OUTLOOK – WHEAT MARKET 2011-2012

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Traditional way to analyse the market

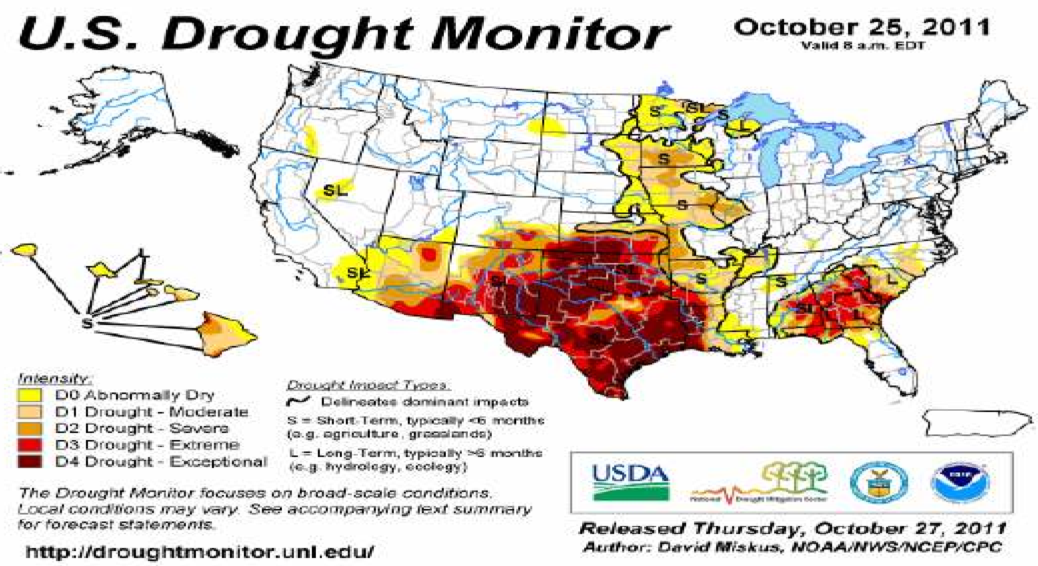
- **SUPPLY AND DEMAND**

BIG 6 - WHEAT SUPPLY AND DEMAND - YEARLY

BIG 6 WHEAT S&D *excluding durum*

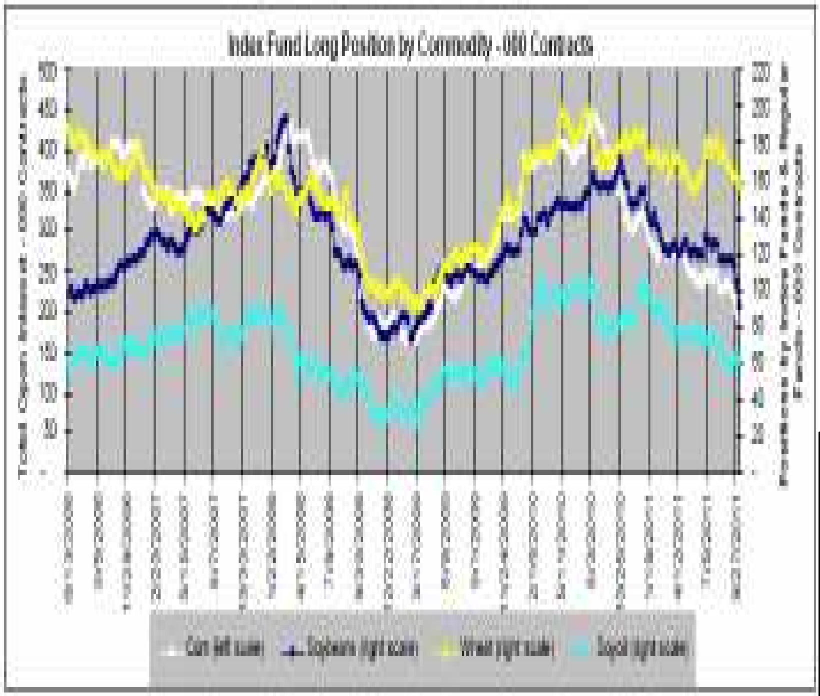
Jun/May	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	Chan 11/12-1	
Planted mln has	115.5	111.9	114.3	120.9	120.1	116.8	116.5	120.1		
Harvest mln has	109.0	105.2	107.9	114.9	113.2	111.0	110.1	113.4		
% Harvested	94%	94%	94%	95%	94%	95%	94%	94%		
Yield (t/ha)	2.89	2.71	2.70	3.15	2.98	2.89	3.07	3.03		
Beginning Stocks	94,131	99,289	76,789	72,217	100,256	109,034	105,382	106,154	(3,	
Production	314,743	284,777	291,827	361,859	337,596	320,633	337,439	343,281	16,	
Imports	7,627	6,587	7,152	8,937	6,041	4,252	7,760	6,196	3,	
Supply	**416,502**	**390,653**	**375,768**	**443,013**	**443,893**	**433,919**	**450,582**	**455,631**	**16,**	
Exports	89,454	90,033	89,205	111,963	104,914	101,281	113,240	109,041	11,	
Milling	128,937	129,409	130,500	132,166	134,421	135,297	136,301	135,131	1,	
Feed & Residual	98,822	94,422	83,846	98,628	95,524	91,960	94,887	93,669	2,	
Use	**317,213**	**313,863**	**303,551**	**342,756**	**334,859**	**328,537**	**344,428**	**337,841**	**15,**	
Ending Stocks	**99,289**	**76,789**	**72,217**	**100,256**	**109,034**	**105,382**	**106,154**	**117,790**		
Stocks To Use	31%	24%	24%	29%	33%	32%	31%	35%	-1%	4%
STU in days	114	89	87	107	119	117	113	127	(5)	15
Change in Stocks	**7,151**	**(22,499)**	**(4,572)**	**28,039**	**8,778**	**(3,652)**	**772**	**11,636**		

- **WEATHER, OUTLOOK & OPINION**

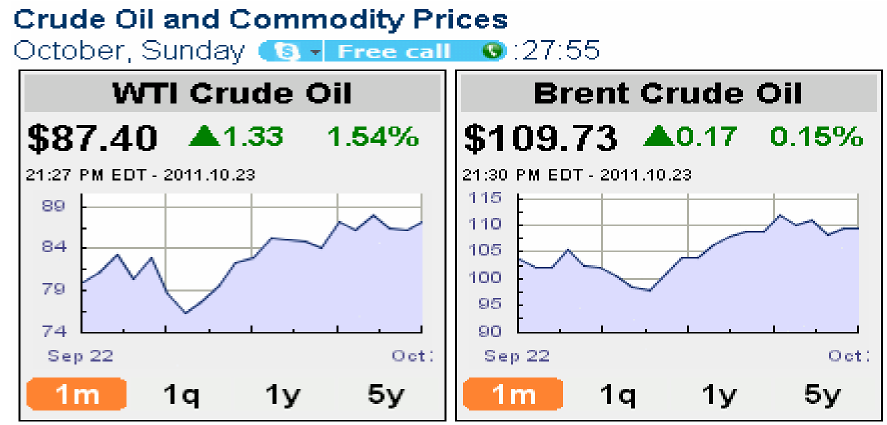


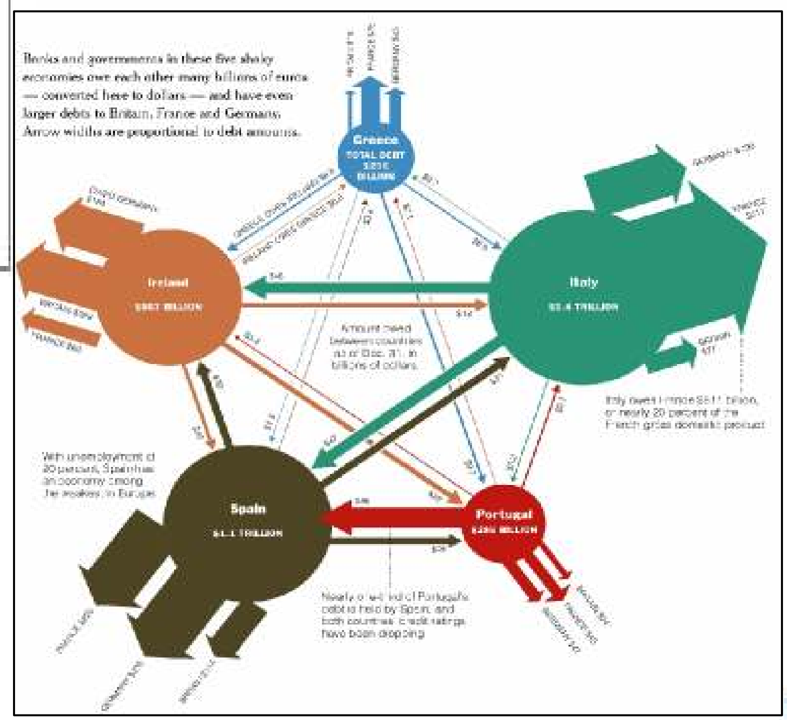
There are now more factors to consider…causing.

- **EXTERNAL MONEY FLOWS**



- **EXTERNAL FACTORS**





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So where are we now and what is the outlook?

The Corn lead rally is over but managed money is coming back with the improvement in the EU.

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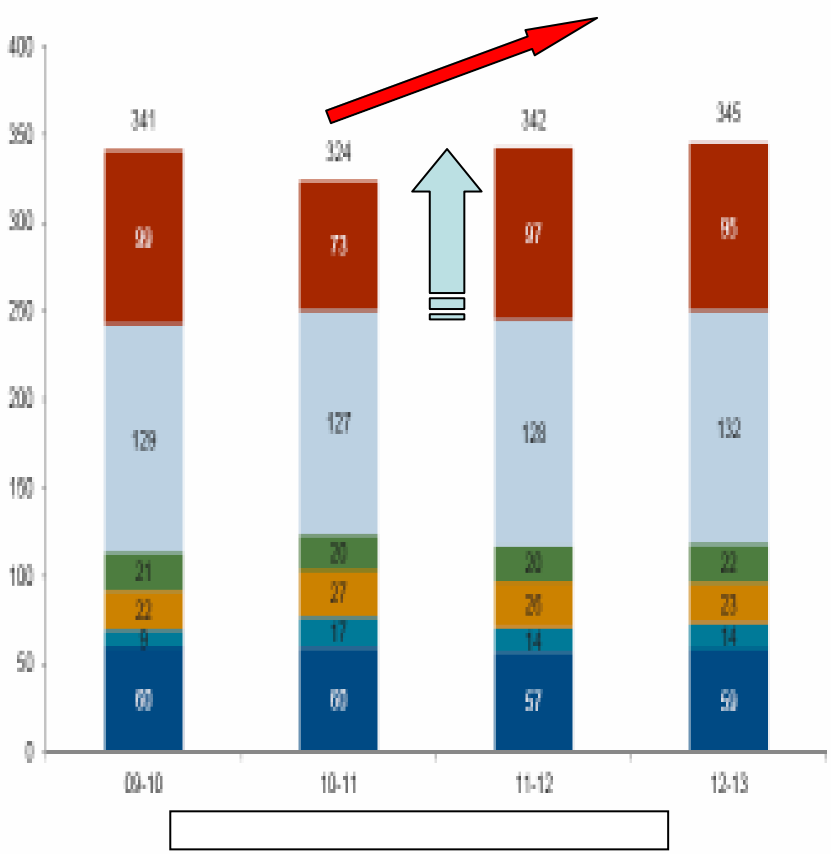
Strong production growth for Big 6 and globally.

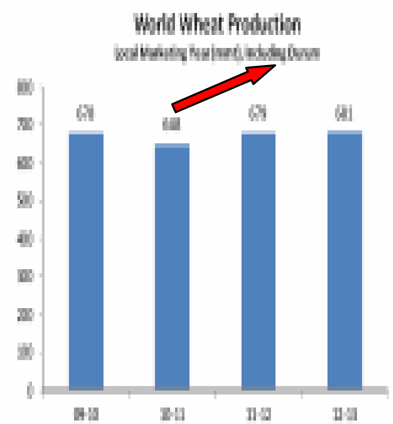
Big Six Wheat Production (Incl. Durum) Jun/May (mmt)



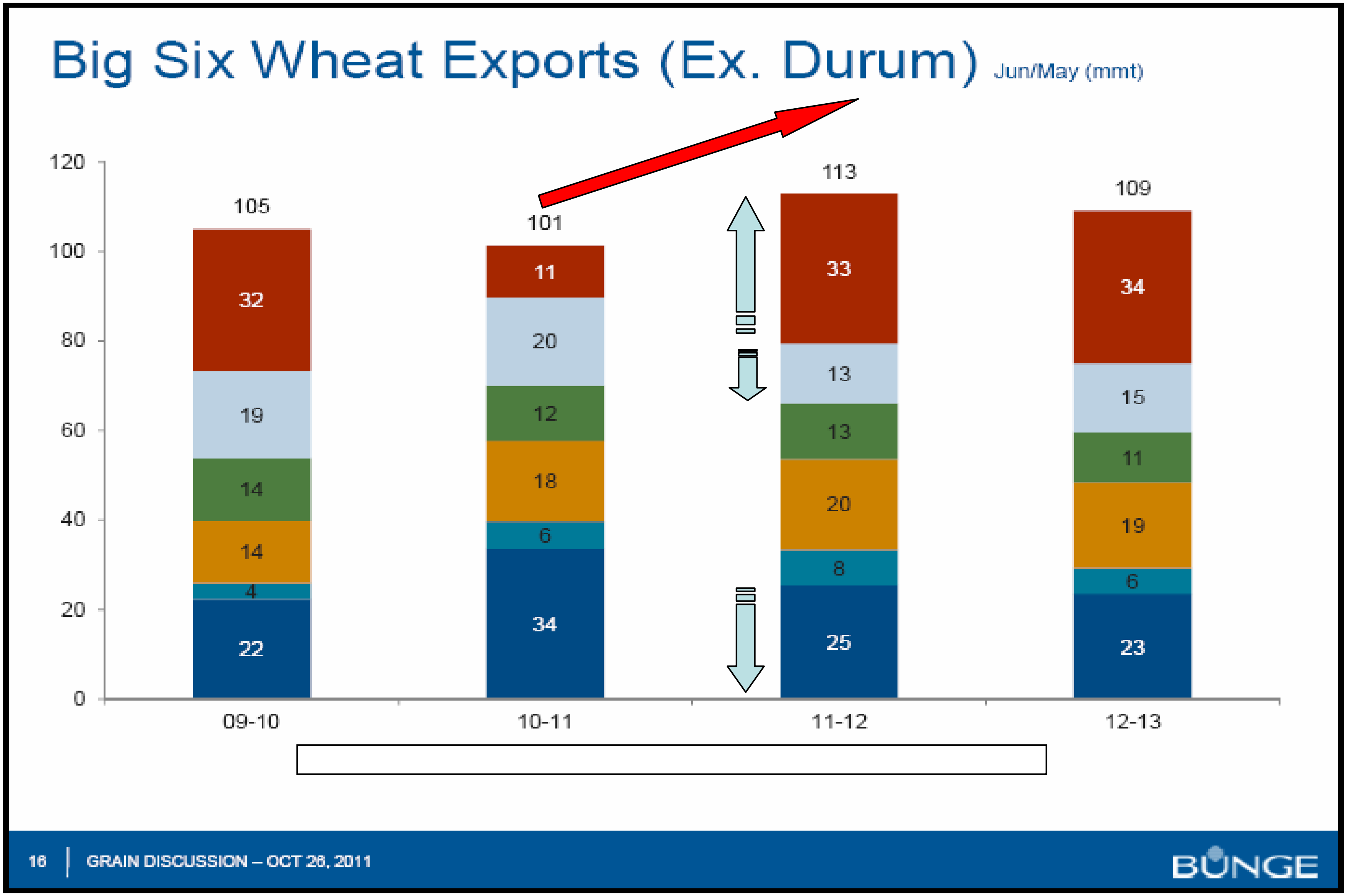
12/13 EU Yield & Acreage increase yoy; 12/13 US Acres increase yoy

World Wheat Production

Jun/May	07-08	08-09	09-10	10-11	11-12	12-13
US	55.8	68.0	60.4	60.1	57.2	58.9
Argentina	18.0	9.9	9.4	16.7	13.7	14.4
Australia	13.5	21.4	21.9	26.7	26.1	23.1
Canada	16.4	23.1	21.4	20.1	20.2	21.5
EU	111.7	140.0	129.3	126.8	127.9	132.4
FSU	78.6	102.2	98.6	73.3	97.1	94.8
Other	318.4	318.5	336.6	324.0	337.0	335.4
World (Local Marketing Yr)	612.4	683.1	677.6	647.8	679.2	680.5
Big 6 Total	294.0	364.6	341.0	323.8	342.3	345.1



FSU exports to grow at the expense of the US & EU.



Wheat imports to grow to MENA & LAM.

Wheat Shipments (mmt) by Region Sep/Aug

	08/09	09/10	10/11	11/12	12/13
MENA	41.3	34.0	32.2	36.4	37.5
EU 27	5.9	2.4	3.8	4.1	4.5
NE Asia minus China	9.5	10.6	12.0	11.5	11.7
SE Asia	11.2	12.4	14.4	14.1	15.1
China	0.6	1.5	1.0	1.1	1.2
Latin America	12.1	13.7	13.4	14.9	13.8
Other	33.5	33.2	30.9	30.5	30.3
World	114.2	107.9	107.7	112.4	114.2

Annual Change (tmt)

MENA	(7,338)	(1,823)	4,181	1,123
EU 27	(3,512)	1,387	268	486
NE Asia minus China	1,057	1,387	(500)	233
SE Asia	1,230	2,040	(353)	998
China	915	(526)	69	76
Latin America	1,596	(279)	1,430	(1,030)
Other	(303)	(2,344)	(386)	(145)
World	(6,356)	(158)	4,709	1,741

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Stocks will build in all major classes as the US faces stiff competition across the globe

US WHEAT SUPPLY AND DEMAND BY CLASS - IN MBU - JUN/MAY

11/12	TOTAL	HRW	HRS	SRW	WHITE	DURUM	USDA TOTAL	USDA HRW	USDA HRS	USDA SRW	USDA WHITE	USDA DURUM
Beginning Stocks	861	386	185	170	85	35	862	386	185	171	85	35
Production							2,008	780	405	458	313	52
Imports							120	1	40	25	9	45
Supply							**2,990**	**1,167**	**630**	**654**	**407**	**132**
Exports							975	430	220	125	180	20
Domestic Use							1,179	439	254	285	116	85
Milling							1,179	439	254	285	116	85
Feed												
Total Use							**2,154**	**869**	**474**	**410**	**296**	**105**
Ending Stocks	**827**	**299**	**155**	**258**	**104**	**11**	**838**	**298**	**157**	**244**	**111**	**28**
	38%	**34%**	**32%**	**65%**	**34%**							

10/11	TOTAL	HRW	HRS	SRW	WHITE	DURUM	USDA TOTAL	USDA HRW	USDA HRS	USDA SRW	USDA WHITE	USDA DURUM
Beginning Stocks	976	385	234	242	80	35	976	385	234	242	80	35
Production	2,208	1,018	570	238	275	107	2,206	1,018	570	237	275	106
Imports	97	1	28	29	7	33	97	1	28	29	7	32
Supply	**3,281**	**1,404**	**832**	**508**	**362**	**175**	**3,279**	**1,404**	**832**	**508**	**362**	**173**
Exports							1,289	616	339	109	182	43
Domestic Use							1,129	403	308	228	95	95
Milling							1,129	403	308	228	95	95
Feed												
Total Use							**2,418**	**1,019**	**647**	**337**	**277**	**138**
Ending Stocks	**861**	**386**	**185**	**170**	**85**	**35**	**862**	**386**	**185**	**171**	**85**	**35**
	35%	**38%**	**28%**	**50%**	**31%**							

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Corn will still provide the floor to the market as it is still tight in the US and globally

Big 4 Corn

Sep/Aug	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	Change 11/12-10/11	Change 12/13-11/12
Planted mln has	76.5	77.4	85.9	81.2	80.7	83.0	86.4	87.8	3.3	1.4
Harvest mln has	73.1	73.7	82.3	77.5	77.2	79.5	82.3	83.5	2.7	1.2
% Harvested	96%	95%	96%	95%	96%	96%	95%	95%	-1%	0%
Yield	6.62	6.68	6.87	6.94	7.34	6.99	7.03	7.37	0.0	0.3
										0.0
Beginning Stocks	140,182	128,282	112,368	130,879	135,582	124,874	99,721	96,351	(25,153)	(3,370)
Production	484,110	492,375	565,666	537,730	566,856	556,205	578,625	615,010	22,420	36,385
Imports	836	1,412	1,658	1,314	2,226	2,068	4,296	3,072	2,228	(1,224)
Supply	**625,127**	**622,069**	**679,693**	**669,923**	**704,663**	**683,147**	**682,641**	**714,433**	**(506)**	**31,791**
										-
Exports	71,443	82,223	87,764	63,236	73,392	72,879	65,967	71,608	(6,912)	5,641
Food, Seed & Ind.	122,105	133,980	156,547	180,837	210,622	217,853	224,950	229,333	7,097	4,383
Feed & Residual	303,298	293,497	304,503	290,268	295,775	292,694	295,373	301,742	2,679	6,369
Use	**496,845**	**509,700**	**548,814**	**534,341**	**579,789**	**583,427**	**586,290**	**602,683**	**2,864**	**16,393**
										-
Ending Stocks	**128,282**	**112,368**	**130,879**	**135,582**	**124,874**	**99,721**	**96,351**	**111,750**	**(3,370)**	**15,399**
Stocks To Use	26%	22%	24%	25%	22%	17%	16%	19%	-1%	2%
STU in days	94	81	87	93	79	62	60	68	(2)	8

China has bought twice when corn has become too cheap.

Other points to watch

- **QUALITY PROFILE OF THE HIGH PRODUCTION CROPS (lower protein)**

SWW - Low protein, softer.

ASW/APW - WA lower protein, new farmer options.

CWRS - Lower protein.

APH - Likely to be lower protein.

- **GLOBAL LACK OF FARMER SELLING**

With prices in some places close to break-even, grower selling may remain slim.

- **MANAGED MONEY CBOT SHORT (estimated at 40,000 contracts)**

This is one of the factors that could/will cause market spikes.

- **CHINA PURCHASES**

On each market dip China has moved to buy corn and now 600,000mt of ASW.

- **EU DEBT WORRIES**

Risk On/ Risk Off.

- **CURRENCIES**

Aus dollar has gone from 1.10 > .94 > 1.07…the recent rise wiped $30/t off farm returns.

- **WEATHER**

US South needs rain, Australia needs it to stop.

Technicals look to a range of 595-665 broad 625-650 narrow

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Thank You!