

* * MEDIA RELEASE * *

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Fundamentals outweigh outside markets; \$A cruels grain prices

While grains have followed outside influences like crude oil, equity markets and the \$US for the past couple of years, over the past quarter, international grain prices have diverged from these influences as fundamentals took over.

In the previous quarter the markets were forecasting a much more bearish economic climate. Below trend line yield were predicted due to a very late start to summer in Northern America, while the commencement of buying by China had a positive influence on grain prices primarily led by soybeans.

However, since then, crops in the northern hemisphere have had an amazing recovery due to an excellent mild autumn and some crop forecasters are now anticipating record yields.

“While grains are feeling the impact now it is important to remember we are coming off a very tight stock situation, demand is recovering from the GFC and total grains stocks to use is still a tight 20%” says ProFarmer Managing Director Richard Koch.

“With most of the export business done for this year and local harvest nearing, buyers are standing back from the market and a rising \$A is forcing prices down” explains Mr Koch.

In its latest Australian Grain Market Report ProFarmer explains that unless there is a major production hiccup somewhere, the size of the 2009/10 crops will extend the period of low prices into 2010. However, Mr Koch expects the trend will eventually turn higher again.

“On the demand front, we are expecting a double-kicker with both livestock feeding demand increasing and ethanol demand also increasing” Mr Koch said, adding that “with crude oil prices remaining around \$US70/bll, ethanol margins have moved strongly into the black and capacity utilisation is ramping up quickly”.

In Australia, crops are travelling reasonably well with the exception of western NSW and most of Qld. The WA crop will be fine without a late frost and SA/Vic remain in good condition, with the exception of the northern Mallee. Mr Koch said “although crops in western NSW and Qld have had it tough, there are patches that will yield well and at the moment we don't see too many deficit areas”.

Available now!

The latest ProFarmer Australian Grain Market Report has just been released. It includes analysis of international markets and their likely impact on Australian grain markets, and discussion on local crop conditions and production forecasts.

The report provides forecast prices of each of the major grains by state for the year ahead and a state-level 10-year grain price history for the major grains. It is well suited to Australian corporate agribusinesses.

If you are interested in subscribing to ProFarmer, please contact the office on 1300 302 143.

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