

ASX Grain Futures & Options

Helping Australia's feed grain users manage
grain price risk

01/11/2007

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About ASX



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AUSTRALIAN SECURITIES EXCHANGE

The ASX Limited group of companies, known as the Australian Securities Exchange (ASX), includes the combined operations of the Australian Stock Exchange and SFE Corporation (Sydney Futures Exchange) which merged in July 2006.

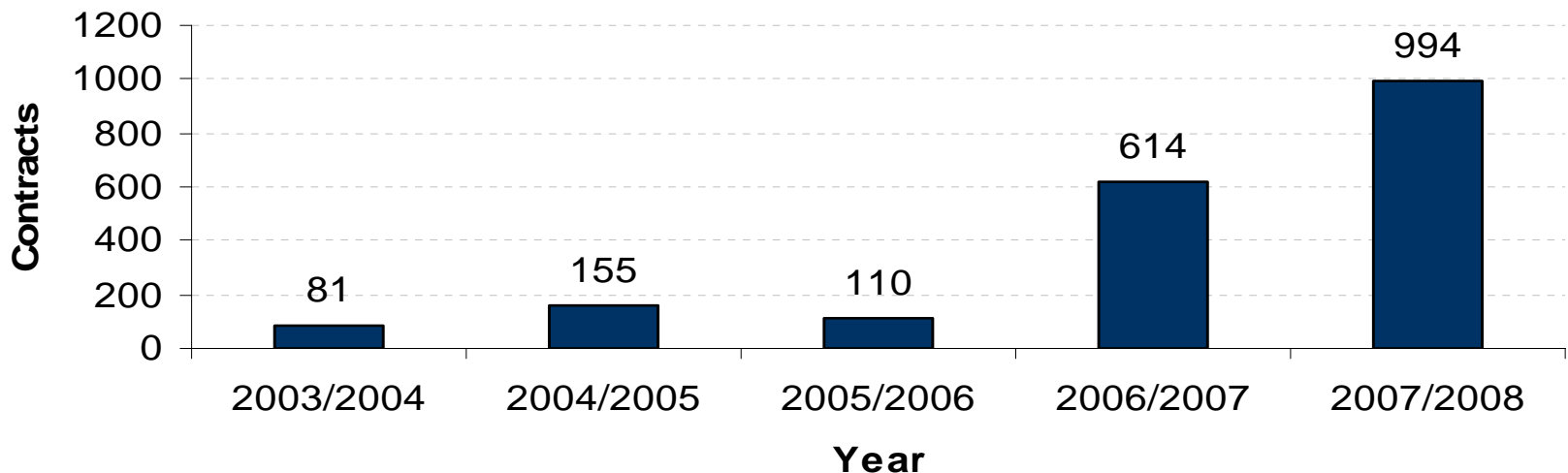
ASX operates Australia's major financial markets for equities and derivatives, and provides listing, trading, risk management, clearing, settlement, depository and market data services for domestic and global customers.

ASX Grain Futures & Options is a price discovery and risk management facility that can be utilised by all participants in Australia's grain industry.

A growing market



ASX Grain Futures and Options
Average Daily Volume
as at end October 2007



At just under 20,000 tonnes, the average daily volume for 2007/2008 represents improved opportunity for feed grain users to participate in the market and hedge their grain price risk.

Australia's feed grain users



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Industry	Annual Requirement (approximate)	Grain Cost as a % of Total Operating Cost (approximate)
Dairy	3.5 million tonnes	60%
Lot Feeding	3.5 million tonnes	45 - 50%
Pork	2 million tonnes	55 - 70%
Poultry (broiler & layer)	3 million tonnes	50 - 60%

The impact of drought



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The following slides highlight the devastating impact high feed grain prices are having on Australia's intensive livestock industries and the flow on inflationary effects that will result.

ASX Grain Futures and Options were listed in 2003, following the 2002 drought. The aim of the market is to provide a facility through which all participants can hedge their respective price risk.

This market is growing and the ability to execute hedging strategies is also improving. The time has come for end users, if not already using ASX, to learn more about this market as the benefits of hedging can be substantial.



15th October, 2007

Media Release

Feedlot cattle numbers slashed

The September ALFA/MLA quarterly survey has confirmed expectations of a dramatic fall in numbers on feed nationwide. The total cattle on feed dropped by 189,506 head, or 22%, to 680,519, compared with the June quarter which stood at 870,025 head. Year-on-year the drop was even more substantial at 200,762 head or 23%.

“These results reflect the impact of the most difficult trading conditions ever seen by the industry,” said ALFA vice-president Jim Cudmore. “The record high grain prices are compounded by a very strong Australian dollar. There seems little relief in sight for either.” With both local and export customers reluctant to raise prices, and feeder cattle prices still not low enough to restore a margin, feedlots are unable to offset the escalation in feed input costs. “There are few choices available other than cutting back the numbers of cattle on feed.”

Low world stocks of grain and high global demand boosted by biofuels have driven international grain prices to record levels. Australia’s drought has compounded the pressure on grain prices. It is therefore difficult to foresee any fundamental weakening of grain markets.

Numbers of cattle on feed tumbled in all States. Worst hit was Qld with a fall of 62,561 (15%) for the quarter and 101,000 year-on-year. NSW lost 55,137, or 18% for the quarter and Victoria



10 September 2007

Australian Pig Farmers on the Brink of Ruin

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The prolonged impact of drought, compounded by record levels of pig meat imports into Australia and a strong AUD affecting exports have brought Australia's pork industry to its knees.

Australian Pork Limited (APL) Chief Executive Officer Andrew Spencer said that all these factors have come together to create the worst operating environment for Australian pig farmers in living memory.

"The greatest impact has been the skyrocketing price of feed grains. Added to this have been record levels of imports displacing Australian grown pork, particularly in the manufacturing sector.

"At the same time the high dollar has been responsible for slowing pork exports to major export markets like Singapore. Pork normally destined for Singapore has been pushed back onto our already oversupplied domestic market."



Australian Chicken Meat Federation (ACMF) Inc

*** MEDIA RELEASE ***

Wednesday, 24 October 2007

AUSTRALIAN CHICKEN MEAT PRICES SET TO RISE AS GLOBAL GRAIN SUPPLY CRISIS IMPACTS PRODUCTION COSTS

Over the past six months, the continuing global grain shortage has led to unprecedented prices for feed grains. Until now, the Australian chicken meat industry has strongly resisted the imperative to raise prices of chicken meat despite the substantial increase in production costs. Unfortunately, a price increase for chicken meat has now become inevitable.

Chicken is a nutritious and staple element of the Australian family diet and has enjoyed low prices for many years, despite the rising cost of major inputs such as feed grains (due to the drought), petrol prices for transport and deliveries and electricity prices which have been worn by the industry. This situation is no longer sustainable. The price of chicken meat will have to rise from mid November.

The price of a tonne of wheat, the industry's single biggest input cost, has more than doubled in a year and hit a new high this month of \$492. Grain represents the major part of chicken feed, for which there is no substitute. Feed in turn makes up more than 60% of the cost of producing a

JOINT MEDIA RELEASE
26 SEPTEMBER 2007



Price of eggs and meat set to rise and remain high 'for some time'

Two of Australia's food industries today warned consumers that the cost of producing foods present on most households' shopping lists has risen sharply due to the ongoing high price of grain.

Over the last few weeks grain prices have increased from a three month average of A\$290 per tonne to a peak of A\$492 per tonne on Monday, representing an increase of A\$202 or 70 per cent.

An independent economic forecast indicates that the price of grain will persist at higher than average levels for some time, unless there is timely and sufficient rain or an increase in imports of grain from overseas. Furthermore, the Australian Bureau of Agricultural and Resource Economics (ABARE) has recently reviewed its winter crop forecast down by 30% on forecasts made in June.

The Australian Egg Corporation and Australian Pork Limited are therefore warning consumers that the cost of producing eggs and pork will increase in the short term and remain high for the foreseeable future, unless there is a substantial fall in the price of grain.

Egg, milk, pork and meat producers are being particularly hard hit due to the high dependence on grain for the production of these foods.

Just back from an international egg conference, James Kellaway, Managing Director of the Australian



- Navigation
- ▶ Media Centre (area)
- ▶ Media Contacts
- ▶ Media Releases
- ▶ Media Releases Archive
- ▶ Photo Gallery

Grain and fodder outlook important for dairy farmers

31 August 2007

A dry winter and recent warm weather in some key agricultural regions has again placed the dairy industry in a very tight feed supply position according to Australian Dairy Farmers (ADF) president Allan Burgess.

"Like last year, the later part of the winter period has been dry and warm and this has seen the loss of the potential for a big grain, silage and hay harvest," Mr Burgess said. "It goes without saying that September is critical if some of the harvest potential is to be recovered.

"Some things are similar to last year and others are different.

"On the positive side the farmgate milk price is higher, southern Victoria and Tasmania are having better seasons, there has been some recent winter rain in northern states and the Macalister irrigation system is currently full. On the downside the Murray River storages are much lower affecting dairy farmers in New South Wales, Victoria and South Australia.

"Fodder and grain availability in Southern Australia will be largely determined in the next month.

"The industry has, and is providing information to support decision making on farms with the Feed, Fibre, Future program and the ongoing hay and grain reports to name two.

"We do, however, recognise the rapidly changing nature of the current issue and the dairy industry is urgently seeking the most current information about weather, grain and hay outlooks so farmers can continue to have the best possible information for planning purposes."

Mr Burgess said that ADF continued to communicate with the Australian Government about seasonal conditions and was also working with other industries in regards to industry support.

"The industry will do all it can to support decision making," Mr Burgess said. "But planning at farm level is most important and we urge farmers to seek out the information and advice and plan for their business for the year ahead."

For further information, please contact:

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Grain imports considered as drought cripples local producers

CANBERRA, Oct 30 AAP

October 30 2007, 7:50PM

Australia's livestock industry will be forced for the first time to import grain from overseas if local supplies continue to dwindle in the crippling drought, producers have warned.

Grain producers are predicting a two million tonne grain shortfall for the eastern states, as ABARE today released a revised down forecast for 2007-08 winter crops.

The winter wheat crop output is now forecast at 12.1 million tonnes compared to a previous estimate of 15.5 million tonnes.

Grain and livestock industry representatives met at the Feedgrain Partnership (FP) Drought Summit in Canberra today to discuss the effects of the drought.

FP chair Kathleen Plowman said if local producers could not meet the needs of the livestock industry it would be forced to consider importing grain.

"Livestock industries have always said our process is not to import grain from overseas markets because even though they have quarantine (regulations) there is always a risk," she told reporters.

"However, if the market can't supply our needs and prices move in such a way that makes it affordable for us to do so, we will do so.

"Naturally, we would try to seek it from the west coast but a lot of that ... grain crop is going to be committed anyway to the export market, particularly in the first half of next year."

Ms Plowman said moving grain from the west to the east coast was expensive due to freight costs.

She said the two million tonne grain shortfall for the east coast could be partially eased by a strong sorghum

Market watch top headlines

Australian reports

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November 06, 2007 12:50 PM AEST

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Season 2007



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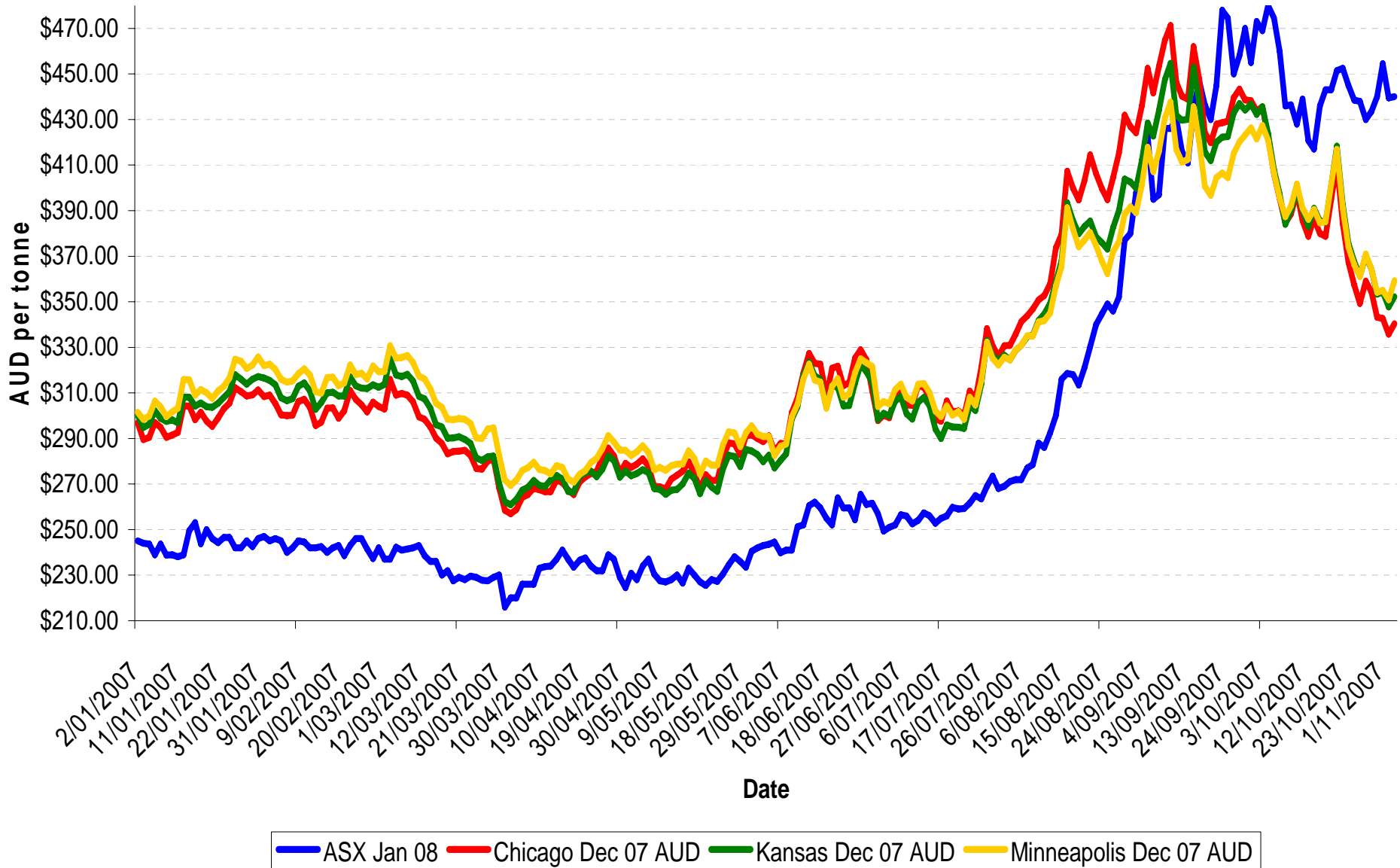
We know the disastrous impact of high feed grain prices.

How has the ASX price performed in relation to North American markets?

How would a hedge on ASX have performed in Season 2007?

How would this compare with a hedge on Chicago Board of Trade?

Wheat Prices 2007
ASX compared with North American Markets
(Australian Dollars per tonne)



Hedge Performance 2007

Exchange	6 th June 2007	3 rd Nov 2007	Hedge Return	Potential Physical Cost
	Bought Futures	Sold Futures		\$450 (hypothetical price)
ASX Wheat Jan 08	\$244.50	\$440	\$195.50 (\$440 - \$244.50)	\$254.50 (\$450 - \$195.50)
Chicago Wheat Dec 07	\$284.30	\$340.41	\$56.11 (\$340.41 - \$284.30)	\$393.89 (\$450 - \$56.11)

This table highlights two important points.

1. Hedging can provide significant protection.
2. ASX reflects local supply and demand. As a result, the hedge result on ASX is very different to a hedge performed on North American markets.

The recent drought record



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Year	
2002	Drought
2005	Late Break
2006	Drought
2007	Drought
The future	Climate change? Global grain stocks & bio-fuels?

Further information



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