

* * MEDIA RELEASE * *

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Will competition for tight supplies hold grain prices in 2008?

Very tight global stocks of high protein milling wheat and unrelenting demand have driven wheat prices to new record levels. Prices of all other grains have followed wheat higher as they struggle to ensure adequate plantings in 2008.

According to ProFarmer Managing Director Richard Koch, 'outside influences – record crude oil prices, a weak \$US and inflationary concerns – have encouraged further fund and speculative investment in all commodities, to accentuate the move higher.'

Oilseed prices were propelled to new records on feverish veg oil demand, following news of damage to the Chinese rapeseed crop. 'Expect grain prices to retreat, particularly wheat, as new crop harvest approaches', comments Mr Koch, adding that 'wheat availability should increase significantly as the Northern Hemisphere begins harvest.'

'We expect corn will lose more acres than expected, which will support corn prices', says Mr Koch, adding that 'by mid-year, lower crude oil prices should simmer demand for soybeans and this may lead prices off current record levels and help corn prices relax.'

What does this mean for local prices?

'The \$A is being supported by a widening in interest rate differentials but by year's end, we expect lower global growth to curb enthusiasm for the \$A, and drive it below 90US¢ into the mid 80s', comments Mr Koch.

Local old crop prices have been pulled up by the lift in international high protein wheat values. Demand from the boxed trade has pushed values above \$500/t and encouraged stock holders to switch out of wheat into sorghum and, to a lesser extent, barley. Sorghum and feed barley have been supported by their relative value to wheat.

'Coupled with the tight international supply situation, rising local feeder demand for non-wheat grain will support local prices until mid-year', explains Mr Koch. After mid-year, falling international values will place pressure on local grain prices to hold elevated levels.

'Once the larger northern hemisphere wheat crop is in the bin, all new crop prices will be cued off lower global wheat values', adds Mr Koch.

Local canola prices may relax mid-year if the US confirms a significant soybean plant and if crude oil prices move off current peaks. A major move downwards is dependent on reasonable growing season conditions in the US, as we expect lower production across Europe.

Available now!

The ProFarmer March 2008 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.

Ph: (08) 6389 0722 / 1300 302 143 (outside Perth metro area)

Email: profarmer@profarmer.com.au

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.