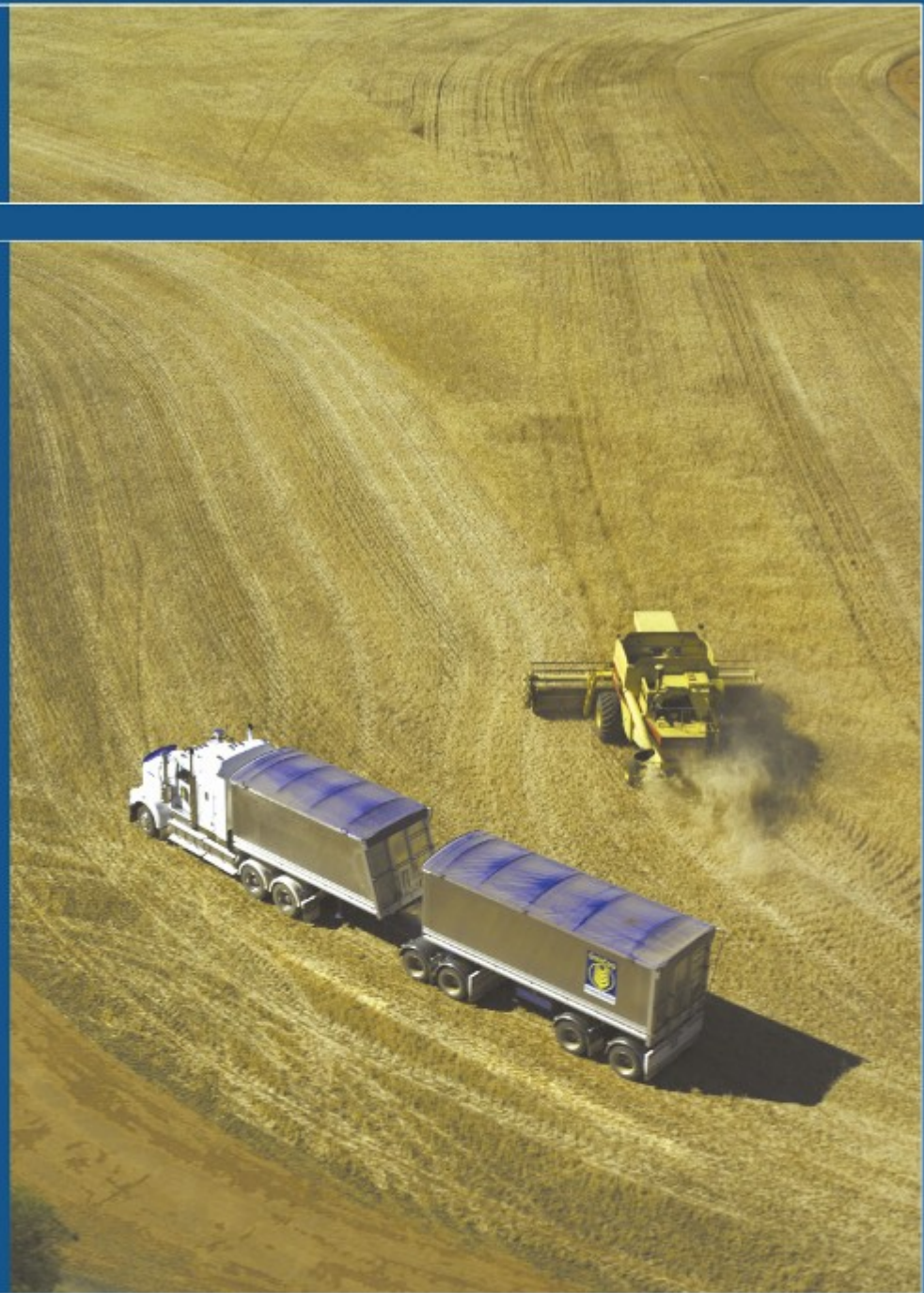


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# AAAC Conference

Perth

November 28<sup>th</sup> 2008



# Wheat Market View



- Medium to Long Term = BULLISH
- Short Term = BEARISH / NEUTRAL

# Wheat Market View

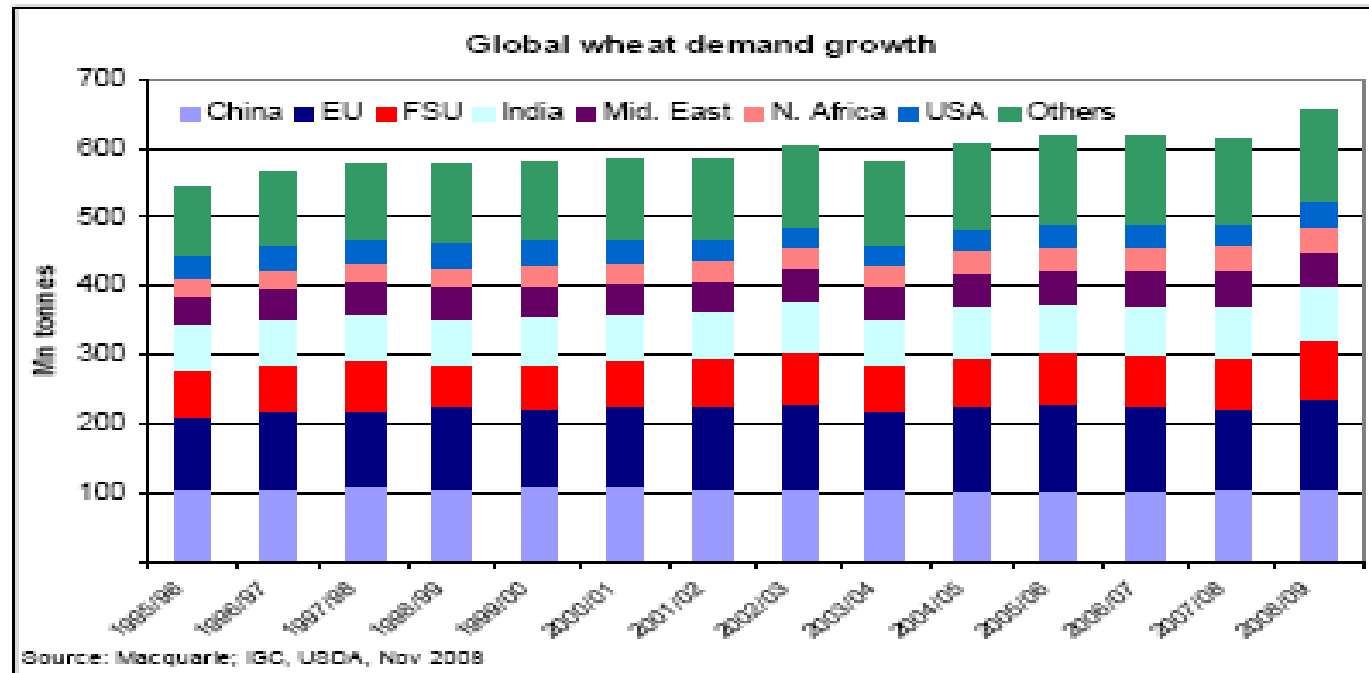


- Medium to Long Term = BULLISH

# Medium / Long Term



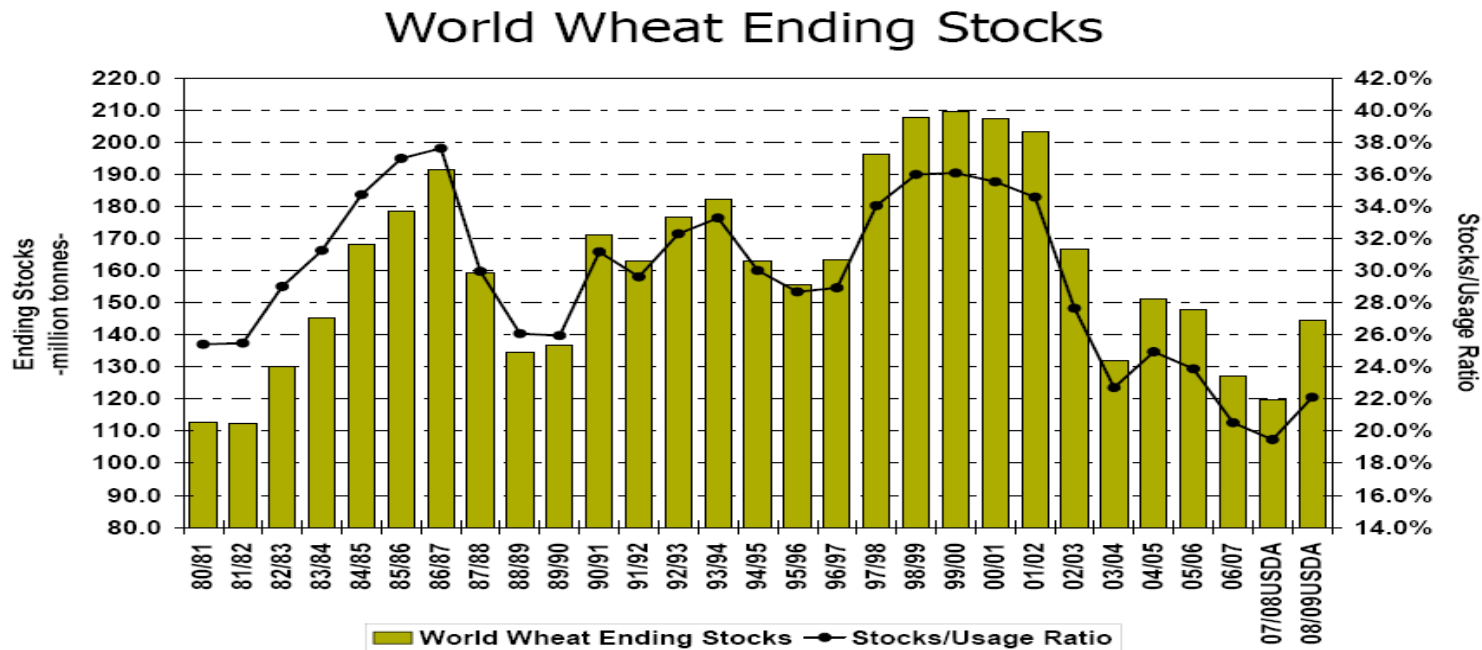
- **Macro Economic Fundamentals Unchanged**
  - **Population Growth continues**
  - **Growth of middle class continues**
  - **Amount of arable land limited**



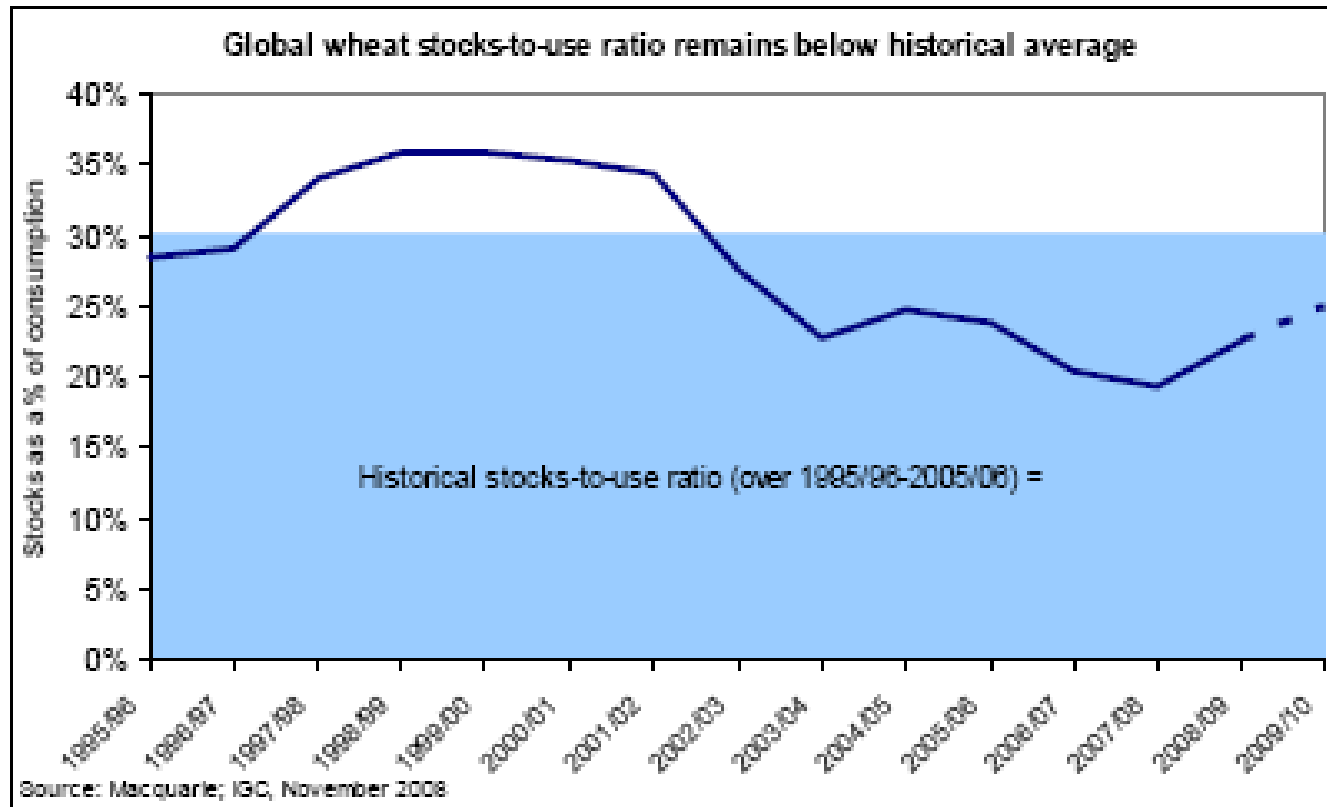
# Medium / Long Term



- World Wheat Stocks still very low



# Global Wheat Stocks to Use Ratio



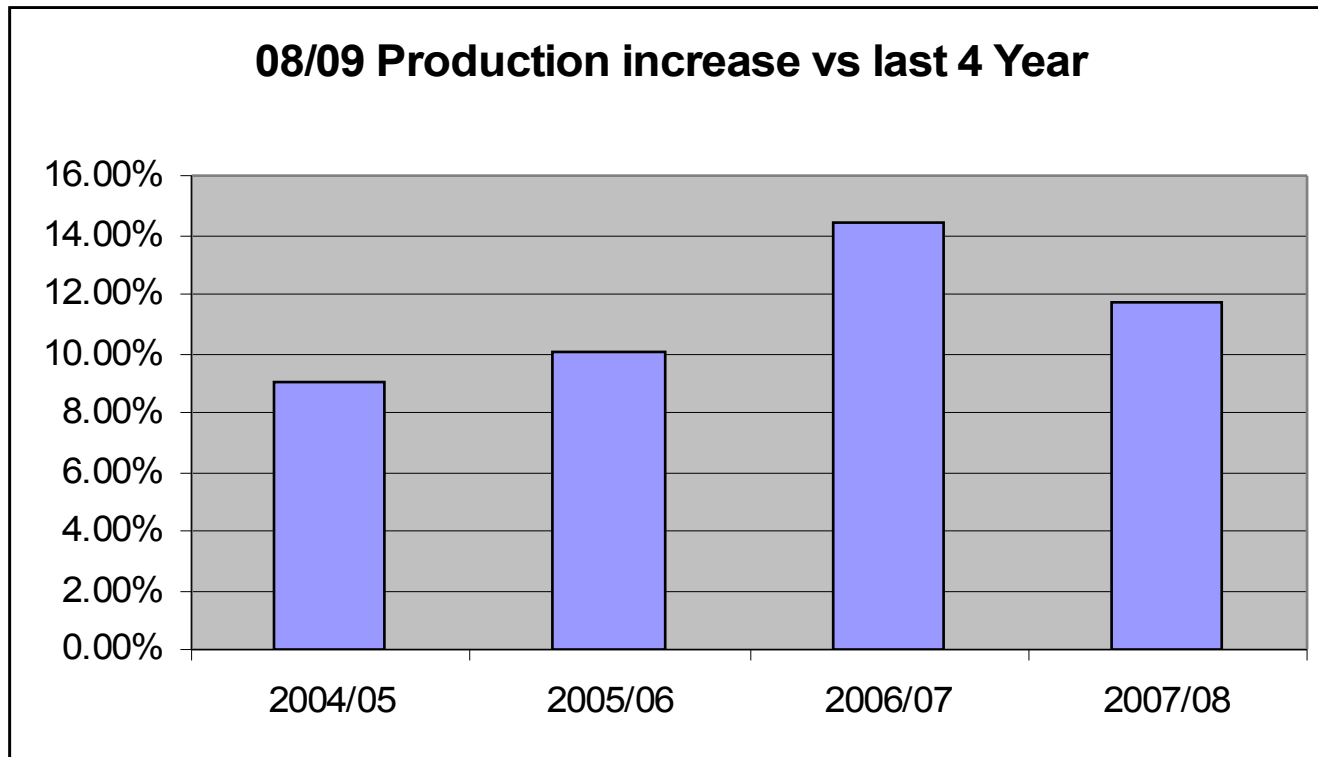
# Likely Supply Reduction



- Global Production Reduced

Global wheat supply and demand					
('000 tonnes)	1996/97	2006/07	2007/08	2008/09	2009/10
<b>Production</b>	582,609	596,200	610,686	682,557	665,800
of which: Europe	122,940	124,804	119,427	150,596	140,000
<b>Consumption</b>	565,013	619,250	615,284	654,300	657,855
of which: Europe	109,329	125,500	117,736	131,500	133,000
<b>Balance</b>	17,596	-23,050	-4,598	28,257	7,945
<b>Stocks</b>	164,454	127,009	119,388	147,645	155,590
<b>Stocks-to-use ratio</b>	29.5%	20.5%	19.4%	22.6%	23.7%
Source: Macquarie; USDA, IGC; Nov 2008					

# How Much Will Supply Fall



# Wheat Market View

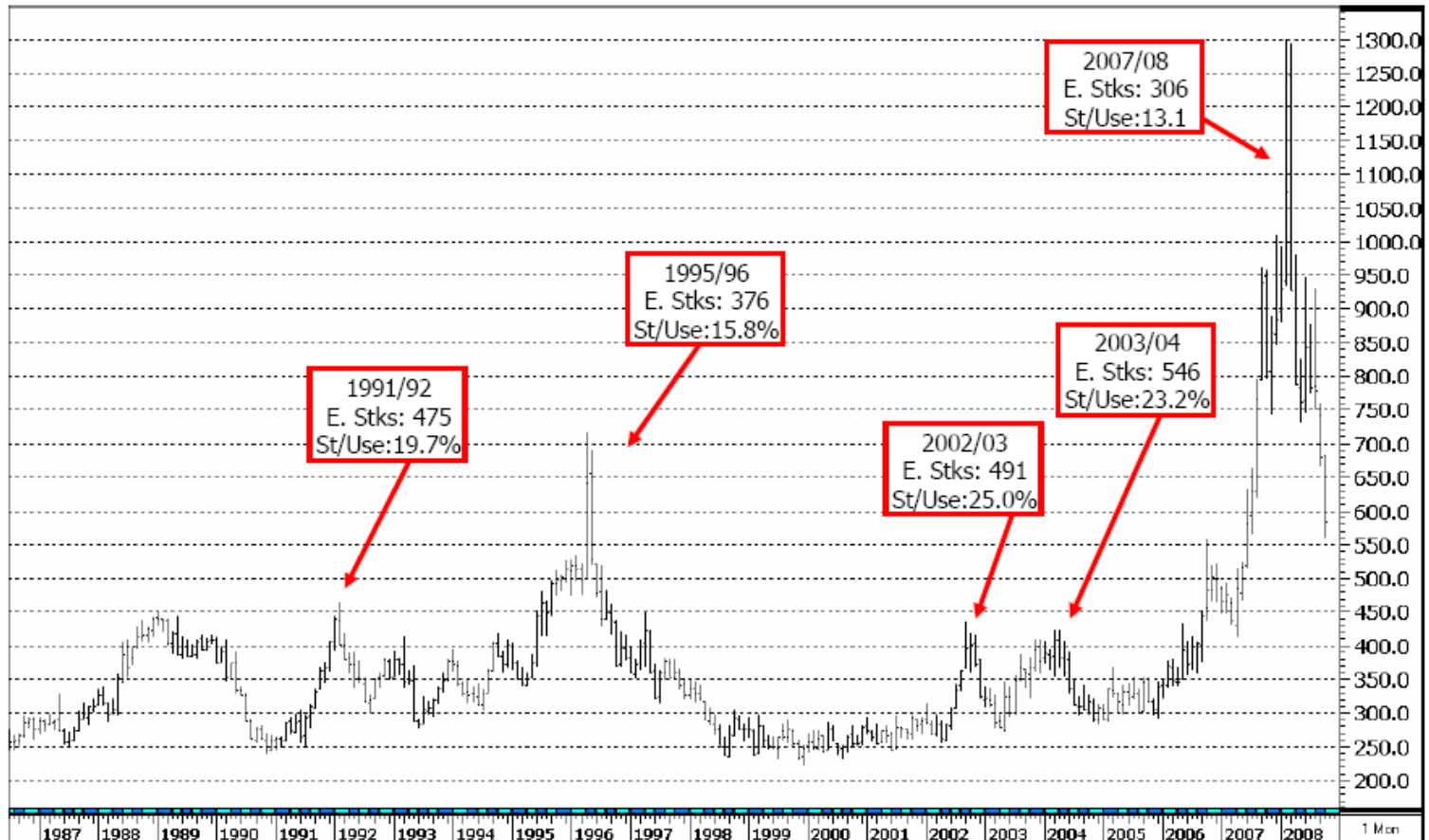


- Short Term = BEARISH / NEUTRAL

# Historical Pricing vs Stock to Use Ratio



## Monthly Nearby CBOT Wheat



'08/09 RJO: Ending Stocks: 611 mil bu - St/Use: 26.7%

R.J.O'Brien

# Short Term Wheat Market View - Bearish



- The lower the protein the higher the bearish sentiment
- Current Market supported by trade shorts
- End users not willing to pay today's prices
- Key Competitors still have stock to sell (EU, Russia, Argentina, Canada)
- Next Crop only 7-9 months away

# Short Term Wheat Market View - Neutral



- Farmers surprisingly strong long holder
- Downgrades supports protein wheat
- Australian Basis levels historically low
- US Futures show good carry
- Currency counterbalancing market drop

# Australian Supply and Demand



## Australian Wheat November 2008 - October 2009

27-Nov-08						
'000 tonnes	QLD	NSW	VIC	SA	WA	TOTAL
<b>Supply</b>						
Carry In	20	0	20	150	300	490
<b>Total Carry In</b>	<b>20</b>	<b>0</b>	<b>20</b>	<b>150</b>	<b>300</b>	<b>490</b>
Area	787	3,200	1,656	2,040	4,966	12,649
Yield	2.40	2.00	1.29	1.10	1.60	1.63
Production	1,889	6,400	2,136	2,244	7,946	20,615
<b>Total Milling Supply</b>	<b>1,681</b>	<b>4,864</b>	<b>1,602</b>	<b>1,593</b>	<b>7,072</b>	<b>16,812</b>
<b>Total Feed Supply</b>	<b>208</b>	<b>1,536</b>	<b>534</b>	<b>651</b>	<b>874</b>	<b>3,803</b>
<b>Total Supply</b>	<b>1,909</b>	<b>6,400</b>	<b>2,156</b>	<b>2,394</b>	<b>8,246</b>	<b>21,105</b>
<b>Demand</b>						
Feed	134	225	630	170	195	1,354
Human (Food) & Industrial	346	1,498	359	107	157	2,467
Seed	37	150	78	96	233	595
<b>Total Domestic Demand</b>	<b>517</b>	<b>1,873</b>	<b>1,067</b>	<b>373</b>	<b>585</b>	<b>4,415</b>
<b>Forecast Exports</b>	<b>800</b>	<b>3,000</b>	<b>900</b>	<b>900</b>	<b>7,000</b>	<b>12,600</b>
<b>Total Demand</b>	<b>1,317</b>	<b>4,873</b>	<b>1,967</b>	<b>1,273</b>	<b>7,585</b>	<b>17,015</b>
<b>Carry out</b>	<b>592</b>	<b>1,527</b>	<b>189</b>	<b>1,121</b>	<b>660</b>	<b>4,090</b>

# Wheat Market View



- Major External Factors

# Surprising Relationship?



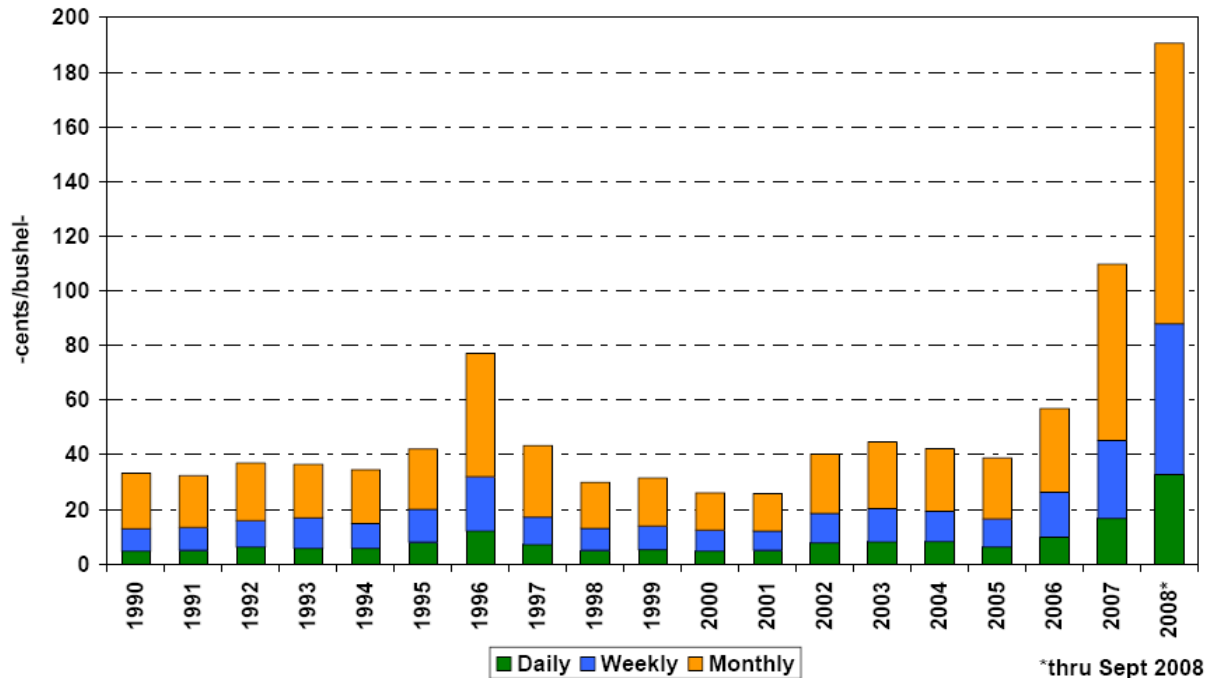
## Correlations: Dow Jones Industrial Average versus listed commodities

Period→ Market↓	Last 10 Years	Last 5 Years	Last 3 Years	Last Year	Last 6 Months	Last 3 Months
Sugar (#11)	46%	23%	-69%	-49%	-12%	82%
Natural Gas (Henry Hub)	45%	19%	-27%	-8%	63%	76%
Light Crude Oil	62%	52%	3%	-13%	63%	87%
Wheat (CBT)	60%	67%	46%	48%	66%	87%

# Volatility to Continue



CBOT Wheat Average Price Volatility  
(High to Low Price Change by Period)



\*thru Sept 2008

# Wheat Market View



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- Short Term = BEARISH / NEUTRAL

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Questions?

