

You Grow It We'll Price It

AACL 2008 / 09 MANAGED POOL

Further Product Details

How long will this AACL Managed Pool be open for?

- Farmers must nominate by Friday 19th September, to either manage the benchmark pricing themselves, or to use the AACL Pool. If not nominated by that time then by default the pricing management will revert to the AACL Pool.
- It is up to the discretion of the Pool Management team whether to accept commitments, beyond September 19, from those Farmers that have registered to manage the benchmark pricing themselves.

Management fees

- A management fee of 2.5% of the Gross FOB pool return applies. Pool values will be quoted net of this management fee.
- There is no out-performance fee.

Pool payment options

- Distributions will be made as the Pool grain is sold and proceeds become available for the purposes of calculating Farmer Harvest Bonuses.
- AACL Grain Marketing will provide guidance closer to harvest as to the likely timing of Distributions.
- Pool Finance charges will be accounted for in the Distributions of proceeds from the Pool. Therefore, all participant Farmers share the same Distribution profile and finance charges.

*The AACL 2008 / 2009 Managed Pool ("Pool") means the grain grown by farmers on behalf of investors in the 2006, 2007 and 2008 Grain Co-Production Projects ("Projects"). The grain at all times remains the property of the Projects and farmers entitlement to participate in the Pool is limited to the harvest bonus entitlements they have in respect to the grain they have grown on behalf of the Projects.

GROWER CONFERENCE CALL

Friday 15 August, 2008



DISCLAIMER: AACL Ltd and Broadacre Grain Marketing are not licensed to provide financial product advice on derivatives and foreign exchange contracts.

This information is not to be seen as advice to growers as to how they should price their grain.

The information herein is simply our thoughts about the wheat market. The opinions expressed reflect our assessment at this date, and are subject to change without notice. There is no guarantee that this information is accurate or complete.

Our thoughts on grain prices: Short term and Medium term

Headline view

- Overall, we're mildly bearish on wheat and neutral to mildly bullish about barley prices.
- Bearish factors that we see over the next 4 to 6 months are:
 1. Risk of the Aussie dollar returning to plus US 90 cents
 2. Large year-on-year increase in wheat stocks
 3. Wheat values, particularly the futures market, looks over-priced relative to corn
- The main bullish factors are:
 1. August has been dry (but enjoyed mild temperatures) for much of the US corn and soybean belt. Another week of the same will continue on the rally started this week.
 2. The focus, already, on the fight for acres between crops and the need for more total acres next year.
 3. Until it rains at least – the trade is starting to sharpen the pencil for domestic prices. If we see, as the forecasts seem to predict, little rain in the next week, and then the 7-10 day forecast calls for more of the same, cash prices here will firm, all other things being equal. Hence the next bullet point:
- It looks like the fun is on again for grain prices. Despite the market **likely** getting the required large increase in grain production – particularly in wheat – it is already turning to the need for further substantial area increases next year just to maintain minimum stock levels.
- Our domestic prices seem to be tracking CBOT wheat futures, yet we have little faith that futures contract bears much correlation with US soft red winter wheat prices, let alone Australian physical values.

FUNDAMENTAL ANALYSIS

USDA report 12/8/08

Summary

The monthly supply and demand estimates on Tuesday night were keenly awaited as they were the first corn and soybean estimates using observed yield data. In short, the corn crop was larger than expected by the trade due to larger than expected yields and the USDA finding more corn to harvest, soybean supply was lower through a sharp drop in yield and little change as expected in wheat.

Market Reaction

Two days after this key report the market is sceptical about the corn yield being reached, and concerned about what has been a dry August so far for US corn and soybeans.

US corn and soybeans

Concerns have grown this week about the risk of the US corn and soybean crops to unfavourable weather. These crops are very late in their development and therefore prone to moisture and temperature issues.

Corn: Percent Dough, Selected States¹

State	Week Ending			2003-2007 Avg.
	Aug 10, 2008	Aug 3, 2008	Aug 10, 2007	
	Percent	Percent	Percent	Percent
CO	26	16	34	24
IL	48	27	85	73
IN	24	8	65	56
IA	10	2	45	38
KS	56	46	75	72
KY	50	31	66	63
MI	40	14	33	25
MN	4	0	47	25
MO	48	30	80	83
NE	38	20	68	58
NC	90	88	92	88
ND	7	1	51	31
OH	41	9	57	47
PA	25	16	32	38
SD	15	6	34	27
TN	90	82	94	95
TX	74	69	76	87
WI	9	0	32	22
18 Sts	30	17	59	50

¹ These 18 States planted 91% of last year's corn acreage.

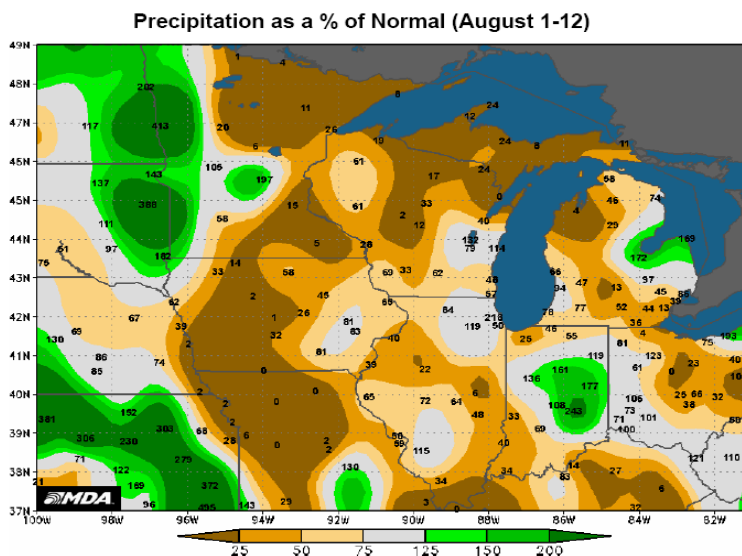
Soybeans: Percent Setting Pods, Selected States¹

State	Week Ending			2003-2007 Avg.
	Aug 10, 2008	Aug 3, 2008	Aug 10, 2007	
	Percent	Percent	Percent	Percent
AR	61	50	84	80
IL	55	31	88	79
IN	45	18	73	66
IA	67	48	88	85
KS	55	41	54	63
KY	41	24	65	54
LA	87	80	97	88
MI	77	50	75	66
MN	62	34	87	81
MS	93	89	96	97
MO	28	17	54	57
NE	58	37	75	78
NC	39	24	38	37
ND	84	57	95	89
OH	77	39	89	78
SD	54	24	77	71
TN	71	61	80	73
WI	57	32	77	66
18 Sts	60	37	79	75

¹ These 18 States planted 95% of last year's soybean acreage.

An so far this month, there has been minimal rainfall over much of the corn and soybean producing region. Increased rain will be needed in the next 2-4 weeks to aid corn kernel and soybean pod filling.

The following map shows Cornbelt precipitation as a % of normal thus far in August. Most of the Cornbelt had minimal precipitation thus far this month. Increased precipitation will be needed in upcoming weeks to aid the corn kernel filling and soybean pod-filling stages of development.



Already the market is turning its attention to the need for increased acres next year of corn and soybeans just to maintain stocks at minimum levels:

World Commodity Analysis

13/8

“There are not enough US acres for 2009 crops ASSUMING normal feed use of corn, and near full use of the ethanol capacity that will be completed for 2009/10”

12/8

“We think the sharp increase in demand – with feeding and ethanol still below normal when crop supplies are adequate – says the US needs 6 million more acres in 2009 corn as ethanol capacity will approach 4.5+ billion bushels of corn use”.

FCStone 12/8

“We would now project the need for over 7 million added corn and soy acres next year”.

TECHNICAL ANALYSIS – THE CHARTS

.... the charts indicate a possible inflection point this week towards a resumption of the medium term bull runs. Chicago wheat futures have bounced a second time from levels around 770 c/bu and soybeans look to be bouncing nicely off the medium term trend support line; but the jury is out on corn.

CBOT Dec-08 Wheat

CBOT Dec-08 Corn

CBOT Nov-08 Soybeans

