

Domestic grain outlook

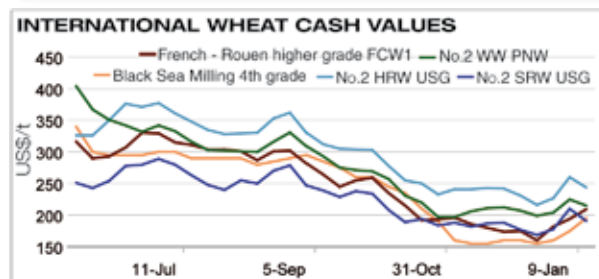
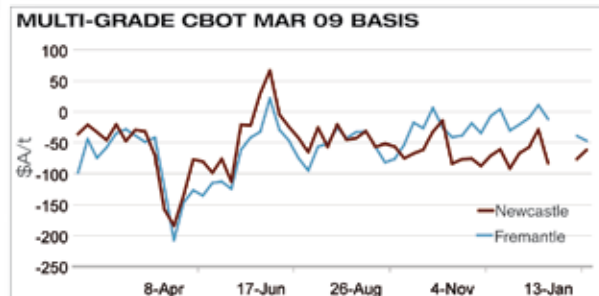
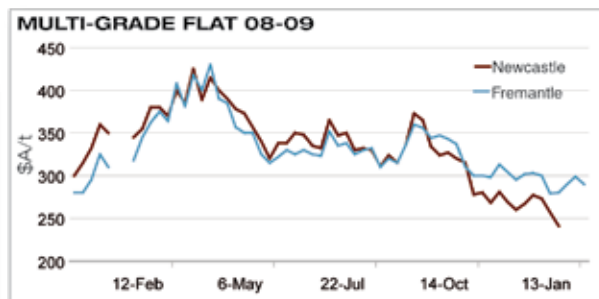
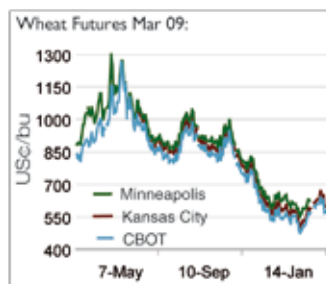
Wheat – WILD WEEK IN WHEAT FUTURES

Futures chopped and changed in mid January with heavy sell offs. Early January strength from fund support and weather problems in South America was overshadowed by a return to demand concerns, failing technical signals, fund selling and a bearish old crop USDA report – especially for corn.

The USDA increased 2008–09 ending stocks by 32 million bushels versus the market expectations for a 23 million bushel reduction, largely due to a cut in animal feeding. On the flip side the USDA surprised us with a much lower acreage number for the 2009–10 season, cutting a massive 4.2 million acres from last year – 2.1 million below market expectations, with a big chunk coming out of the eastern Corn Belt and delta states for Soft Red Winter wheat.

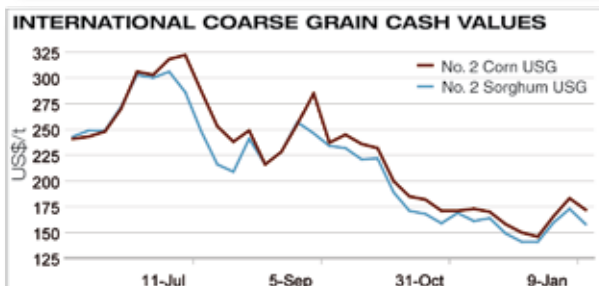
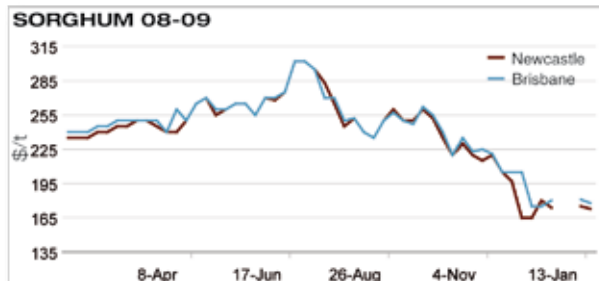
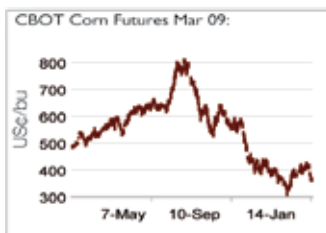
Locally, the wheat market in mid January was largely unchanged at A\$282/t (March 09 ASX futures) after trading up \$10/t on a weaker \$A before the collapse in US futures brought about softer prices here. The \$A has also traded in a large 7¢ (10%) range in mid January, falling from 0.7269 down to US\$0.658 before rebounding back to US\$0.68¢.

Spot premiums remain for some milling grades, while feed markets are encouraging growers to hold off and sell delivered post harvest. Basis continues to be strongly correlated to the futures and currency markets, spiking rapidly with the large sell off in Chicago before dropping with the \$A. This is likely to continue in the short term as futures volatility remains and new Aussie export business is quiet.



Sorghum – WEAK \$A SUPPORTS SORGHUM

Corn has definitely been the ugly sister over the past couple of weeks, and this week was no exception. A very bearish USDA report on Monday saw the 2008–09 crop revised higher by 81 million bu with the December 1 stocks reported sharply above expectations. All demand categories saw decreased estimates and ending stocks thereby raised higher than expectations to 1790 million bu (versus 1474 last month and 1489 expectations).



Demand locally continues to improve in the feedlot sector with feedlot margins remaining positive thanks to stable soft feed grain prices and a low \$A. Beef production fell by 8% during November, with male slaughter falling 16% year-on-year. However, these numbers were from record numbers set in October and are likely a result of the wetter weather across the country reducing turn-off rates. Beef exports to SE Asia and China have jumped 29% versus the previous year with a weaker \$A supporting export trade along with higher Brazilian prices.

Local sorghum prices continue to remain flat at around A\$180/t despite the hammering corn has taken – a weaker \$A and stronger basis has offset the recent corn crash. Harvest will begin shortly and logistics will likely be a major focus with another solid sorghum crop coming on top of a larger wheat crop, which had a higher than normal percentage of feed quality.

Supplied January 15 by Profarmer Australia. Information available at www.profarmer.com.au or call 1300 302 143