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GROWER CONFERENCE CALL

Friday 18th July, 2008

KEY TOPICS DISCUSSED

1. Our thoughts on grain prices
2. Broadacre Grain Marketing (BGM) Benchmark Pricing

1. Our thoughts on grain prices: Short term and Medium term

Macro view

- Likely to have already seen the high for prices for the year for wheat and barley.
- Barring hot or dry weather through the US corn pollination, wheat and barley prices look set to weaken in the near term (next 4 to 8 weeks).
- US Wheat values remain supported by corn and soybeans. Analysis of the supply and demand numbers for wheat doesn't appear to support current wheat values.
- There is still time for northern hemisphere spring wheat crops and southern hemisphere wheat crops to have problems and therefore support wheat values, but increasingly wheat is becoming reliant on support from corn and soybeans as well as maintained government mandates of grain/oilseeds for fuel.
- Seasonal weakness in wheat – where this is often a "seasonality" trough by the 1st week in August – could play out a little later than normal this year. This is due to the Black Sea region now leading international values – its harvest happens about a month later than the US winter wheat crop.
- The trend in the A$:US$ exchange rate remains firmly up, and will be hamstring any grain price rallies in Aussie dollar terms.

General market view

- Once the selling pressure from the harvest of the Black Sea crop abates, we may see a bounce in grain values in general.

  But unless:
  1. there is a material problem with remaining global wheat crops that are not yet made (north hemisphere spring crops, Argentina, Australia and India), and/or
  2. the concerns on the US corn and soybeans are confirmed,

  then we're not sure that grain prices go much higher in our spring than they have traded in the last month.

State-based implications

- WA, other than Esperance, sees most regions on track for average yields. We see local wheat and barley prices tracking export parity.
- We understand the outlook for crops in the eastern states to be patchy, such that without a reasonable spring prices should trade at a premium to export parity. A poor spring in the eastern states could see little relationship between prices locally versus international values.

MORE DETAIL

The wheat fundamentals, looked at in isolation, are bearish!

.... straight from the USDA monthly report July 11 detailing their expectations for Supply and Demand:

- Global wheat stocks to increase 17 million tonnes; being 15%
- In the context of historical numbers, wheat supply remains tight despite this large production increase:

Marketing Year	Stock / Use
0809 USDA projection	20.6%
Tightest last 50 years (0708)	18.7%
2nd tightest last 50 years (0607)	20.6%

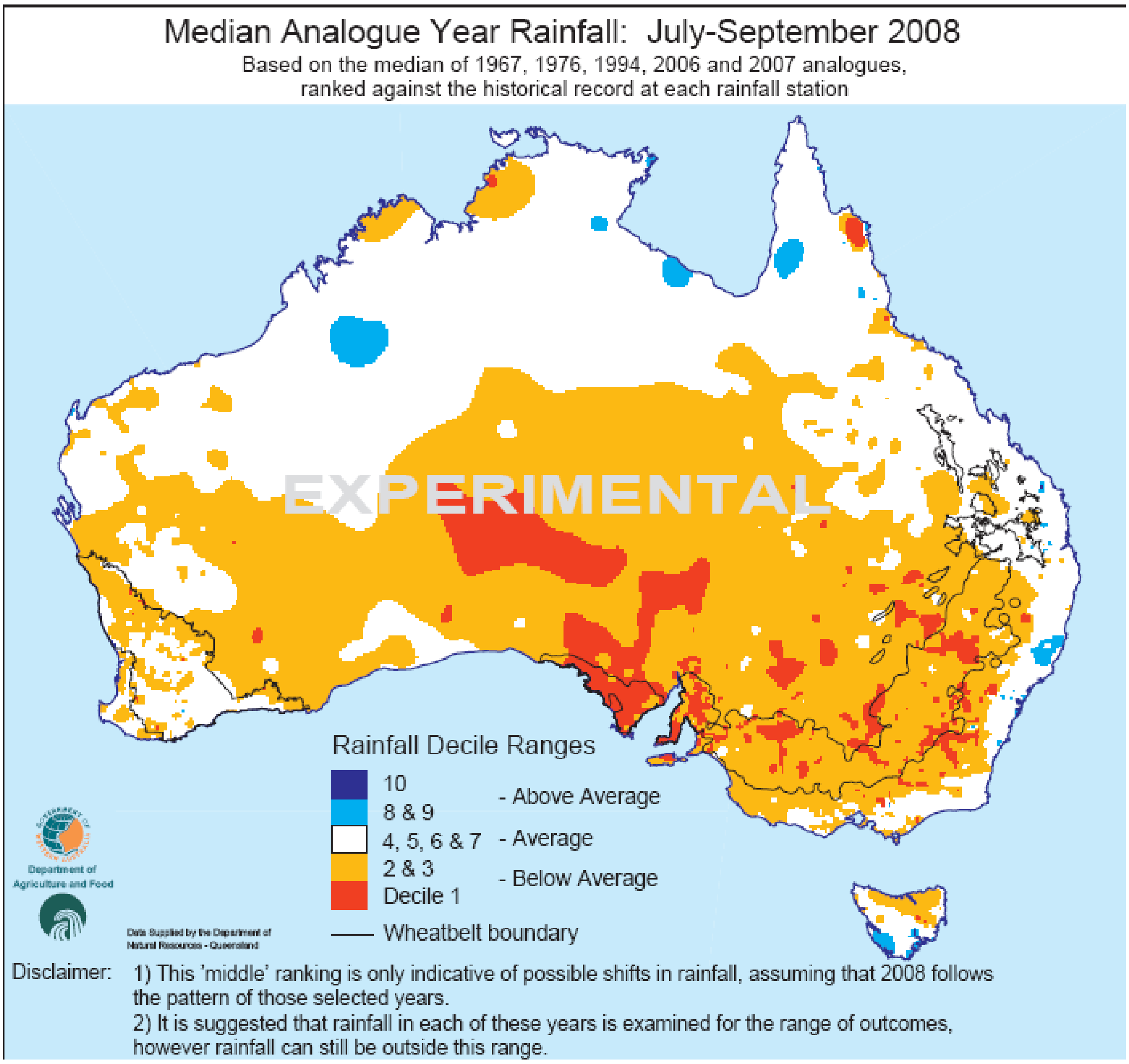
- However, despite the likelihood of 53.5 million metric tonnes more of wheat being produced this year, global stocks of total grains are set to remain more or less static; increasing by just 3.4mmt (0.1%).
- Still, if it weren't for very tight, and the risk yet of tightening to critically low levels, of coarse grains and oilseeds, wheat values would be significantly lower than they are today.

World and U.S. Supply and Use for Grains 1/
Million Metric Tons

Commodity	Output	Total Supply	Trade 2/	Total Use	Ending Stocks
			World		
Total grains 3/					
2006/07	2,004.87	2,393.27	259.17	2,051.43	341.83
2007/08 (Est.)	2,113.25	2,455.08	267.84	2,110.27	344.81
2008/09 (Proj.)					
June	2,161.87	2,500.93	264.47	2,156.07	344.86
July	2,164.97	2,509.78	267.34	2,161.58	348.20
Wheat					
2006/07	596.17	743.23	110.69	616.45	126.79
2007/08 (Est.)	610.77	737.55	113.77	621.50	116.05
2008/09 (Proj.)					
June	662.90	778.04	118.44	645.98	132.06
July	664.24	780.29	120.46	647.23	133.06

... the USDA estimate for Australia looks a tad high at 25.00 million tonnes

We're seeing the Australian crop between 19 and 23mmt, and with the season recently improving in WA and some parts of the east, the likelihood of moving below 19mmt is diminishing. If our crop remains well above 19mmt then it would have a relatively neutral impact on international values; and it would need to be above 25mmt to be significantly bearish for prices.


Median Analogue Year Rainfall: July-September 2008
Based on the median of 1967, 1976, 1994, 2006 and 2007 analogues,
ranked against the historical record at each rainfall station
EXPERIMENTAL
Rainfall Decile Ranges
10
8 & 9
- Above Average
4, 5, 6 & 7
- Average
2 & 3
Decile 1
- Below Average
Wheatbelt boundary
Department of Agriculture and Food
Data Supplied by the Department of Natural Resources - Queensland
Disclaimer:
1) This 'middle' ranking is only indicative of possible shifts in rainfall, assuming that 2008 follows the pattern of those selected years.
2) It is suggested that rainfall in each of these years is examined for the range of outcomes, however rainfall can still be outside this range.

Concerns about the US Corn and Soybean crops a major supporting factor for wheat.

On this key factor, the USDA crop progress ratings paint a misleading picture about the size of the US corn and soybean crops

Corn: Crop Condition by Percent, Selected States, Week Ending Jul 13, 2008

State	VP	P	F	G	EX
	Percent	*Percent*	*Percent*	*Percent*	*Percent*
CO	6	10	31	34	19
IL	2	7	26	49	16
IN	3	9	25	47	16
IA	3	9	30	45	13
KS	1	8	31	51	9
KY	1	2	14	48	35
MI	1	3	14	53	29
MN	2	4	23	58	13
MO	4	12	37	39	8
NE	2	4	21	54	19
NC	18	24	38	19	1
ND	1	4	31	53	11
OH	4	9	29	41	17
PA	0	5	19	53	23
SD	1	3	22	59	15
TN	2	6	27	51	14
TX	13	15	32	33	7
WI	3	6	21	53	17
18 Sts	3	7	26	49	15
Prev Wk	3	8	27	48	14
Prev Yr	4	8	24	46	18

08 crop rated 64% good to excellent; exactly the same as last year at the same time

Yet the USDA last week dropped their estimated yield for corn by 0.5 bu/a

WASDE-460-12

U.S. Feed Grain and Corn Supply and Use 1/

Item	2006/07	2007/08 Est.	2008/09 Projections June	2008/09 Projections July
FEED GRAINS				
Area		Million acres		
Planted	92.5	109.1	101.0 *	102.2 *
Harvested	80.1	98.4	90.1 *	90.4 *
Yield per harvested		Metric tons		
acre	3.50	3.57	3.50	3.48
		Million metric tons		
Beginning stocks	54.7	36.2	39.9	44.6
Production	279.9	350.9	315.0	314.3
Imports	2.4	3.1	2.6	2.6
Supply, total	337.1	390.1	357.6	361.6
Feed and residual	148.3	161.5	139.3	140.6
Food, seed & industrial	94.2	114.1	141.9	140.3
Domestic, total	242.5	275.6	281.2	280.9
Exports	58.4	69.9	55.5	55.5
Use, total	300.9	345.5	336.6	336.3
Ending stocks, total	36.2	44.6	20.9	25.2
CCC inventory	0.0	0.0		
Free stocks	36.2	44.6		
Outstanding loans	3.0	4.1		
CORN				
Area		Million acres		
Planted	78.3	93.6	86.0 *	87.3 *
Harvested	70.6	86.5	78.8 *	78.9 *
Yield per harvested		Bushels		
acre	149.1	151.1	148.9 *	148.4 *

.... the charts indicate a consistent view with our fundamental analysis.

Corn and soybeans remain in an uptrend although they are both seeing a pullback which is testing that trend. However, wheat has traded sideways in the short time frame but for now the medium term trend remains up.

CBOT Dec-08 Wheat

CBOT Dec-08 Corn

CBOT Nov-08 Soybeans

AS WE SAID LAST MONTH, DON'T RELY ON HIGH GRAIN PRICES LASTING FOREVER!!

Grain values, particularly corn and soybeans, have been supported at least to some degree, by various government mandates supporting grain/oilseed conversion into fuel. This has resulted in pain for traditional feed grain users, and is placing pressure on some to free up land set aside for conservation. At some point governments will be forced to do something. Consider:

- There have been concerns this year that usage rates of corn could see the US run stocks down to near zero ... soybeans could also run down to critically tight levels
- The US government will be under pressure to either remove the ethanol mandate (upset motorists, farmers, ethanol plant investors), or open up more conservation land (upset the conservationists) or both.

For now and given that oil prices don't fall out of bed, it will be up to the market to ensure prices don't fall too levels that drive usage up again. As such, wheat, barley and canola prices will tend to be dragged up by any further gains in corn and soybean values.

But at some point the US government will need to move to reduce demand and/or increase supply.

BGM BENCHMARK PRICING

We would like to remind farmers that there is some paper work that needs to be done before you can start putting values on your Grain Co-Production grain.

This admin must be done by **ALL** Farmers in the project.

To recap, the way in which wheat and barley produced from Grain Co-Production in 2008/09 will be valued is different from what applied in 2007.

- There will **not be** one pool result for all farmers and investors as was the case in 2007.
- In 2008, **farmers** need to choose an accredited Benchmark Price such as a managed pool and/or a cash price to value the grain they are growing for investors.
- There will be no pricing actions taken on behalf of farmers unless they have placed instructions to do so or if the deadline for benchmarking has been reached and there are tonnes that remain un-priced.
- Broadacre Grain Marketing has been appointed to manage this new process from 2008/09 going forward.

The Benchmark Pricing Rules can be downloaded from our website.

Go to www.aacl.com.au or call Shaun Marwick on (08) 9217 3763 to arrange a copy.