



NEW ZEALAND MARKET

GRAIN - NZ

In the last report we said that end users could be looking at Australia for feed grain due to hassles with inter-island freight in New Zealand. However, due to the poor weather in Australia anyone who goes for this option should look very closely at the quality of any grain from across the ditch. We don't want New Zealand to be a dumping ground for poor quality grain. The other thing is that the price for Australian wheat has risen steeply over the last few weeks, as NZ prices have remained quite steady in recent weeks and seem to be immune to the rising grain prices in Australia and the rest of the world. This can be explained by the fact that mills in NZ have mostly satisfied their requirements for the next few months and any grain sales happening are for relatively small volumes, usually directly to farms for feed. Therefore, any prices that seem high are possibly for short delivery at low volumes and not an everyday occurrence; it does, however, represent the market, if the market is for small volumes and short delivery. There will be some anxious waiting in coming months as we all watch the skies to give us some information on what will happen come harvest time. See weather watch for more on this.

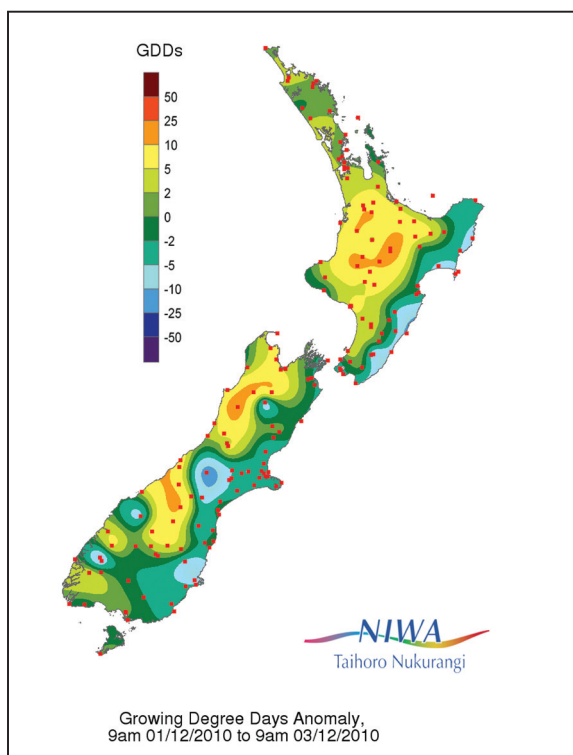
NZ PRICES - week ending Dec 03

Free Prices	This Week			Last Wk	Change	3wks ago
	Low	High	Average			
Wheat-Milling						
Canterbury	335	340	338	335	0.7%	335
Wheat-Feed						
Canterbury	325	345	334	332	0.4%	329
Southland	335	350	343	343	0.0%	340
Manawatu	420	420	420	420	0.0%	410
Barley-Feed						
Canterbury	325	340	331	330	0.4%	326
Southland	350	365	355	352	0.9%	355
Manawatu	400	400	400	405	-1.2%	405
Oats-Feed						
Southland	300	325	312	305	2.2%	310
Canterbury	320	320	320	320	0.0%	320
Maize-Grain						
Manawatu	450	500	483	467	3.6%	463
Waikato	500	500	500	500	0.0%	500
Currency	This week	2 weeks ago		Change	3wks ago	
USD/NZD	0.755	0.761		-0.6%	0.778	
AUD/NZD	0.773	0.775		-0.2%	0.786	

*Source: Agrifax

Growers bids- Prices-Delivered nearest Store or Mill

WEATHER WATCH



The east coast of New Zealand continues to get periodic rain, and at this stage is beneficial to growers. However, we saw Australia saying the same thing a few months back as they got timely rain during the growing stage, but as rain persisted through into harvest it was a different story.

There is a strong possibility that rain could persist through into the new year along the entire east coast. While the west is looking into the sky for welcome rain to offer some relief to the lingering dry pastures and newly planted maize in Waikato, Manawatu, and Taranaki. Southland is having a bumper spring and early summer, with excellent growing conditions offering up more feed than they know what to do with.

▶ GROWING DEGREE DAYS (10°C) MONTH TO DATE AS AT 03 DECEMBER 2010

KEY POINTS

- CBOT DEC 2010 contracts jumped later in the week after a quiet start to close at 706.5USc/bu on Friday morning NZ time
- Dryness in South America and indications of ongoing demand from China and Russia are all contributing to put a base in corn prices
- The wet weather in Australia is impacting global markets, with importers looking back to the US and France for milling wheat supplies in the short term as Australia is seen as possibly struggling to accumulate enough tonnage to meet December and January shipping schedules
- The US winter wheat crop continues to suffer from dry conditions

The last week was steady on the CBOT with no change Tuesday and then a big jump of 47.2USc/bu on Wednesday trading for Dec 2010 contracts. On the demand side there are indications that China is short of corn, with their government very keen to keep food costs under control. As well, Russia is seen as needing to import up to 3 million tonnes of feed grains, with the Russian government in talks with EU suppliers as well as with Argentina, Ukraine and Kazakhstan.

In the UK grain prices are at 30-month highs. This can be due to the regular buyers of Russian grains looking else-where, one such buyer is Saudi Arabia. The European Commission has also announced that it is to sell all its intervention barley stocks, including 170,000 tonnes held in the UK. This will make feed tight in parts of the UK, as a poor summer has meant that little good forage was made and some grain still remains in fields.

US CROP CONDITION

The condition of the US winter wheat crop and moisture levels in the US winter wheat belt are two of the main

INTERNATIONAL PRICES - week ending Dec 03				
	This Week	2 wks ago	% change	3 wks ago
INTERNATIONAL PRICES NZD				
CBOT Wheat	344	313	10%	305
Dec 2010 contract				
Prices in NZD landed in Auckland				
Wheat ASW	452	410	10.2%	411
Wheat APW	478	426	12.3%	424
Sorghum	401	373	7.5%	371
			<i>*Source: Profarmer Australia</i>	
USD/T				
PKE-ex Malaysia	154	154	0%	154
Fertiliser				
UREA (CHINA)	385	380	1%	380
Urea (Arabian Gulf)	350	350	0%	345
Phosphate (China)	595	595	0%	540
			<i>*Source: Bloomberg</i>	

fundamental factors in the market at the moment. If good rains do not fall in spring it is likely that yields will be adversely affected.

Last week the condition rating was unchanged at the top end with 47% of the crop rated good to excellent. However, at the lower end the poor to very poor rating increased from 16% to 17%. 94% of the US winter wheat crop has emerged, which compares to 92% on average for this time of the year.

US WINTER WHEAT CROP CONDITION

	This Week	Last Week	Last Year
Very Poor	4%	4%	1%
Poor	13%	12%	5%
Fair	36%	37%	31%
Good	39%	39%	50%
Excellent	8%	8%	13%

AUSTRALIAN MARKET

AUSTRALIAN CROP

Wet is the only way to describe the Australian harvest season this year - with the exception of WA where the long dry continues unabated.

The week ending November 30 saw significant rainfall across a lot of NSW and Victoria with falls in the 25 to 100 mm range, and more has persisted through the weekend.

The international markets are watching

the wet harvest closely. The delays to harvest and the lack of milling wheat supplies are likely to pressure export shipments booked for early January.

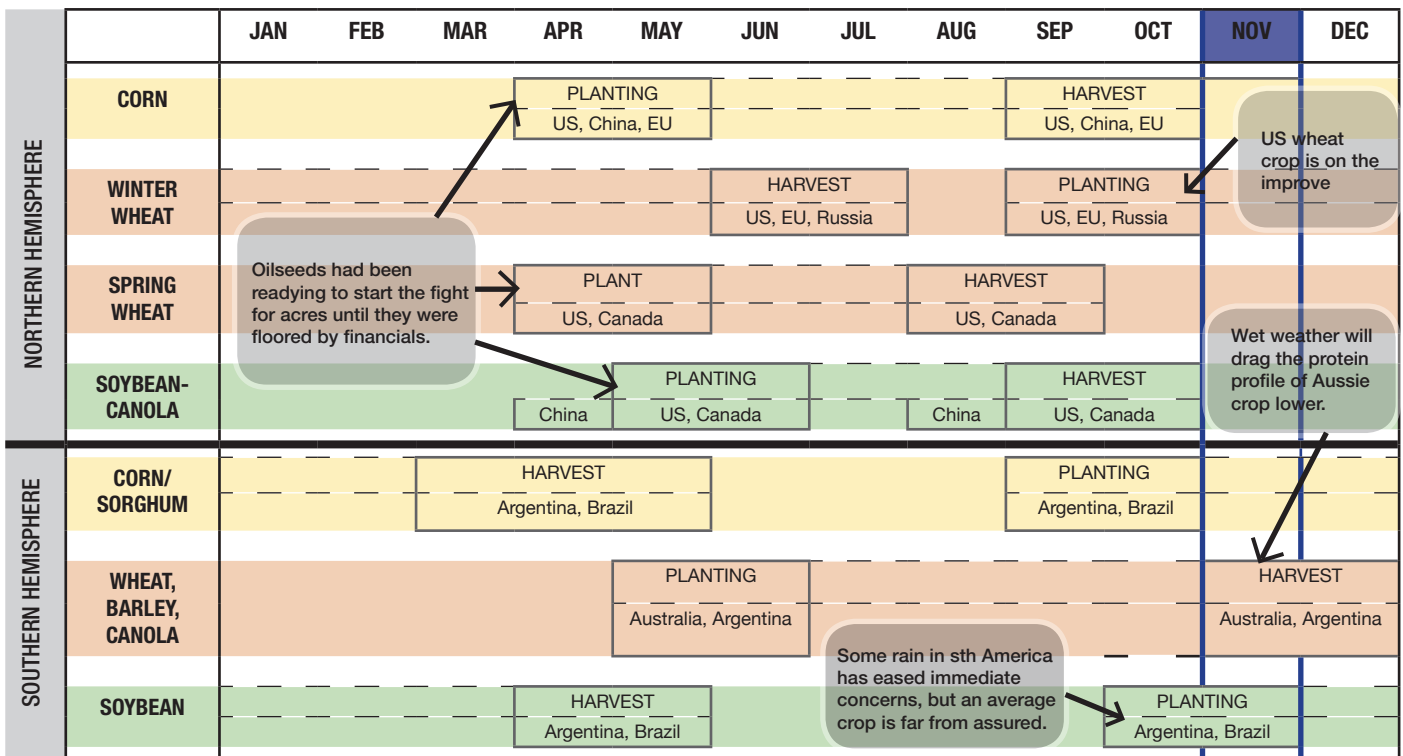
Harvest is running late and the volume of weather-damaged wheat and barley is growing.

The issue is currently most acute across Qld, NSW and now Victoria.

A combination of factors could put eastern state swap basis levels under pressure

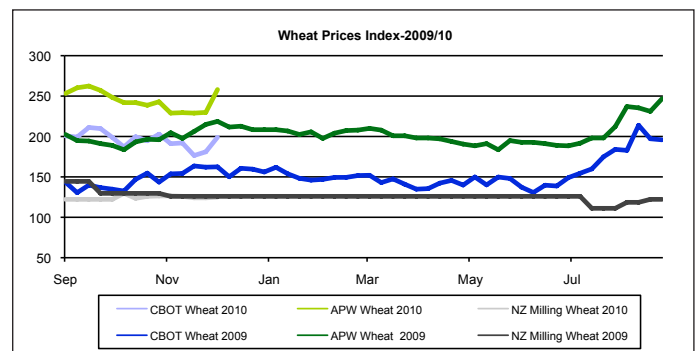
until stocks from WA are depleted, and the ability of the US and Europe to meet global milling wheat demand is curtailed.

Unfortunately, since the recent rains they are now testing malt barley for germination, with 130 min on the RV machines for malt grade. In the case of Flagship, grain harvested both before and after the most recent rains is now being downgraded.



GRAIN INDEX

Depending on where you are in New Zealand there will be anything from a fed surplus to a small deficit. There seems to be enough moisture in the ground currently to push up the grass, but once that is eaten we could see a need for feed grain to ensure there is enough condition on stock going into the autumn. The alternative is early drying off of dairy cows, as we have seen in the past. The rising cost of PKE should see users look more favourably at grain as a feed option, as the price for PKE is sneaking up every week and at a much greater rate than any other similar feed, with the exception of imported grain.



Set at 100 1st July 2005

IMPORTS

The volume of imported feed is consistent with previous years, and we haven't yet seen any change in the normal routine. But as the squeeze goes on in Australia it is pushing up imported grain prices landed here in NZ. This could see a shift in the volume of grain imported, a substitution or more grain sourced from within NZ. The forth option is that end users are expected to pay more for grain, regardless of wherever it comes from and what ever it is

FEED INDEX				
	This week	Last week	change	3 wks ago
Wheat-Feed	142	141	0.4%	140
Barley-Feed	151	150	0.4%	148
Grain Index	138	138	0.5%	137

Set at 100 1st July 2005

PKE - REGIONAL PRICES				
	This week	Last week	change	3 wks ago
Canterbury	320	312	2%	311
Manawatu	350	335	4%	332
Waikato	310	302	2%	301
Southland	329	321	2%	320

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