



AACL GRAIN MARKETING

FARMER CONFERENCE CALL

14 November 2008

The aim of this paper is to provide a better understanding for Farmers of the processes involved in setting grain values with AACL. This information is not to be seen as advice to Farmers as to how they should price their grain. Whilst reasonable endeavours have been made to ensure the information is correct, there is no guarantee that this it is accurate or complete.

The grain valuation process directly impacts on the magnitude of AACL Farmer Bonuses - where achieved - and will also impact on the timing of these payments.

1. MARKET OUTLOOK

Wheat

Overall, AACL remains mildly bearish about wheat prices, other than a weakening Australian dollar we see little upside through harvest and in fact expect local prices to ease further through this period.

Some of the factors that we have taken into consideration are:

- The recent USDA report reinforced the point that global wheat stocks are now not critically tight, like they were at the beginning of the year:
 - End wheat stocks 0809 (May 31, 2009) 145.25mmt, up 25.86mmt yoy
- The global supply side is nearly made. A huge rebound in production of nearly 72mmt is mostly harvested, such that for the international market to rally there needs to be a demand driven stimulus. From where?
- Feed wheat values are a real concern. They are being offered well below corn and milling wheat values on the international market. This is a significant risk for our grade spreads if poor weather leads to downgrading in WA in particular.
- There is little or no carry built into current domestic cash bids. CBH shipping information reflect that December shipment is now full, so prices reflect accumulation for January onwards dispatch. Carry costs build into harvest pricing will tend to pressure prices down.

All this suggests that:

1. Australian cash prices are likely to come under considerable downward pressure through harvest
2. Any post-harvest bounce in prices will be largely reliant on weather concerns as the northern hemisphere winter wheat crop emerges from dormancy. For now, most of these crops are in similar or better shape than last year; another high yielding year will easily offset small reduction in area planted.

Barley

Malt – neutral

Malt stocks in the EU are ok, local prices are holding up mostly reflect a very low proportion. So far of malt in the Australian crop

Feed – still bearish

Saudi Arabia – Monday night dropped import subsidies another US\$80/t to US\$120 ... down now from US\$320/t originally, remains under pressure.

Australian Agricultural Contracts Ltd ABN 21 080 483 085

Level 1, Suite 5, 12-20 Railway Road Subiaco WA 6008 || PO Box 171, Subiaco WA 6904

13 000 WHEAT || p: (08) 9217 3777 || f: (08) 9217 3799 || info@aacl.com.au || www.aacl.com.au

2. AACL MANAGED POOL ESTIMATES

The AACL 2008/09 Pools consist of sales in cash terms. These sales have been arbitrarily grossed up for FOB costs at which point a management fee of 2.5% is calculated. The FOB estimates have been grossed up further for Finance and Underwriting. This enables Farmers to more accurately compare both the AACL headline FOB “equivalent” as well as Estimated Silo Returns to the estimated returns from other Pools.

Wheat

#1 Pool \$330 - \$340/t FOB, Kwinana base price APW2 bin grade.

UP \$5/t

#2 Pool \$324 - \$334/t FOB, Kwinana base price APW2 bin grade.

UP \$4/t

Supply Chain	Port Zone – APW1/2 Estimates								
	Ger	Kwin	Alb	Esp	Pt Linc	Pt Adel	Geel	Pt Kemb	Newc
Pool #1 FOB “equivalent” <i>net of management fee</i>	327-337	330-340	323-333	322-332	323-333	329-339	337-347	326-336	323-333
Pool #2 FOB “equivalent” <i>net of management fee</i>	321-331	324-334	317-327	315-325	317-327	322-332	331-341	319-329	317-327
Less FOB	21.0	21.0	21.0	21.0	39.0	43.0	42.0	38.0	39.0
Less Finance & Underwriting	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
equals	Free In Store price				Delivered Port Price				
Less Delivery Charges	11.65*				Not Applicable				
Less Freight rates	CBH Destination rates				NACMA**				
Less Skeleton Weed	0.30				Not Applicable				
Less GRC levy	1.015% net farm gate								
Equals	Estimated Silo Return								

* CBH Tier 1 rate

** May change with AWB now applying its own freight rates

Grade	APH2	H1	H2	ASW1	AGP1	FED1	AUW1	AUH2	AUH3	SFT1	PWT	ANW1	ANW2	HPS1
Speed to APW1/2	17	14	8	-20	-30	-75	-40	-5	-10	7	3	-5	-22.5	-31

AACL MANAGED POOL ESTIMATES

Malt Barley

Baudin, Hamelin and Gairdner: as per table Stirling: deduct \$10/t for Ger and Esp, and \$5/t for Alb.

Supply Chain	Port Zone			
	Ger	Kwin	Alb	Esp
Pool #1 FOB "equivalent"	301-311	327-337	324-334	321-331
Pool #2 FOB "equivalent"	301-311	327-337	324-334	321-331
Less FOB, S/H, Finance	21	21	21	21
Less Finance	4	4	4	4
equals	Free In Store Price			
Less Delivery Charges	12.85*	12.85*	12.85*	12.85*
Less Freight	CBH Destination rates			
Less Skeleton Weed	0.30			
Less GRC levy	1.015% net farm gate			
equals	Estimated Silo Return			

Feed Barley

Supply Chain	Port Zone			
	Ger	Kwin	Alb	Esp
Pool #1 FOB "equivalent"	220-230	232-242	230-240	223-233
Pool #2 FOB "equivalent"	198-208	217-227	214-224	209-229
Less FOB, S/H, Finance	21	21	21	21
Less Finance	2.5	2.5	2.5	2.5
equals	Free In Store Price			
Less Delivery Charges	12.85*	12.85*	12.85*	12.85*
Less Freight	CBH Destination rates			
Less Skeleton Weed	0.30			
Less GRC levy	1.015% net farm gate			
equals	Estimated Silo Return			

* CBH Tier 1 rate

Key point – AACL Managed Pools; Wheat and Barley

AACL will quote a single-figure, headline FOB price for each bin grade as at 1 December 2008. This number worked back to an Estimated Silo Return will be the basis on which the minimum 80% AACL Pool payment at harvest will be calculated. These payments will then be used to calculate Farmer Bonuses.

3. ACCREDITED ACQUIRER LIST - UPDATE

The following changes have been made:

1. Weston Milling (George Weston Foods) added to all states; WA being in-store delivery only
2. Manindra added to eastern states; accredited for delivery direct to mill as well as in-store
3. ABB added to accredited Barley acquirers (only).

4. FARMER BONUSES

BONUSES WILL BE IN THE FORM OF CASH, NOT TONNES

Why?

- To set a net delivered value, we need to sell all the grain
- Efficiency of bonus payments

1. Calculation

Net cash (or under-written Pool equity) is applied against TV1 and TV2

2. Timing of payment

- **Benchmarking**
30 days end of week (deow) of completion Benchmarking, to the degree that the product (Pool or Cash) fees are available for the Bonus calculator.
- **AACL Pool**
30 days end of week of completion of Harvest

5. HARVEST MANAGEMENT

please see Barley quality information next page

AACL in October mailed out to all Farmers the Harvest Management Policy.

Key points:

WA CBH card

- Farmers deliver all AACL grain under the required share-crop AACL card.

Eastern states NGR card

- All southern and eastern states Farmers should now have received their respective NGR and AWB Access cards.
- These are to be used for all deliveries of AACL contracted crops to GrainCorp, ABB and ABA sites, with "warehouse" selected.
- For deliveries to AWB Grainflow sites, please use the AWB Access Card; again please select "Warehouse".

Please let us know when you start harvest

- This enables AACL to ensure that all systems are in place such that grain stocks can be efficiently managed and Farmer Bonuses paid in a timely fashion.

Once the grain is delivered, AACL will manage all of the stock management thereafter. That includes ticket optimisation as well as avoiding the CBH Grower Admin Fee incurred after 21 days of grain in warehouse.

5. HARVEST MANAGEMENT (cont'd)

WA – Changes to Barley bin grade specifications

Standard change to Malt Barley:

- ✓ For malt varieties Baudin, Gairdner and Stirling acceptable colour has changed from 56 to 55
- ✓ For all malt varieties, acceptable standard received for germ end staining has changed from 30 to 45

Feed Barley Segregations:

- ✓ Operations have introduced Feed 4 and Feed 5 segregations.
- ✓ These services are offered at limited sites
- ✓ Feed 4 is available at Merredin and Bendinger
- ✓ Feed 5 is available at Merredin and Jubuk

Received standards for these grades are below:

	Feed 4	Feed 5
Hectolitre weight	Min 50kg/hl	Min 44kg/hl
Distored Kernels	Max 20per 100 seed tray count	Max 20per 100 seed tray count
Colour minimum	Min 49 Max 15 per 1/2	Min 49 Max 15 per 1/2
Sprouted Kernels	litre	litre