

THE BREWING RAW MATERIALS JOURNAL[©]

12 - 25 July 2010

No 286

Section 1

Malting barley market Market in volatile mode

Section 2

Malt market report Further beer output data for 2009

Section 3

Brussels – EU Commission Feed barley values pushed higher by wheat prices

Section 4

World crop forecasts Update on Canada and Australia
World wheat output revisions

Section 5

Prices - differentials – news CWB raises malting barley PRO
Australian prices move upward

Section 6

Futures markets Euronext values decline after moving higher
Further gains in Australian prices
No activity in Winnipeg
Chicago corn mixed despite jump in wheat values

Section 7

Foreign exchange markets Dollar continues to weaken on “recovery”
announcements

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Section 1 - 1 12 - 25 July 2010

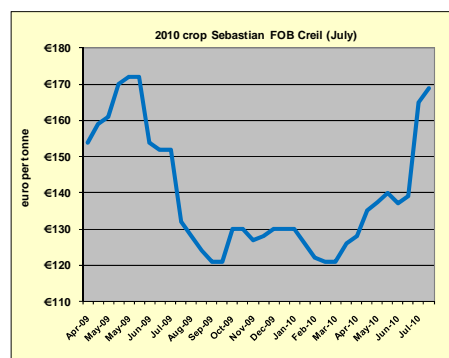
malting barley prices No 286

France. Inland prices Basis July FOB Creil. Euro/US\$ per tonne converted at 1.2821
(Dollar prices are given for indicative purposes only and are not FOB seaport prices)

Type	Variety		2010 crop				2011 crop				2012 crop			
			Euro	+/-	US\$	+/-	Euro	+/-	US\$	+/-	Euro	+/-	US\$	+/-
6r winter	Esterel/Azurel		148.00	+8.00	189.75	+13.00								
6r winter	Cervoise		138.00	+8.00	177.00	+13.00								
2r spring	Sebastian	Oct/Dec	166.00	+3.00	212.75	+7.00	184.00	+4.00	236.00	+8.75	199.00	+4.00	255.25	+9.25
2r spring	Sebastian	Jan/Mar	169.00	+4.00	216.75	+8.50								
Add for Jan 11, 12 or 13			5.58		7.25		5.58		7.25		5.58		7.25	

European markets have been rather volatile. Prices continued to increase but peaked a week ago and then started to drop. The market has now resumed an upward trend despite the outlook on malting barley remaining relatively good, with crop prospects in Denmark, Sweden, Scotland and most of the UK considered to be good to excellent. Early results from France are generally better than expected although there is a considerable amount of variability in yields and protein levels. Nevertheless, there is the possibility that yields will be higher than expected and quality is likely to be reasonable. Results from Germany are mixed with very low and high protein contents. Overall, this year's EU crop is likely to be about average and should provide a range of proteins to satisfy the varying demands of maltsters. In view of the lower demand and unsold old crop, the total quantity available will be sufficient to meet requirements. The jump in prices was initially and partially triggered by concerns over high temperatures and lack of rain especially in France, but as more results are known, this has become less of an issue. However, this is excluding other factors and in isolation, malting barley would appear to be over-priced. The firmness of the market can largely be attributed to activity in wheat where prices have soared. Chicago futures hit a 13-month high recently and prices for milling wheat on the Euronext futures market have jumped by around €40 in the last few weeks. This is due to constant worries over output with rather poor results in France but more importantly, the seemingly constant downgrading of cereal output in Russia and Kazakhstan as well as other eastern European and North African countries. Canadian output will be lower and it is too early to be overly optimistic about production in the southern hemisphere. Any negative news tends to hit the headlines and exacerbates the nervousness. An additional factor that cannot be overlooked is the influence of commodity funds and there appears to be a considerable amount of "hot money" being invested in soft commodity futures, which is driving prices higher. This is confirmed and illustrated by the high level of lots being traded which are far higher than would normally be expected. Obviously, there is a knock-on effect with higher wheat prices affecting corn and barley values as the relationship between the various types of cereal is maintained. Feed compounders will switch ingredients and will be attracted to include more barley if other commodity prices rise, which inevitably fuels the demand for barley and forces the price upwards.

All markets are likely to remain volatile until the end of the harvest period in the northern hemisphere when a full assessment of the situation can be made. By this time, more information should be available on crop prospects in Australia and South America. For the time being, it would appear that a much tighter global balance sheet will emerge for most commodities. However, it should be remembered that starting stocks are at generally good levels but these are likely to be depleted and 2011 ending stocks will be lower. The latter is an important factor in analysts' calculations and is a driver of the markets with lower numbers tending to push prices to higher levels. It can be argued that most if not all of the bad news is now already factored into the market and unless production in the southern hemisphere is derailed for any reason, prices may be high enough.



Since it is clearly impossible to isolate malting barley from other commodities, any movements in corn and wheat values will have an impact. High wheat and corn prices can increase the demand for feed barley but the inclusion rate is reportedly somewhat limited and compounders also have a vast array of other products and derivatives to choose from.



Section 1 - 2 12 - 25 July 2010

malting barley prices No 286

Spring barley prices in France reached levels of €177 FOB Creil and €187 FOB Moselle with some reports suggesting that values as high as €190 FOB Moselle were discussed but not traded. Nevertheless, a reasonable amount of business was concluded at various prices all the way up to the top. As the market turned weaker, further trades were concluded with some business reported at most price levels all the way down to €164 FOB Creil and €174 FOB Moselle. The value is now around €5 higher although buying and selling interest has waned to a certain extent as both sides pause for breath and assess the quality of what has already been harvested and the prospects elsewhere. A value of €169 FOB Creil would appear to be in line with the futures market. As noted earlier, a proportion of the increase in prices is due to the firmer trend in wheat and other cereals and this influence is unlikely to disappear over the next few weeks although a continuation of the perhaps better than expected news on malting barley may reduce the impact of problems with other crops. There are reports that buyers still look for Cervoise, primarily for the export market, with the last reported value at around €138 FOB Creil.

Several cargoes of Danish new crop have been fixed with the highest price paid reported to be €170 per tonne FOB basis October 2010 shipment with options through to March 2011. In line with other origins, values retreated to €165 although there are no reports that any business was concluded at this level. As a firmer trend returned, values rebounded and a further trade was concluded at €167.75 per tonne. Sellers appear to have taken advantage of the spike in values with more support evident from growers who were encouraged, not only by the higher prices but by crop prospects. These are reported to be excellent with perfect conditions prompting some suggestions of a better than average malting barley crop at least in Denmark.

Business was also concluded out of the UK with an identical high to Danish prices of €170 per tonne paid for an October/March contract. Sellers were not discouraged by the fall in the market and business was also concluded at €163. Reports circulated that Scottish barley was offered at this price but there is no confirmation that this was fixed and it can be argued that the price was somewhat on the high side considering potentially higher freight costs outside of the more regular Southampton/Hull range. The market is now higher again and the value is €168 per tonne FOB basis October which has probably already traded.

Denmark. Prices Basis FOB Danish Port in Euro/US\$ per tonne

Variety	Protein	Euro	+/-	Exchange rate (Euro/\$)	US\$	+/-	Quantity	Shipment
Crop 2010								
Single Variety (Optional)	11.5	165.00	+6.00	1.2817	211.50	+10.75	< 3,000 T	Oct/Dec 10
	11.5	168.00	+6.00	1.2813	215.25	+10.75	< 3,000 T	Oct 10/Mar 11
Crop 2011								
Single Variety (Optional)	11.5	183.00	+6.00	1.2803	234.25	+10.75	< 3,000 T	Oct-11
Crop 2012								
Single Variety (Optional)	11.5	198.00	+6.00	1.2791	253.25	+10.75	< 3,000 T	Oct-12

France. Prices Basis FOB Rouen in Euro/US\$ per tonne

Variety	Protein	Euro	+/-	Exchange rate (Euro/\$)	US\$	+/-	Quantity	Shipment
Crop 2010								
Cervoise	11.5	152.50	+8.00	1.2813	195.50	+13.00		Jan-11
Esterel/Azurel	11.5	162.50	+8.00	1.2813	208.25	+13.25		Jan-11
Sebastian	11.5	180.50	+3.00	1.2817	231.50	+7.50		Oct/Dec 10
Sebastian	11.5	183.50	+4.00	1.2813	235.25	+8.50		Jan-11
Crop 2011								
Sebastian	11.5	197.50	+4.00	1.2803	253.00	+8.50		Jan-12
Crop 2012								
Sebastian	11.5	212.50	+4.00	1.2791	272.00	+8.50		Jan-13

United Kingdom. Prices Basis FOB UK Port in £/Euro/US\$ per tonne

	£	+/-	Exchange rate £/€	Euro	+/-	Exchange rate £/\$	US\$	+/-	Quantity	Shipment
Crop 2010										
Winter	NQ									
Spring (South Coast)	137.75	+4.75	1.1980	165.00	+5.75	1.5356	211.50	+10.75	Coasters	Oct/Dec 2010
Spring (South Coast)	140.25	+4.75	1.1979	168.00	+6.00	1.5351	215.25	+10.75	Coasters	Oct 10/Mar 11
Crop 2011										
Spring (South Coast)	152.75	+4.75	1.1968	183.00	+6.00	1.5328	234.25	+11.00	Coasters	Oct-11
Crop 2012										
Spring (South Coast)	165.50	+4.75	1.1957	198.00	+6.00	1.5300	253.75	+11.25	Coasters	Oct-12



Section 2 12 - 25 July 2010

malt market report No 286

The market appears to be inactive with brewers seemingly not prepared to chase the market following the increase in barley prices. Beer sales data continues to be generally negative although as usual there are some bright spots and consumption boosts have been reported due to higher sales during the World Cup. The good summer weather in Europe has also helped.

Further confirmation that the downturn in beer sales in 2009 was not as dramatic as expected is contained in the estimate of global production from the Barth Haas Group. Their estimate of output in 1,000 hectolitres was 1,809,683 only 0.52% less than in 2008 but this is the first time since 1992 that beer sales have fallen year on year. Output in the EU and Europe fell by 5.1% and production in Central America and the Caribbean dropped by 2.9%. Asia, including China, recorded a growth rate of 3.1% and Africa a useful 4% increase. More than half the 170 countries reported a drop in production whilst there were gains, including some very minor positive changes, in over 50 countries. The winners and losers for beer countries with production over 10 million hectolitres per annum are shown in the following table. Vietnam recorded the highest percentage growth, followed by India and growth rates of nearly 10% were seen in the Philippines and Argentina. In terms of volume, China recorded the largest gain although this is not surprising given the size of the market. Romania heads the list of losers in percentage terms and there were significant declines in Poland as well as the United Kingdom and Thailand. The UK also features high on the amount of volume lost although this particular unwanted accolade went to Russia.

WORLD BEER PRODUCTION															
Countries with Beer production exceeding 10 million HL per annum															
Ranking		Country	Output in '000s Hectolitres		2009 v 2008		Winners & Losers								
2009	2008		2009	2008	%	Volume	Fastest % Growth		Fastest Volume Growth		Fastest % Decline		Fastest Volume Decline		
1	1	→	China	423,638	410,301	3.25%	13,337	1 Vietnam	24.33%	1 China	13,337	1 Romania	-12.87%	1 Russia	-5,500
2	2	→	USA	229,926	230,618	-0.30%	-692	2 India	12.32%	2 Vietnam	4,501	2 Poland	-9.55%	2 United Kingdom	-4,470
3	3	→	Russia	108,500	114,000	-4.82%	-5,500	3 Philippines	9.77%	3 India	1,700	3 United Kingdom	-9.01%	3 Poland	-3,400
4	5	↑	Brazil	107,000	106,300	0.66%	700	4 Argentina	9.68%	4 Argentina	1,500	4 Thailand	-8.90%	4 Germany	-2,927
5	4	↓	Germany	99,984	102,911	-2.84%	-2,927	5 Colombia	6.00%	5 Philippines	1,300	5 Venezuela	-7.08%	5 Romania	-2,600
6	6	→	Mexico	82,325	82,343	-0.02%	-18	6 Nigeria	3.90%	6 Colombia	1,140	6 Netherlands	-6.64%	6 Thailand	-1,900
7	7	→	Japan	59,820	61,111	-2.11%	-1,291	7 China	3.25%	7 Brazil	700	7 Italy	-6.08%	7 Netherlands	-1,804
8	8	→	United Kingdom	45,141	49,611	-9.01%	-4,470	8 Spain	1.20%	8 Nigeria	600	8 Canada	-5.36%	8 Venezuela	-1,764
9	10	↑	Spain	33,800	33,400	1.20%	400	9 Peru	0.93%	9 Spain	400	9 Czech Republic	-5.08%	9 Ukraine	-1,530
10	9	↓	Poland	32,200	35,600	-9.55%	-3,400	10 Australia	0.70%	10 Australia	120	10 Russia	-4.82%	10 Japan	-1,291
11	11	→	Ukraine	30,500	32,030	-4.78%	-1,530	11 Brazil	0.66%	11 Peru	100	11 Ukraine	-4.78%	11 Canada	-1,268
12	13	↑	South Africa	25,640	25,900	-1.00%	-260					12 South Korea	-3.55%	12 Czech Republic	-1,006
13	12	↓	Netherlands	25,377	27,181	-6.64%	-1,804					13 Germany	-2.84%	13 Italy	-803
14	14	→	Venezuela	23,141	24,905	-7.08%	-1,764					14 Japan	-2.11%	14 USA	-692
15	21	↑	Vietnam	23,000	18,499	24.33%	4,501					15 South Africa	-1.00%	15 South Korea	-660
16	15	↓	Canada	22,394	23,662	-5.36%	-1,268					16 France	-0.80%	16 South Africa	-260
17	19	↑	Colombia	20,140	19,000	6.00%	1,140					17 USA	-0.30%	17 France	-116
18	16	↓	Thailand	19,450	21,350	-8.90%	-1,900					18 Belgium	-0.19%	18 Belgium	-35
19	17	↓	Czech Republic	18,800	19,806	-5.08%	-1,006					19 Mexico	-0.02%	19 Mexico	-18
20	20	→	Belgium	18,009	18,044	-0.19%	-35								
21	22	↑	South Korea	17,955	18,615	-3.55%	-660								
22	18	↓	Romania	17,600	20,200	-12.87%	-2,600								
23	23	→	Australia	17,200	17,080	0.70%	120								
24	24	→	Argentina	17,000	15,500	9.68%	1,500								
25	25	→	Nigeria	16,000	15,400	3.90%	600								
26	30	↑	India	15,500	13,800	12.32%	1,700								
27	27	→	Philippines	14,600	13,300	9.77%	1,300								
28	26	↓	France	14,314	14,430	-0.80%	-116								
29	28	↓	Italy	12,409	13,212	-6.08%	-803								
30	29	↓	Peru	10,900	10,800	0.93%	100								

Theoretical malt prices						
Based on current market conditions, French malting barley prices and forward Euro/US\$ exchange rate						
2009 Crop						
Variety	FOB Bulk		FOB Bulk in containers (inc. liner bag/thc)		FOB in 50 kilo bags In containers (inc. thc)	
Cervoise	US\$ 301	€ 235	US\$ 325	€ 253	US\$ 347	€ 271
Esterel	US\$ 304	€ 237	US\$ 328	€ 256	US\$ 350	€ 273
Sebastian	US\$ 308	€ 241	US\$ 332	€ 259	US\$ 354	€ 277
2010 Crop						
Cervoise	US\$ 365	€ 285	US\$ 388	€ 303	US\$ 411	€ 321
Esterel/Azurel	US\$ 381	€ 297	US\$ 404	€ 316	US\$ 427	€ 333
Sebastian	US\$ 402	€ 314	US\$ 426	€ 333	US\$ 449	€ 350
2011 Crop						
Sebastian	US\$ 462	€ 361	US\$ 486	€ 379	US\$ 508	€ 397



The increase in wheat prices triggered further rises in feed barley values. Prices paid on the Dutch river port market a few days ago were reported at €145 CIF for the September/December positions and €150 per tonne for January/June 2011 shipment but ideas now circulate that these are €5 higher. News that the EU Commission had no plans to sell intervention barley stocks before the completion of harvesting was considered as neutral although counter arguments existed with this being construed as bullish in the very short term as the Commission will not release stocks which might help pressure the market down. On the other side, it is argued that they will make stocks available if required although, once again, the bulls consider this as positive as it would signal low output and the need for augmentation of supplies with intervention barley. Prices in France were inevitably pushed higher and gained around €8 per tonne with the delivered Rouen value for July/August delivery at €125 and for the later October/December positions at €130 per tonne. UK prices were up by a further £6 to around £116 FOB. As the euro continued to strengthen against the weaker dollar, export price calculations are again considerably higher exacerbated by the increase in internal prices. Values are up by around US\$13 per tonne.

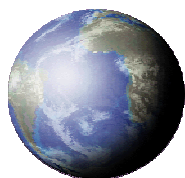
July 2010 US\$166.00
October 2010 US\$173.50

The barley intervention balance sheet has been amended to reflect the fact that we are now in a new cereal marketing year (July 2010/June 2011). Beginning stocks are now shown as 5,057,968 tonnes and 171,334 tonnes has been sold or is committed to "free distribution". 501,308 tonnes of offers still have to be ratified, which if all is approved, would result in a total stock of 5,387,942. This is somewhat lower than the last projection of 5,606,374 indicating the withdrawal or rejection of another 218,432 tonnes of offers. As noted above, the Commission has indicated that no decisions on the disposal of the stocks will be made until after the completion of harvesting operations throughout the EU.

EU barley intervention	
Opening stock	5,057,968
Quantity sold or committed to Free Distribution	171,334
Quantities still under offer	501,308
Potential Total	5,387,942

EU Barley Sales (Tonnes)					
	Free Market		Intervention	Standing refunds	Total
TOTAL 2006/2007	1,000		767,046	2,449,174	3,217,220
TOTAL 2007/2008	0		0	3,742,609	3,742,609
TOTAL 2008/2009				3,428,660	3,428,660
TOTAL 2009/2010				1,429,592	1,429,592

EU export commitments July 2010 – June 2011 (Tonnes)						
Exports		Imports (cy 2010)				
2010/2011 – free market barley awards	0	Tariff Quota	Tariff	Quota	Issued	Balance
2010/2011 – intervention sales	0	Feed barley* ✕	€16	306,215	10,719	295,496
2010/2011 – standing refunds	327,816	Malting barley (Specific origin/use)	€0	50,000	0	50,000
		Over Quota	€93			
		* From 1 January 2010				
TOTAL BARLEY	327,816	✕Also applicable to non US origin malting barley				



There are various estimates of barley production in Canada for this year ranging from 7.4 million tonnes from the CWB to private forecasts of 8, whilst AAFC predict output at 7.8 million tonnes. However, this is based on the Statcan estimate of a 7% decline in the area and this might be on the low side. Nevertheless, production is expected to drop by 18% but carry-over stocks will allow a sufficient supply although 2011 ending stocks will become more marginal. It is interesting to note that AAFC remark on the decline in domestic demand for feed due to lower livestock numbers which appears to be contrary to the CWB comment of "improved livestock economics". The AAFC forecast of exports of 2.15 million tonnes looks to be on the high side but it will largely depend on domestic demand. It should be noted that feed compounders have been replacing barley with distillers dried grains from the ethanol industry and although feed ingredients are price sensitive, there is no reason to suspect that this product will not remain competitive especially in view of the reduced output of barley in Canada this year which will act as a price support. Rainfall continues to provide adequate and excessive moisture levels across most regions of the Prairies. Temperatures were normal for the time of year which enhanced plant development although the crop is still on average around two weeks behind schedule. Nevertheless, it is interesting to note that 75% of the barley crop in Alberta is reported to be in good to excellent condition and 80% in Saskatchewan is also rated in this category.

Canadian Barley (AAFC)			
	2008/2009	2009/2010	2010/2011
Opening stock	1,568	2,843	2,200
Area ('000 Ha)	3,787	3,506	3,258
Harvested Area	3,502	2,918	2,600
Yield (t/ha)	3.36	3.26	3.00
Production ('000 tonnes)	11,781	9,517	7,800
Imports	42	35	35
Total Supply	13,392	12,395	10,035
Exports	2,378	2,200	2,150
Domestic Use	8,171	7,995	6,885
Ending Stocks	2,843	2,200	1,000

The outlook for Australia remains positive with generally good conditions existing in the eastern part of the country. Sowing was completed in South Australia by mid-late June and plants emerged rapidly and are reported to be looking good. Yield potential is expected to be close to the long-term average but the downside is that the barley area is expected to be the lowest for many years and has fallen below 1 million hectares. Production in 2009/2010 in this State was over 2.5 million tonnes and the 5-year average is almost 2 million tonnes. The current output projection for 2010/2011 is 1,736,700 tonnes. The latest report from New South Wales indicates a barley area considerably higher than last year at around 782,340 hectares but this is well below the 1 million hectares forecast by ABARE. Generally positive news emanates from Victoria with adequate moisture levels and mostly positive reports on the condition of crops. In contrast, a late and patchy start to the season in Western Australia together with below average rainfall throughout the April to June period has prompted expectations of lower yields.

As noted elsewhere, the focus of attention has been on wheat and prices have soared as more and more countries have issued revised output projections. The drought conditions in Russia and Kazakhstan, as well as the lower area in Canada, were already known but there are concerns that continuing drought conditions in Russia could be the worst for 40 years. However, it is interesting to note that Russia still concluded a large sale of wheat to Egypt recently. France lowered the crop estimate to 36.5 million tonnes, 3.5% lower than last year whilst Germany expects yields to be 10% or even 20% down on last year. Hungarian wheat production was cut to between 3.5 and 4 million tonnes compared to the previous forecast of 4.53 and Bulgaria trimmed output expectations by 500,000 tonnes to 3.5 million. A slightly lower forecast was made by India and in North Africa, Morocco reduced production forecasts from 10.2 to 8 million tonnes and suggested the country would need to import 2.2 to 2.4 million tonnes of wheat in the coming twelve months. Algerian cereal output will be lower than anticipated at 4.5 million tonnes, significantly down on last year's 6.1 million tonnes, although individual figures for various types of grain were not specified. Rain and cold weather is hampering plantings in Argentina and only around 80% of the wheat crop has been sown whereas plantings should normally now be complete. For the time being at least, the official line is that the area forecast is being maintained at an unchanged level. The USDA lowered world wheat production by 7.5 million tonnes to 661 in the last report but further reductions are likely.

The surge in wheat prices has obviously had an impact on other markets although it is interesting to note that nearby corn positions in Chicago weakened despite the jump in wheat prices. Higher wheat values are likely to increase demand for cheaper alternatives especially in the compound feed industry. However, there is a limit to the inclusion rate for barley and compounders may seek other alternative ingredients with cereal derivatives likely to be high on the agenda. The use of distillers dried grains from the ethanol and bio fuels industry has rapidly increased in Canada and the US and with the European industry expanding, the supply of this material in the EU could increase. It can be noted that although Ukraine cut the estimate of cereal exports by 2 million tonnes, a total of 16 million tonnes is still expected. The supply and demand balance sheet for wheat has become much tighter and markets have reacted accordingly. Barley prices have followed but the supply and usage figures have not changed as dramatically and the EU still has over 5 million tonnes of intervention stocks to augment the supply. Wheat prices may diverge from other grains although an extreme divergence is unlikely as consumers switch from high priced wheat to lower cost alternatives. Nevertheless, a wide differential could have repercussions on the barley areas for 2011 crop.



Feed and Malting Barley Prices and Differentials												
Prices												
EU export feed barley price		↑		US\$166.00	US\$12.75	Jul-10						
EU export feed barley price		↑		US\$173.50	US\$12.75	Oct-10						
Differentials												
Europe 2010 crop						Europe 2011 crop						
United Kingdom (Oct 10)		Change		Premium		United Kingdom (Oct 11)		Change		Premium		
FOB UK Port						FOB UK Port						
Feed	£ 116.00	€ 139.00	↑ € 7.33			Feed						
Optic	£ 137.75	€ 165.07	↑ € 5.86	£ 21.75	€ 26.06	US\$33.42	↓	Optic	£ 152.75	€ 183.04	↑ € 5.88	
Denmark						Denmark (Oct 11)						
Feed (Delivered)		NQ				Feed (Delivered)						
Malting barley (Oct/Dec 10)	DKr1,229.61	€ 165.00	↑ € 6.00			Malting barley - FOB	DKr1,363.75	€ 183.00	↑ € 6.00			
Malting barley (Oct/Mar 11)	DKr1,251.97	€ 168.00	↑ € 6.00									
France (Basis July 10)						France (Basis July 11)						
Delivered Rouen						Delivered Rouen						
Feed		€ 130.00	↑ € 8.00			Feed						
6-row Estere/Azurel		€ 154.00	↑ € 8.00		€ 24.00	US\$30.77	↓	6-row Estere/Azurel				
2-row Sebastian	Oct/Dec	€ 172.00	↑ € 3.00		€ 18.00	US\$23.08	↓	2-row Sebastian	€ 190.00	↑ € 4.00		
2-row Sebastian	Jan >	€ 175.00	↑ € 4.00		€ 21.00	US\$26.92	↓					
Canada 2009 crop						Canada 2010 crop						
Canada (CWB PRO)						Canada (CWB PRO)						
Feed (A -To Jan 10)	C\$152.00		→ C\$0.00			Feed (A -To Jan 11)	C\$143.00		→ € 0.00			
Feed (B - Feb/July 10)	C\$143.00		→ C\$0.00			Feed (B - Feb/July 11)						
6-row special	C\$191.00		→ C\$0.00	C\$48.00	→	US\$46.06	↓	6-row special	C\$197.00	↑ € 11.00	C\$54.00	↑ US\$51.81
2-row special	C\$209.00		→ C\$0.00	C\$66.00	→	US\$63.33	↓	2-row special	C\$214.00	↑ € 10.00	C\$71.00	↑ US\$68.12
Canada - Domestic cash values, basis in store St. Lawrence/Vancouver												
6-row special	C\$238.00		↑ C\$5.00									
2-row special	C\$250.00		↑ C\$5.00									
USA												
Montana (Golden Triangle Elevator Prices)												
Feed	US\$103.50		→ US\$0.00									
Malting	US\$128.75		→ US\$0.00		US\$25.25	→						
Idaho - Pocatello (Elevator Operators Prices Delivered Warehouse)												
Feed	US\$128.25		↑ US\$2.25									
6-row Malting	NQ											
2-row Malting	US\$145.00		→ US\$0.00		US\$16.75	↓						
Australia 2009/2010 crop						Australia 2010/2011 crop						
South East Australia standard pool (ABB Grain - Viterra)						South East Australia standard pool (ABB Grain - Viterra)						
Feed	A\$ 160.00		→ A\$ 0.00									
Flagship	A\$ 217.00		→ A\$ 0.00	A\$ 57.00	→	US\$50.79	↑					
Others excl Sloop	A\$ 212.00		→ A\$ 0.00	A\$ 52.00	→	US\$46.33	↑					
Schooner	A\$ 202.00		→ A\$ 0.00	A\$ 42.00	→	US\$37.42	↑					
South Australia cash (Pt. Adelaide) (average prices offered to growers)						South Australia cash (Pt. Adelaide) (average prices offered to growers)						
Fixed Feed 1	A\$ 173.00		↑ A\$ 16.00					A\$ 185.00	↑ A\$ 25.00			
Fixed Malt	A\$ 211.00		↑ A\$ 15.00	A\$ 38.00	↓	US\$33.86	↓	A\$ 237.50	↑ A\$ 7.50	A\$ 52.50	↓ US\$46.78	
Western Australia standard pool (Grain Pool) - premiums calculated from No 1 feed pool						Western Australia standard pool (Grain Pool)						
No.1 Feed (Closed)	A\$ 180.00	GRADE 2	→ A\$ 0.00									
No.2 Feed pool	A\$ 170.00		→ A\$ 0.00									
Baudin (Closed)	A\$ 240.00	A\$ 205.00	→ A\$ 0.00	A\$ 60.00	→	US\$53.46	↑					
Buloke (Closed)	A\$ 215.00	A\$ 195.00	→ A\$ 0.00	A\$ 35.00	→	US\$31.19	↑					
Gairdner (Closed)	A\$ 230.00	A\$ 195.00	→ A\$ 0.00	A\$ 50.00	→	US\$44.55	↑					
Stirling (Closed)	A\$ 235.00	A\$ 200.00	→ A\$ 0.00	A\$ 55.00	→	US\$49.01	↑					
Vlamingh (Closed)	A\$ 225.00	A\$ 195.00	→ A\$ 0.00	A\$ 45.00	→	US\$40.10	↑					
Hamelin (Closed)	A\$ 230.00		→ A\$ 0.00	A\$ 50.00	→	US\$44.55	↑					
WA cash prices (average prices offered to growers)						WA cash prices (average prices offered to growers)						
Feed	A\$ 197.50		↑ A\$ 27.50					A\$ 202.50	↑ A\$ 27.50			
Malting 1	A\$ 215.00		↑ A\$ 20.00	A\$ 17.50	↓	US\$15.59	↓	A\$ 259.00	↑ A\$ 19.25	A\$ 56.50	↓ US\$50.34	
Malting 2	A\$ 202.50		↑ A\$ 26.75	A\$ 5.00	↓	US\$4.46	↓					
New South Wales pool (Graincorp)						New South Wales pool (Graincorp)						
Feed	A\$ 232.00		→ A\$ 0.00									
Malting (Excl Sloop)	A\$ 257.00		→ A\$ 0.00	A\$ 25.00	→	C\$22.28	↑					
NSW cash prices (Port Kembla)						NSW cash prices (Port Kembla)						
Feed	A\$ 178.00		↑ A\$ 20.00					A\$ 190.00	↑ A\$ 20.00			
Malting	A\$ 220.00		↑ A\$ 20.00	A\$ 42.00	→	US\$37.42	↑	A\$ 240.00	↑ A\$ 10.00	A\$ 50.00	↓ US\$44.55	
Exchange rates												
£/€ 1.1983		€/Dkr 7.4522		A\$/US\$ 0.8910		£/US\$ 1.5364		€/US\$ 1.2821		C\$/US\$ 0.9595		

Notes: EU premiums for feed barley are against intervention prices. Malting barley premiums are all calculated against feed prices. Only spot exchange rates are used in the above calculations resulting in variations in prices compared to other sections of the publication.

The CWB has raised the PRO for malting barley. The improvement is linked to lower supplies in North America with lower acreage in both Canada and the US. The jump in EU values is also a factor although the Board concede that the overall supply situation remains good due to large carry-over stocks. In the short term, the CWB note that the EU and China will provide market direction and Australia and Argentina will determine price levels in the second half of the marketing year. The jump in the PRO is partly attributable to a weaker Canadian dollar which has increased potential returns. There is no change in the PRO for feed barley as the prospect of Canadian exports is extremely limited due to the considerable drop in production this year (the CWB forecast a crop of only 7.4 million tonnes) and improvements in demand from the domestic feed sector. These factors should keep internal prices relatively high and exports will not be a priority especially as the Board consider the market to be well supplied by low prices. Cash prices offered to Australian growers continued to advance with both old and new crop values being lifted. Old crop malting barley prices were A\$15 to A\$20 higher although Grade 2 in Western Australia was A\$26.75 higher. New crop feed barley was especially strong with gains of A\$20 to A\$27.50. Malting barley prices also advanced but the gains were limited to A\$7.50 in South Australia and A\$10 in New South Wales. The largest increase was in Western Australia with prices up by A\$19.25 per tonne.



Section 6 – 2 12 - 25 July 2010

Corn & Wheat futures markets No 286

Chicago Board of Trade (CBOT) Prices in cents per bushel - CORN

Position	July 2010	Sep 2010	Dec 2010	Mar 2011	May 2011	Jul 2011	Sep 2011	Dec 2011	Mar 2012	May 2102	Jul 2012	Sep 2012	Dec 2012	Dec 2013
09-Jul-10	375¼	383½	395¼	407	415	421¼	419¼	416¼	425¼	432¼	436¼	426¼	417¼	420¼
16-Jul-10		394¼	407¼	417¼	424¼	430½	428¼	428¼	437¼	443¼	447¼	436¼	425¼	428¼
23-Jul-10		371¼	384½	397¼	406	413¼	415	417	428	434½	439½	429¼	419	421
+/-		-12¼	-10¼	-9¼	-9	-8	-3¼	+¼	+2¼	+2¼	+2¼	+2¼	+1¼	+¾

Values in nearby corn futures contracts on the Chicago exchange were lower but modest gains were recorded in more distant positions. The market was generally weaker at the opening as the weekend weather had provided some respite from high temperatures and dry conditions. Prices lost further ground as the crop ratings report upgraded the percentage of the crop in the good to excellent category by 2% against traders' expectations of an unchanged or marginally lower figure. Hot weather in Europe and a lower dollar were partly responsible for a jump in prices but forecasts of a period of very hot dry weather extending into August across the Midwest was the main feature of the firmer trend. Further gains were recorded as the dollar continued to weaken and wheat prices surged. Commodity fund and commission house buying were major features although the day's gains were trimmed by some late selling. The market resumed its upward progress although the price increases were modest as some traders were uncertain if the high level of corn sales reported over the past two or three months would continue at the higher price levels. On the other side, corn has become more competitively priced than wheat which could sustain demand. Prices tumbled at the start of a new week as the weather over the previous two days had been far better than expected with beneficial rain falling over a wide area. Somewhat lower temperatures were expected and although they were forecast to be on the high side later, more rain was also predicted. Planting and early growing conditions were good and the recent weather patterns have been less severe than feared with the extremely high temperatures failing to materialise. Temperatures have been high, but not excessive and arguably at normal levels for the time of year. The key factor has been beneficial rain although some has been heavy and there are reports of localised flooding in Iowa and Illinois. Nevertheless, yield potential has improved and some analysts who had pencilled in a possible reduction have reverted to the previous estimate. There are also optimists who indicate that yields will now be higher than expected. Prices improved somewhat following the sharp downturn but resumed a weaker trend despite positive movements on oil prices, the dollar and another strong performance in wheat. Liquidations and some profit taking by speculators dragged the market lower at the close. Opinion is divided over the impact of recent weather but the consensus appears to be that although temperatures have been high they have not been excessive and as there has been accompanying rain, the overall impact has been positive rather than negative. A continuation of the favourable growing conditions could continue to pressure the market but the surge in wheat prices could boost demand for corn (as well as barley) and lift the values of these cereals.

Chicago Board of Trade (CBOT) Prices in cents per bushel - WHEAT

Position	July 2010	Sep 2010	Dec 2010	Mar 2011	May 2011	Jul 2011	Sep 2011	Dec 2011	Mar 2012	May 2012	July 2012	Dec 2012	Jul 2013
09-Jul-10	523½	538	566½	591½	605¼	615	628½	643	652¼	655¼	658¼	653¼	648¼
16-Jul-10		587¼	616	636¼	647	654	664½	676	687½	688¼	692	723	708
23-Jul-10		596¼	627¼	651½	659	664½	674	687¼	697	696	694	712	712
+/-		+58¼	+60¼	+60	+53¼	+49½	+45½	+44¼	+44¼	+40¼	+35¼	+58¼	+63¼

Wheat prices surged to levels not seen for more than a year although at the opening prices drifted lower. The market continued to weaken as the winter harvest progressed without interruptions but then turned firmer as a general rally in commodities and equities boosted values. The upward momentum continued with downgrading of production estimates from Europe as Hungary slashed output estimates to 3.5 to 4.0 million tonnes. The lower dollar was another positive feature and prompted commission house and commodity fund buying. The market then recorded gains of almost 40 cents per bushel as soaring prices in Europe sparked higher values in other markets. A production downgrade from Bulgaria (4.0 to 3.5 million tonnes due to excessive rain!) was an underlying feature that in more normal circumstances may not have been noticed. However, with significant downgrades already announced for Russia and Kazakhstan, a lower area in Canada and a stream of revised output estimates from EU countries, another announcement added fuel to the fire. Not surprisingly, the week ended with a certain amount of profit taking with soft export sales data contributing to the weakness. Despite a positive opening to the new week, prices lost ground following sharply weaker corn values and bullish news on wheat was largely ignored. This included a marginal downgrade of Indian output projections, very hot weather affecting un-harvested winter wheat and a continuation of excessive moisture and cool temperatures in Canada. Prices continued to ease, pressured by lower corn values. News that Egypt bought 120,000 tonnes from Russia added to the subdued tone although the purchase was not that unusual as Russia now seems to be in control of this market. A sale of 300,000 tonnes to Algeria from an unknown origin appeared to be the catalyst for higher values as this was accompanied by a revised output projection from the country. Traders also cited the mixed results from France as a reason to push the market higher. Substantial commodity fund buying against the background of seemingly less and less availability had the inevitable consequence of higher values but as the market moved towards the final close, prices retreated somewhat.

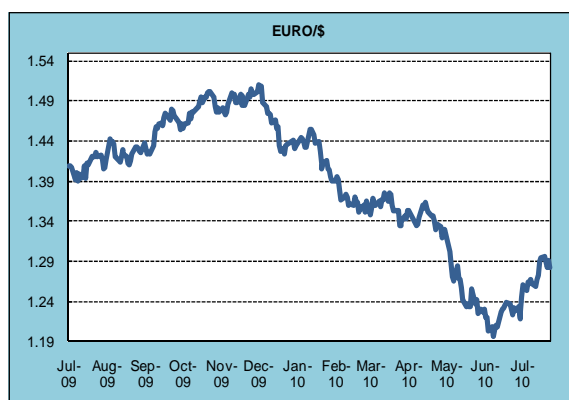


Section 7 12 - 25 July 2010

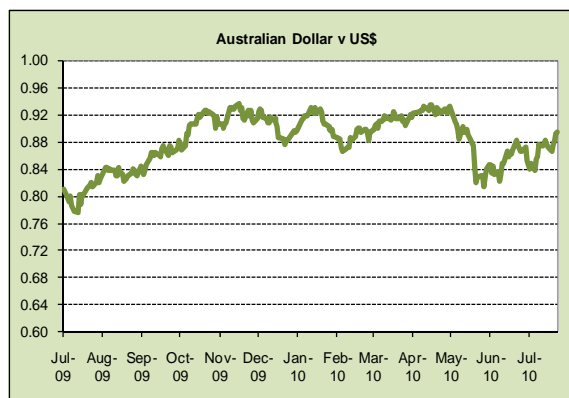
foreign exchange markets

No 286

Exchange cross rates							
		\$	£	€	¥	A\$	C\$
USA	1\$ =	-	0.6509	0.7799	87.2429	1.1224	1.0422
UK	1£ =	1.5364	-	1.1983	134.0400	1.7244	1.6013
EU	1€ =	1.2821	0.8345	-	111.8585	1.4390	1.3363
JAPAN	100¥ =	1.1462	0.7460	0.8940	100	1.2865	1.1946
AUSTRALIA	1A\$ =	0.8910	0.5799	0.6949	77.7314	-	0.9286
CANADA	1C\$ =	0.9595	0.6245	0.7483	83.7070	1.0769	-
							23-Jul-10



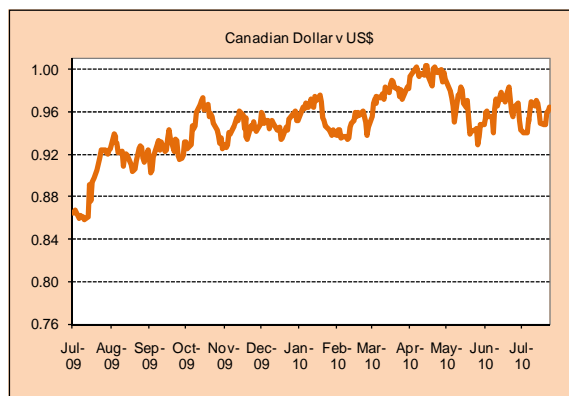
The dollar continued to weaken against most currencies as the uncertainty over the economic recovery continued. The Federal Reserve issued not one but two warnings on the economy. The first announcement suggested that the economic recovery over the remainder of the year would be slower than originally expected primarily as a result of problems in Europe that are likely to dampen US domestic demand. Poor retail sales figures which fell for the second consecutive month added to the gloom for the dollar but this was secondary to the Fed suggesting that the US economy may not fully recover for five or six years. There is certainly no sign of a recovery in the housing market and export data points to a widening US trade deficit. On the positive side are relatively good employment and unemployment data and a raft of better than expected profits from some major US companies.



The euro benefitted not only from the weaker trend of the dollar but from positive data from the euro-zone with robust activity and confidence indices lifting the currency. For the time being at least, sovereign debt problems appear to have become less high profile although they are very much alive and have not gone away.

Sterling also gained ground against the dollar helped by strong retail sales data.

Investors were generally impressed with the EU data and tended to ignore the somewhat negative news emanating from the US. The "fresher" news increased the appetite for risk which is always beneficial to commodity linked currencies such as the Australian dollar and negative for "safe haven" currencies such as the US dollar.



It can be argued that the acknowledgement that the US economy might take five or six years to recover applies to many countries around the world and is therefore not especially significant as similar time scales are expected elsewhere with government borrowings and debt reductions scheduled over a period of several years. The accompanying austerity measures will naturally inhibit disposable incomes and consumer spending. The euro-zone and the UK for example are probably no different to the US, except the US is perhaps rather more open in actually estimating how long the recovery will take.