Profarmer Grain & Feed
NEW ZEALAND
Agrifax

www.nzxagri.co.nz/agrifax 25 October 2011 Vol. 1 No. 26 Ph +64 6 323 1517

GRAIN-MARKET SCENE

ALL REGIONS

In the past twelve months New Zealand domestic grain prices have coped remarkably well to pressure from imported feeds. The demand for feed grain from particularly the dairy sector has been a great support to grain growers across the country. However, during this time Australia has been sitting on a massive abundance of feed grain as a result of the wet conditions that they experienced during harvest last year that saw large volumes of wheat downgraded to feed quality. There was at the end of August 2011 527% more feed grade wheat in storage in Australia than for the same month in 2010. In that same period Australia has 14% less milling wheat in storage, to give a combined figure (milling and feed grade wheat) of 46% more in storage.

NZ PRICES - week ending 21 October								
Free Prices $/t	Last week							
	Range		Average	2 wks ago week	Change	6 mths ago	1 yr ago	Average
Wheat-Milling	Low	High						
Canterbury	460	470	468	465	0.5%	441	342	409
Wheat-Feed								
Canterbury	440	455	449	449	-0.1%	414	326	398
Southland	460	460	460	450	2.2%	410	343	407
Manawatu	440	485	463	463	0.0%	433	415	439
Barley-Feed								
Canterbury	440	455	447	448	-0.1%	401	321	388
Southland	450	460	455	455	0.0%	410	358	407
Manawatu	470	480	477	477	0.0%	420	390	430
Oats-Feed								
Southland	390	425	408	403	1.2%	375	320	361
Canterbury	370	420	390	390	0.0%	330	320	345
Maize-Grain								
Manawatu	450	475	461	463	-0.3%	478	445	470
Waikato	450	465	455	455	0.0%	445	500	468
Currency	Last week		2 weeks ago		change	6 mths ago	1 yr ago	Average
USD	0.794		0.796		-0.1%	0.796	0.795	0.787
AUD	0.776		0.780		-0.4%	0.745	0.783	0.767

**Source: Agrifax* *Growers bids- Prices-Delivered nearest Store or Mill*

PKE - REGIONAL PRICES						
	Last week	2 wks ago	change	6 mth ago	1 yr ago	Average
Canterbury	255	263	-3%	317	301	317
Manawatu	277	289	-4%	340	331	337
Waikato	249	254	-2%	310	301	310
Southland	259	277	-6%	326	315	333

The spread between New Zealand domestic wheat and imported Australian feed wheat is now over NZD$100/tonne landed in Auckland. With price spreads like that it is very difficult for North Island end users to justify shipping South Island grain across Cook Strait.

The Australian harvest is now under way and there is an ever increasing need for Australia to clear stocks to make way for new season harvests. Early reports from harvests are that protein levels are low in some wheat crops, this could see the feed grade stock pile grow even more.

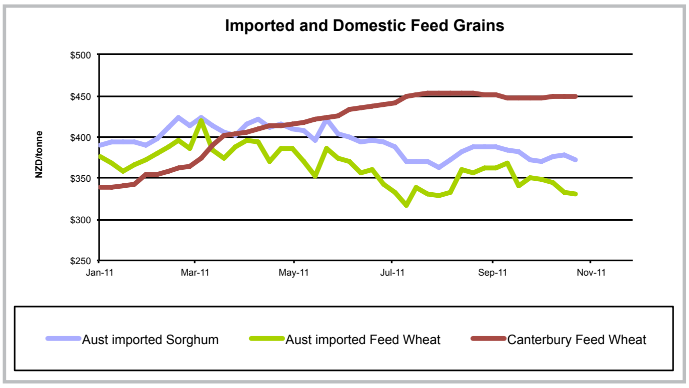
PKE prices have been on downward trend since the beginning of this year as palm oil production in Indonesia has been greater over the past twelve months due to favourable growing conditions.

The strong New Zealand dollar has giving greater buying power off shore and has allowed importers to get more for their money. Weak competition from other importers of PKE has also been partly responsible for the price drop.

Australia has not had any demand for PKE with domestic feed grain so cheap, and Europe's demand for PKE, due to dry conditions and feed shortages that we saw late last year, has not arrived this year.

New Zealand growers should be very happy with the prices that grain has achieved as we sit on the door step of a colossal surplus of feed grain across the Tasman.

With three months until harvest really gets under way there is still a considerable period of usage to go by with the stocks that are on hand. There is still a large amount of contracted grain to be delivered before the end of the year; this could put pressure on logistics to get this done as December is a short month. Limited movements of grain from the South Island to the North Island are causing some back logs of grain also.



GLOBAL MARKET

KEY POINTS

- **Hedge funds support agriculture again.**
- **Global Stocks higher for Wheat and Corn.**
- **China in market for all wheat**

HEDGE FUNDS SUPPORT FALLING AGRICULTURAL COMMODITIES

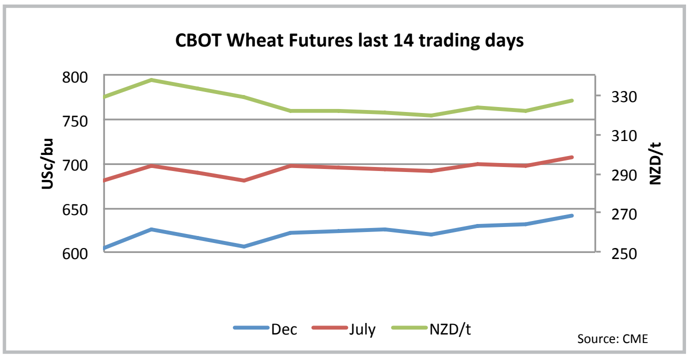
US corn futures rebounded 9.9% in October after an historic loss in September of 23%, the worst since 1959.

Hedge funds are confident that commodities are in a position to bounce back as supply and demand balance is not fairly reflected in the current price.

INTERNATIONAL PRICES - week ending 21 October						
	Last week	2 wks ago	change	6 mths ago	1 yr ago	Average
INTERNATIONAL PRICES NZD/t	CME					
Dec 2011 Contract	291	285	2%	355	330	341
Jul 2012 Contract	324	321	1%	355	330	341
Prices in NZD landed in Auckland						
Wheat APW	396	398	-0.4%	477	424	461
Wheat AH	456	440	3.8%	597	449	557
Feed Wheat	331	333	-0.6%	387	NA	366
Feed Barley	356	354	0.5%	370	NA	371
Sorghum	371	378	-1.8%	415	380	392
						*Source: Profarmer Australia
USD/T (FOB)						
PKE-ex Malaysia	113	123	-9%	132	154	145
						*Source: MPOB
Fertiliser						
Urea (China)	520	520	0%	340	350	418
Urea (Arabian Gulf))	500	510	-2%	325	335	405
Phosphate (China)	640	640	0%	590	540	601
Freight						
Baltic-Dry Index	2140	2127	1%	1271	2542	1585
						*Source: Bloomberg

CORN

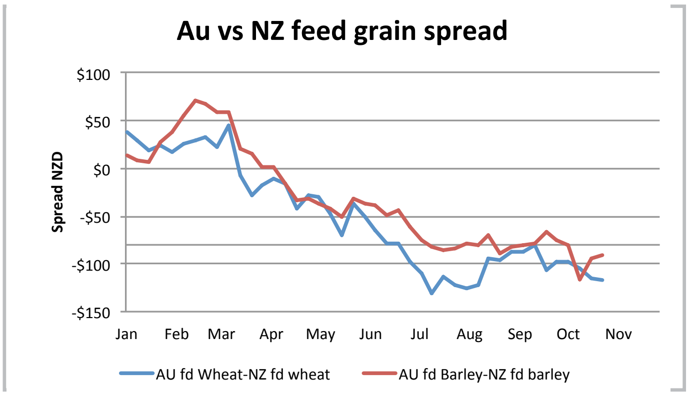
The recently released USDA World Agricultural Supply and Demand Estimates (WASDE) has corn stocks almost 5million metric tonnes (mmt) above the previous month's estimates. This despite lower production figures from the US as the area harvested was reduced due to crop abandonment. US production was down 1.6mmt.



WHEAT

Global wheat stocks are also estimated higher in the latest WASDE reports from the USDA. Up 7.8mmt on the previous month, most of this comes from higher than expected stocks in Eastern Europe and Australia, and of course a smaller than expected use of wheat from earlier estimates.

Lower than expected exports from the US due to stiff competition from Black Sea exports has also been a reason for higher ending stocks in the US.



US CORN HARVEST

This week the US has harvested 65% of corn planted, well above the average of 51%, but trailing last years figure of 81%.

US WINTER WHEAT

US winter wheat is progressing slowly with 82% planted. Planting in Texas is delayed at 63% with an historical average for this week of 78%, Texas is the third largest wheat producing state.

AUSTRALIA

China is in the market for Australian wheat, buying 500,000 tonnes overnight Monday. China is expected to buy 1.5mmt from the world this year, up 90% on last year. Now traders are increasing their export outlook for Australia, up 1mmt to 20mmt.

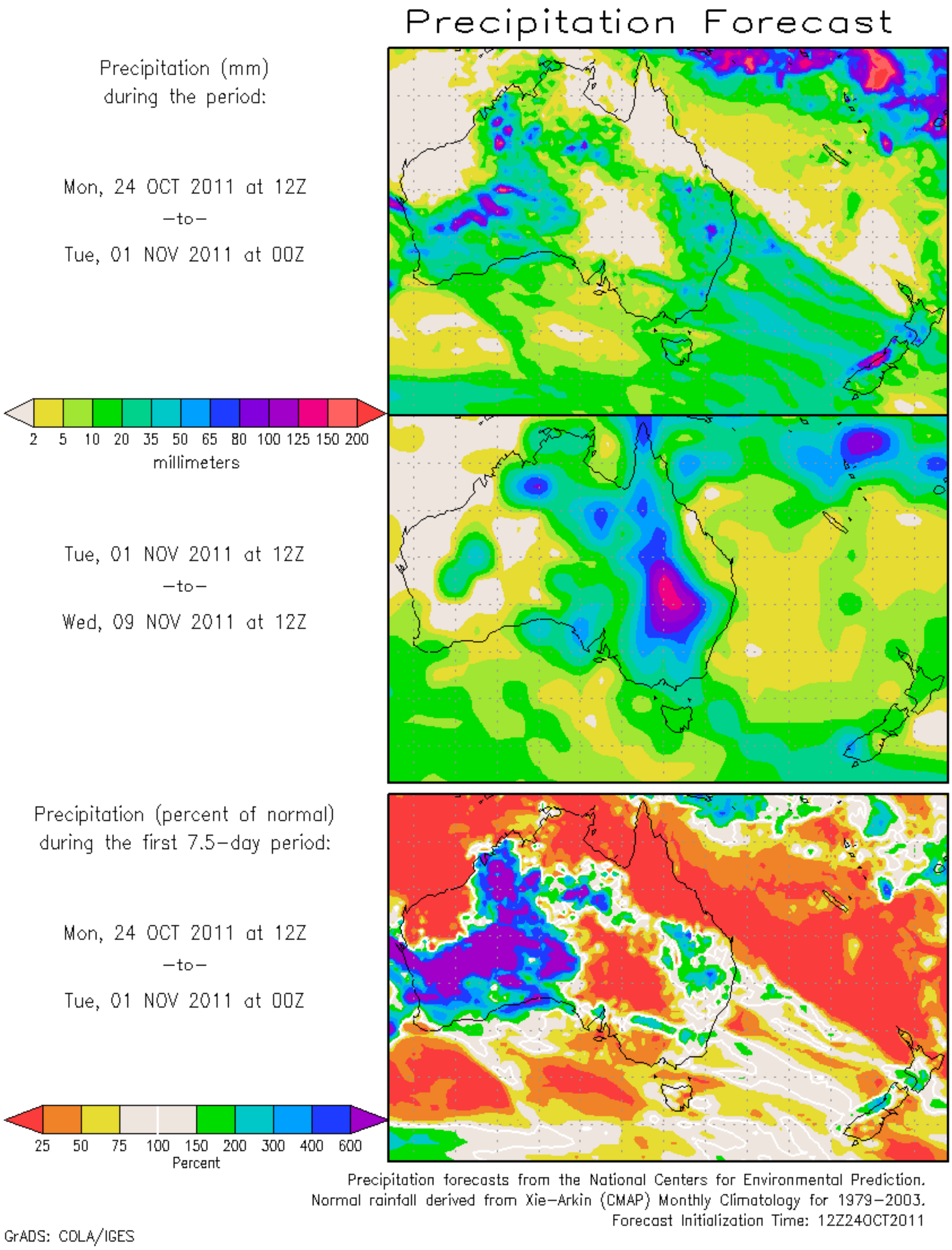
Forage Feeds

There has been no change to forage fees in the past fortnight. Other than conditions for harvesting have become difficult for many Manawatu growers due to very wet conditions.

$/kgDM	Grass	Maize	Baleage/bale
Canterbury	0.22	0.24	66
Manawatu	0.16	0.23	86
Manawatu	0.16	0.24	86
Waikato	0.21	0.25	
Southland	0.20		80

WEATHER WATCH

The forecast for the next fortnight is for the lower North Island to receive well above normal rainfall according to xmaps, 150-200% above normal. Canterbury is to receive below normal rainfall and the Waikato to get about normal rainfall. This is coming from a mostly north-west system coming across the country out of the Tasman.



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