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A U S T R A L I A

What the Market is Telling us to Sow This Year



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Market Signals

- Most growers around the world react to their most recent experience.
- Durum prices high last harvest - lets plant durum this year.
- Barley prices high - Lets plant barley this year.
- Canola prices low – lets cut canola area
- Pulse prices high - lets plant more lentils, peas, chickpeas and faba beans



Market Signals

- High prices fix high prices
- Expect most crops that had high prices for the 2014/15 harvest to have lower prices by the end of 2015
- Expect lentil, pea, faba bean, chickpea, durum and barley prices to all fall.
- Expect canola prices to be higher.
- Expect wheat to be neutral
- But should this change our planting decisions?



Global Wheat



- Wheat production is set to fall year on year
- A big crop in the EU is not expected to be repeated. Winter wheat plantings are down. Increased spring wheat plantings may not cover it.
- EU yields back to average
- Black Sea production down with poor establishment and winterkill and inability to fully replant in spring
- US winterkill issues, but less is in drought and yield likely to lift, but area down.
- Canadian production might not lift with strong pulse prices and small lift in canola area.



Global Wheat Situation

Global Balance Sheet

	Prodn	Use	Stocks	S/U Ratio
09/10	687.01	654.27	202.50	30.95%
10/11	652.37	655.66	197.94	30.19%
11/12	697.04	697.08	198.89	28.53%
12/13	658.54	679.79	175.59	25.83%
13/14	716.10	704.20	187.49	26.62%
14/15	724.76	714.53	197.71	27.67%
15/16	705.00	710.00	192.71	27.14%



Best Bet Wheat Prices

- With a small easing in global stocks and maybe a bit of support from a softer A\$, we might see a modest year on year lift in the A\$ value of US futures.
- Lets assume a \$15/t lift from \$250/t to \$265/t.
- Basis levels should pull back from the levels seen in 2014. Maybe from A\$40/t back to A\$20/t.
- **That will give us an APW wheat price of \$285/t Pt Adelaide – unchanged on 2014.**



Worst Case Wheat Prices

- Wheat futures fall year on year eg A\$5/t
- Basis falls to zero as Australia has a reasonable season and has to compete with strong exports from the EU and Black Sea
- APW prices come in at \$245/t at harvest, down \$40 per tonne year on year.
- Right now this is the direction the market is heading. Will it last?
- US Futures already close to levels seen briefly in 2014 and then back to 2010 levels.
- Spot cash prices have already been down to \$250/t, a loss of \$47/t since the harvest peak

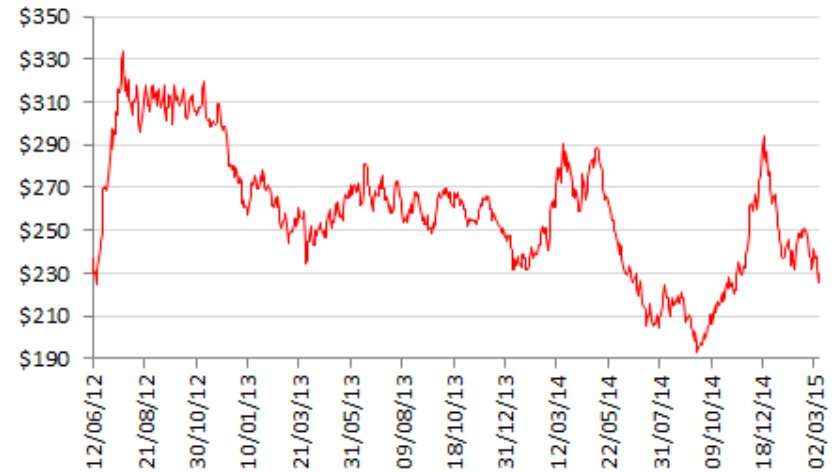


CBOT Futures

Nearby Futures (USc/bu)



Nearby A\$ Futures



Barley



- After years of low prices a pull back in production has triggered a rally in price.
- Barley/canola is a good fit in the UK as the shorter growing season barley gives better planting times for winter canola to follow.
- We can expect global barley production to lift in 2015/16



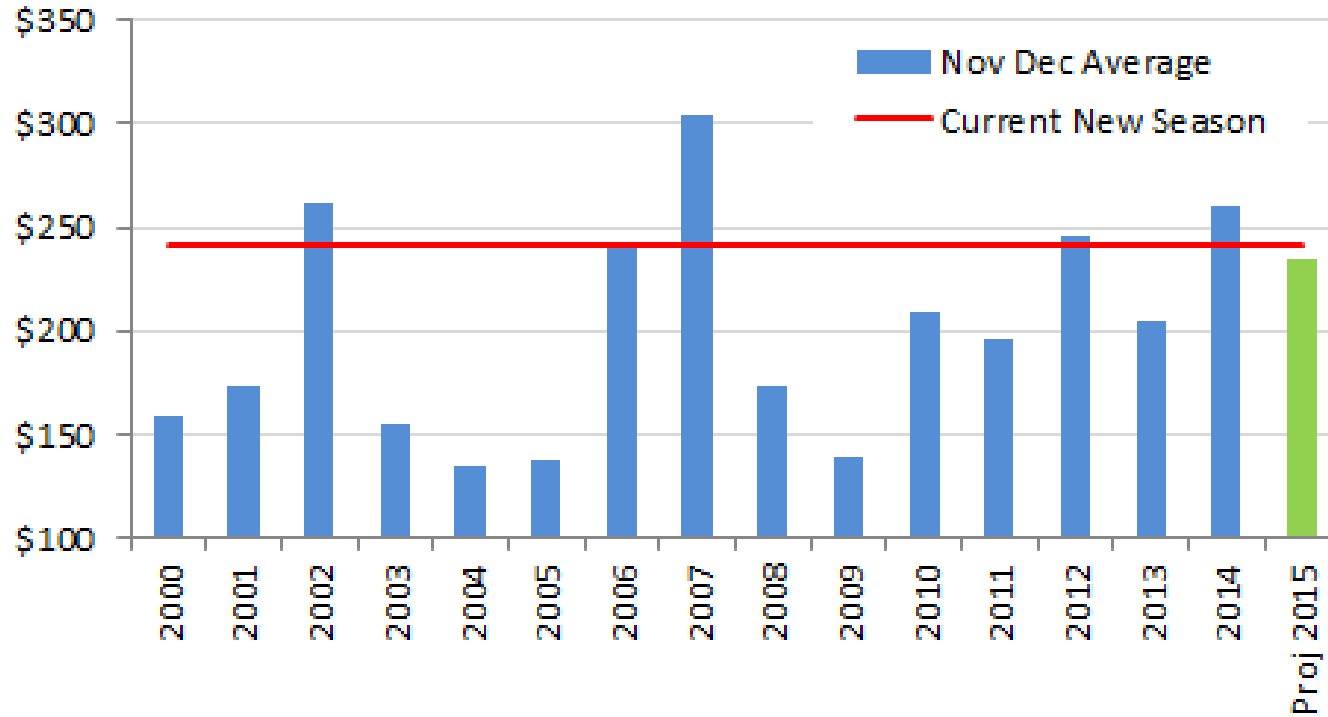
Barley Pricing

- Assume feed barley returns to \$50/t under APW wheat.
- Last harvest it was close to \$30/t
- The 2007 to 2013 average is \$65
- **That puts F1 Barley at \$235/t for 2015, down \$30 - \$35/t year on year.**
- Malt premium \$40/t
- Has been as low as \$20/t
- **That puts Malt Barley at \$275/t - \$10/t under APW**



Feed Barley Should Remain Strong

Average Harvest Feed Barley Prices



Canola



- Global canola production tipped to fall for the first time in 5 years by 3.5%
- Main reduction in the EU (the largest producers) where a drop in area and reduced yields will pull production back by as much as 11.7%.
- Last year's EU output was a record as well, so not likely to be repeated.
- Australian crop likely to be smaller.
- Canadian crop might hold or lift a little.
- Global soybean production also likely to pull back from record levels.



Canola Pricing

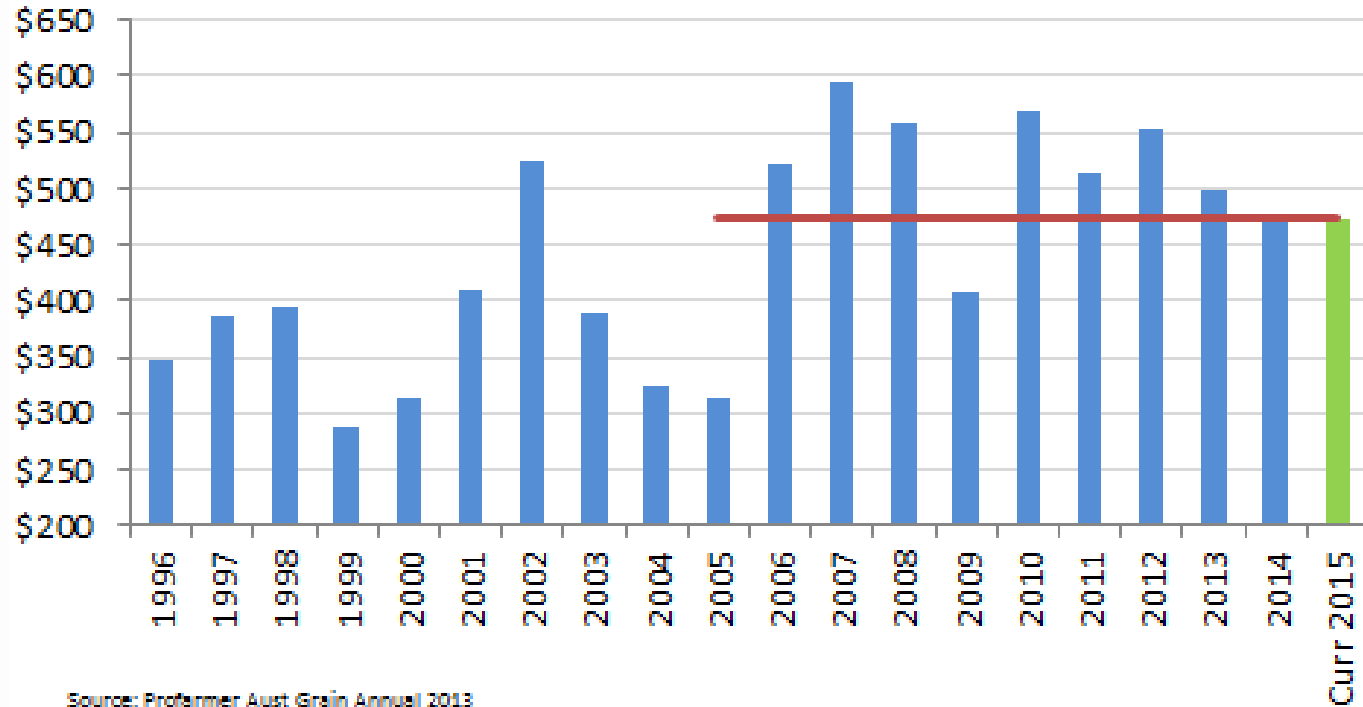
- Assume a \$20/t year on year price lift
- **That means prices should get back to \$500/t, but that's still low.**
- Canola at \$500 and wheat at \$285 puts the ratio at 1.75
- Canola at \$500 and barley at \$235 puts the ratio at 2.13
- Canola is not that attractive relative to cereals unless prices move well above \$500/t



Canola



Current Canola Prices Benchmarked



Pulses



- Old season prices are red hot at the moment
- Driven by shortfalls in India, and mid year Ramadan demand.
- Production expected to recover in India.
- Peas are a better performer for Canadian farmers than all other crops except durum
- Lentil stocks to rundown ahead of the Australia and Canadian harvests



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- Newsletter - Weekly \$330 pa Incl GST
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