



GROWER CONFERENCE CALL

FRIDAY 14TH MARCH, 2008

Disclaimer: AACL Ltd and Broadacre Grain Marketing are not licensed financial advisers. The information herein is simply our thoughts about the wheat market. This information is not to be seen as advice to growers as to how you should price your grain.

KEY TOPICS

1. Our thoughts on the wheat market
2. Some insight on where AACL price benchmarking is heading

1. Our thoughts on the wheat market

Fundamentals

- Recent WASDE report from the USDA was a bullish story for the US, cannot necessarily say the same from a global point of view.

Example:

0708 Wheat estimated stocks; change compared to last month
 0708 Oilseed estimated stocks; change compared to last month

US

down 0.82mmt
 down 0.57mmt

Global

up 0.70 mmt
 up 1.90 mmt

- Historical models that looked to forecast price according to S & D are not so useful at the moment! That said, we're in the Profarmer school of thought – see "The West Australian" Thurs 13/3 – on balance, average yields combined with increased area ought to see wheat stocks build through 2008.
- But the fact that they would be building from such critically low levels means that few are prepared to price in the above outlook, simply because it's way too early to say what production will be.

Technicals

- Wheat remains in an uptrend, but the pattern forming is starting to show some similarities with other financial instruments prior to large corrections... the trouble is, it's difficult to predict with any real degree of certainty as to whether the ultimate correction happens from a peak of 1200, 1500, ...? US c/bu (referring to CBOT Dec-08)

CBOT Dec-08 Wheat

Comment: The trend (each bar represents a week) is definitely up and appears that new highs could be set in the very near term. Looking over a broader time range, there are signs – increasing range traded – that some of the price action is becoming disorderly. This can often precede a significant correction – but very difficult to predict when and from what price level the ultimate correction happens from.



1. Our thoughts on the wheat market (cont'd)

CBOT Nov-08 Soybeans

Comment – We've included a soybean chart, as oilseeds and the spring wheats have been what have been leading wheat prices ... it's all about the fight for spring and summer crop acres in the US. The Nov-08 Soybean contract appears to have had a healthy correction over the last 1-2 weeks, with price pulling back towards the longer term trend.



Timing

- Whilst corrections near term are likely, it is somewhat difficult to envisage wheat prices falling back to pre-06 levels, until April/May 2008 at least ... and it would not surprise to see historically high price levels until well into the second half of this year
- Mar 30th USDA quarterly US stocks and planting intentions could be interesting, remember the shock to prices seen last year after the USDA shocked the market with an estimate calling for the largest ever year-on-year increase of corn plantings.

Knowing what you are committing to

The lack of clarity around export regulations means that acquirers are limited in their ability to offer all the product specifications they normally would at this time of the year. As such, we're careful – that doesn't mean we shouldn't be doing some - of how we go about cash contracting in the absence of grade spreads, and without unequivocal guidance on what bin grades will be accepted.

For example, what is the grade premium or discount for ANW1, and will ANW2 be paid in line with ASW1 or will it be priced in line with say AGP1?

Summary

Given all our facilities and systems are in place – today they are not – we'd be comfortable with having at least a portion of conservative production priced up at the moment. Cash is a good place to start, at \$410 to \$430/t, but until we've got more confidence on the production side we'll tend to limit that to the tonnage that we can reasonably expect to produce.

2. Some insight on where AACL price benchmarking is heading

Context

To give some context around where we're moving to this year, it's best to look at what we've done historically when it comes to setting prices in the AACL Project.

Prior to the 2007/08 season, we benchmarked payments and pricing against the AWB National Pool. Clearly, in 2007, that wasn't going to be appropriate given the changing landscape, and we moved to one overall pool result that was managed by AACL.

What we have learnt in 2007 is that not all farmers have the same view in regards to price risk management and price protection. For this reason we have reviewed the way in which we are pricing the grain in the project to better reflect the requirements of each individual farmer and in the spirit of continued improvement that AACL has become known.

Where price benchmarking is heading in 2008/09

1. Management of price as per the 2007 regime will no longer apply.
2. Instead, according to limits on tonnage and pricing instrument (cash, pools, derivatives) and at the full discretion of Broadacre Grain Marketing, growers will have the ability to benchmark some (prior to harvest) to all (through harvest) of their grain against what's bid by accredited acquirers.
 - Accredited **acquirer**, amongst other criteria, means acquirer satisfies credit check, supplies us detail on products, and can satisfy us that we will get requisite payment paperwork come harvest.
 - Accredited **products**, are those that we're comfortable with in managing price risk. For example, even if we could contract to it, we'd be unlikely to allow benchmarking at this early stage if say an acquirer came out with a Pool estimate that had no hedging behind, and wasn't intended to have any hedging behind it until some unknown point in time. That is, such a Pool product would not provide any surety that it would be actually managing the price risk exposure of the project grain.
3. Volume limits will be conservative so that we limit the risk of washouts
4. First up, we will start with cash ... once all systems are setup. We'll list accredited acquirers and the products which are reasonably standard. For example, we will limit the choice in Wheat to a Multi Grade or Multi V contract.
5. Actual benchmarking will be subject to our ability to fill all of those tones at the price limit or better. It is important that all are aware of the lack of depth in cash bids at the moment.
6. Broadacre Grain Marketing will do the contracting with acquirers so nothing will change there.
7. After cash, our inclination is to then look towards Pools with some sort of minimum pricing protection. However, this is an area that requires further discussions with the various providers.

Key messages

1. We hope to have the ability for growers to cash benchmark available in the near term. However, as some of the requirements to do so are outside our control, we cannot yet guarantee when we will be able to offer this.
2. An impromptu conference call will be announced and held just prior to making cash benchmarking available.
3. To be able to benchmark to a cash contract or any subsequent products that we bring on stream, growers will need to have signed a Grain Co-Production contract, as well as a registration form.
4. We will have conservative limits on cash contracting and other deliverable contracts that can introduce the potential risk of large washouts.
5. Growers ought to understand that they do have price risk on grain to be produced under the AACL Project. There are means and ways of managing the price risk until AACL. If you choose to manage that price risk on your own account then the gains/losses associated with any such contracts/positions taken are solely your own.