

* * MEDIA RELEASE * *

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Market Rally to Continue as Grain Supplies Ease

A downward trend in grain production in 2009 will lead to upward price pressure in international markets, according to ProFarmer Australia. ProFarmer Australia, which released its quarterly Australian Grain Market Report today, states that lower acreages and lower fertiliser applications has lifted the risk premium on 2009 yields.

The Managing Director of ProFarmer Australia Richard Koch stated he did not agree with the USDA Supply & Demand Report, released on the 10 June, which forecast that ending stocks for wheat for 2009/10 will be 182.6mmt - up from the May estimate of 181.9mmt.

Mr Koch said, "Growers worldwide are reacting to lower grain prices and higher costs, and are reducing planting acreages which will deplete stocks".

"Current carryover stocks are already tight compared to long term averages, and when you add the poor weather in South America and now in Canada, with the late plantings in many areas, the trend points to lower yields", explains Mr Koch.

"We believe that this trend, and any more major or threatening weather events, will present some good pricing opportunities for Australian growers in coming months."

The ProFarmer Grain Market Report notes that renewed interest in corn following President Obama's strong support for ethanol, has seen the corn price rise back above US\$4, providing support for the feed grain sector.

Mr Koch said his main concern was the volatility in the \$A, "I expect global growth to grind forward, but if the lift in Chinese demand for commodities is sustained, much of the potential increase in grain prices could be wiped out by a stronger \$A.

Green shoots of recovery in the economy

Profarmer Australia's report states that government intervention in financial markets across developed economies has also played a role in increasing confidence and stability. It goes on to say that the massive fiscal stimulus should see economic activity improve over this year and into 2010.

Mr Koch said "The major threat to this scenario is continued growth in unemployment and ongoing negative sentiment".

"But I am much heartened by the figures released this week that show the pace of layoffs in the US has slowed considerably, and that Australian consumer confidence showed its biggest jump in 22 years."

According to Mr Koch "we are not out of the woods yet but unlike global grain production, I believe that the green shoots of recovery are there for the global economy."

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Background Information:

ProFarmer is Australia's leading independent supplier of Agricultural commodity market information and strategic advice. ProFarmer offers national coverage of all broadacre commodities through its network of analysts with over 50 years of combined experience. The flagship ProFarmer Newsletter and Market Update is read by over 2,000 of Australia's top farmers weekly. ProFarmer also offers advisory, consulting and training services.