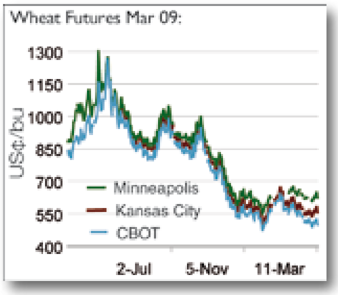
Domestic grain outlook

Wheat – RECOVERY KNOCKED FLAT BY USDA REPORT



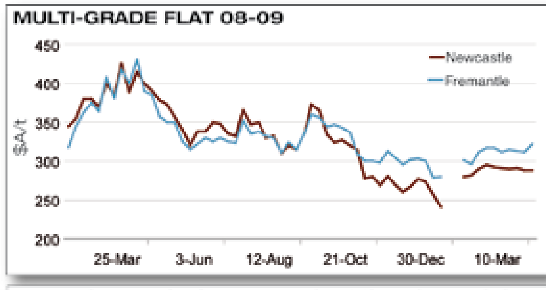
The release of the March 11 USDA supply and demand report saw the wheat futures market dive to its second lowest close in two years. The short term price focus to the upside is the February highs of US525¢/bu, with bulls looking for a close above that level to encourage some positive short-term price action.

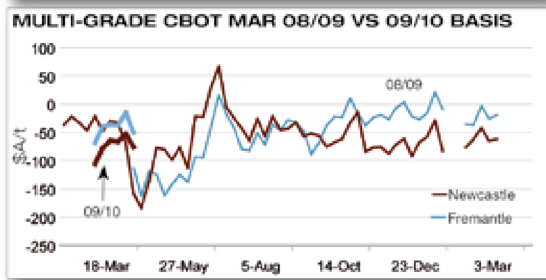
The USDA reported US wheat ending stocks to increase 57 million bu to 712 million bu, based on decreased export demand and a decrease in food consumption. Global wheat ending stocks were also estimated up by 5.9 million tonnes to a 6 year high of 155.9 mt.

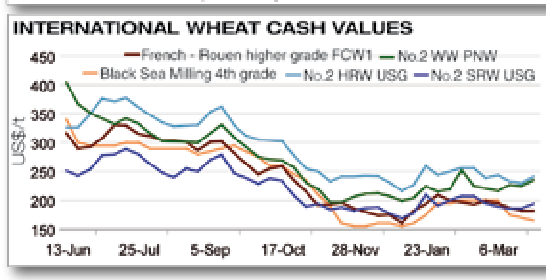
North to Canada and the Agriculture and Agri-Food ministry updated their planting intentions from their January estimate cutting area by 2.8% since January to be down 7.8% from last year. They expect production to fall by 4.7 mt to 23.95 mt, down 16.3% from the records of last year. The reduction in area is being taken up by oilseeds and corn, with a total reduction in Canadian cropping area of 1%.

The wheat market is still pushing for support from continued dry weather in the US winter wheat belt. Crop ratings are in decline in the key HRW states of Oklahoma, Kansas and Texas where the crop is exiting dormancy.

On the local front, old season prices have remained steady despite movements in US futures and currency markets with basis picking up the difference. New crop levels have found some support, pushing above A$310/t again, with basis still relatively soft in comparison to old crop levels.



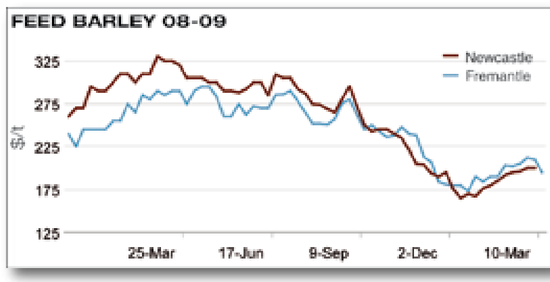




Barley – BENIGN BARLEY TRADE

Barley markets remained steady in early March. International barley values remain pressured with third country demand very slow. Quotes are not forthcoming in Eastern Europe but we can assume the exporters still want to sell.

Our Canadian counterparts, the Agriculture and Agri-Food ministry updated their planting intentions from their January estimate cutting area by 3.3% since January, which was actually a higher number than 2008–09 and is now largely unchanged vs last year from a planting point of view. After last year's excellent season, a return to more normal conditions is likely to bring yields back 7.4% and bring production back to a similar level to this season.



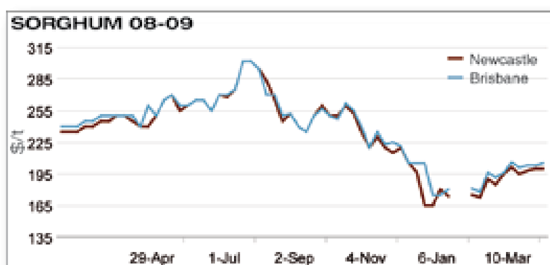
The export market remains benign, focusing on the results of the pending Iranian tender for 100,000 tonnes of optional origin barley for April–May shipment. Further on the export front the freight market continues to march higher from its long winded downtrend, now having rallied 246% since the lows made back in early December and the highest levels since early October 2008 (but still 80% below the highs we reached back in June 2008).

Local prices remain steady with limited trade in early March. The $A remains within the US63–65c range we have been in for the past month. Values are in the A$200/t range for old crop, with Victoria commanding a $15/t premium, and new crop largely untraded. Malt values are in a large range, from A$220 to A$250 depending upon the location.

Sorghum – MORE MANDATES COMING?

Corn futures continued their upward move in early March, closing at their highest level in nearly a month on Tuesday, March 10, thanks to support from a firmer crude oil price and talks that the ethanol mandates in the US may increase. Supporting the market was the release of a corn friendly USDA supply and demand report but this didn't stop a price fall as crude oil prices turned lower and other grain prices fell.

Locally, sorghum markets remain steady as harvest progresses. Prices remain stagnant between A$195–200/t, with some slight premiums for Newcastle due to the smaller crop there this year and lack of southern feed grain coming from the winter harvest. Basis, as a result, has softened again with futures firming. This may attract some refreshed import demand with the US sorghum belt remaining dry and potentially increased demand for US corn from the US ethanol sectors.



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