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## Grain Prices to Ease into the Local Harvest

Over the past quarter, international grain prices have been driven higher by a succession of production issues, which have further tightened an already critically tight global milling wheat balance sheet. Coupled with panic buying by end users, this has pushed grain prices to within reach of all-time record highs.

In the latest ***ProFarmer Quarterly Australian Grain Market Report***, Managing Director Richard Koch suggests that entering the December quarter, 'improved grain availability will gradually drag international wheat prices off current highs as Europe commences a limited sales program to compete with US and Canadian supplies'.

Mr Koch thinks that this, 'combined with the harvest of a record US corn crop, will place pressure on prices and anchor global grain markets in the longer-term'. Also, by then, higher wheat prices and a record wheat/corn spread should have done the job of rationing wheat consumption by shifting demand to corn.

As a result, local prices should ease toward harvest, as southern hemisphere supplies increase availability (at a time when the world is flush with corn), dragging international prices lower. The major proviso to this forecast is a deterioration in local crop conditions, which could see the maintenance of current price levels at near or above record levels.

In the ***ProFarmer Quarterly Australian Grain Market Report***, Australian wheat production potential is put at 21mmt. However, the lack of yield building rains over the past six weeks has crops in most states in trouble entering August, with the chances of an above-average crop slipping. Mr Koch says 'another 50-100mm of rain and a cool spring will be needed before production estimates would increase significantly; however, without some general rain soon, the crop could quickly slip further to below average'.

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The ***ProFarmer Quarterly Australian Grain Market Report*** is produced specifically for professionals in the Australian grain industry. It provides detailed analysis of the international markets for all major grains, including forecast prices, exchange rate analysis, regional crop conditions and production forecasts, domestic price forecasts until the end of 2008, and local grain price histories. Please call Tony Pekin for a detailed overview of report contents.