

EMERALD HARVEST CANOLA POOL 2010/11

Strategy
Update

AUGUST 2011

MARKET & STRATEGY

Market

- Canola markets have continued to retrace over the past month, as new crop production in Europe has become more assured and harvest swathing occurs in several nations. Positive weather patterns in Canada have also assisted with crop condition there after a late planting caused concern in the market.
- Oilseed and related energy markets have also experienced a round of macro repositioning as European and US debt concerns influence the risk appetite of money managers, in turn pressuring commodity markets. In addition, wild foreign exchange rate fluctuations have added an extra dimension to the recent price volatility and have continued to play a major role in local pricing levels.
- Locally, winter rainfall in WA has significantly improved production prospects and SA/East Coast growing conditions remain positive despite some concerns regarding less than ideal canola germination. Pricing direction going forward will be influenced by; European harvest conditions and new crop yields; Ukrainian rapeseed exports which compete directly with export business from Australia into Europe; Canadian late-planted new crop Canola development; reduced production and carryout of USA Soybean crop

Strategy

- The Emerald harvest pools strategy continues to focus on finding the best markets for the unsold portion of the varied quality that has been delivered this year given the difficult season. Emerald has been successful at exporting GM canola into Middle East destinations during 2011 and continues to explore both domestic and export channels for remaining stock both of sound grade and off-grade seed.

Pricing

- Pricing levels for Emerald's 10/11 Harvest Canola Pool are approximately 80%. The coverage thus far has been a combination of export and domestic sales as well as the use of derivative products. With canola markets still characterised by fundamental supply volatility Emerald remains mindful of price swings in both directions. For this reason, we are endeavouring to limit downside whilst capturing any significant price rally through the use of option structures and physical sales.

HIGHLIGHTS

KEY INFORMATION

Pool return based on CAN1	Current EPR	Inc. EOP*
Current Pool Return	\$585	\$608
March 2011 Pool Opening	\$475	\$498
December 2010 Return	\$580	-

OTHER KEY GRADES

Grade	Current EPR	Inc. EOP*
CAN1	\$585	\$608
CAN2	\$550	\$573
CANG1 (GM)	\$560	\$583
CANG2	\$515	\$538

*Based on March EOP figures

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