Market Overview

AAAC Outlook Day

PREPARED FOR:

Matt Rutter

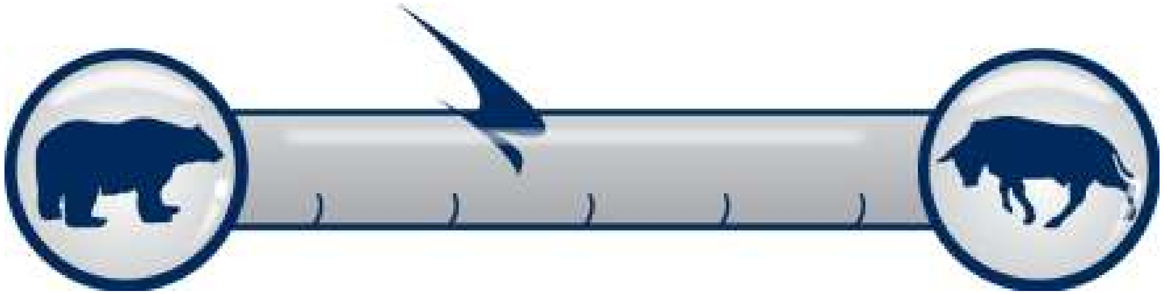
Gavilon Grain Australia

- Gavilon is a leading commodity management firm, connecting producers and consumers of feed, food and fuel in the U.S. and abroad
- Provides origination, storage and handling, transportation and logistics, marketing and distribution and risk management services.

- Manages commodities with significant mismatches in supply and demand
- Creates markets and provides liquidity for producers, and offers flexible and consistent supply for consumers

Gavilon's market view

"NEUTRAL TO BEARISH"



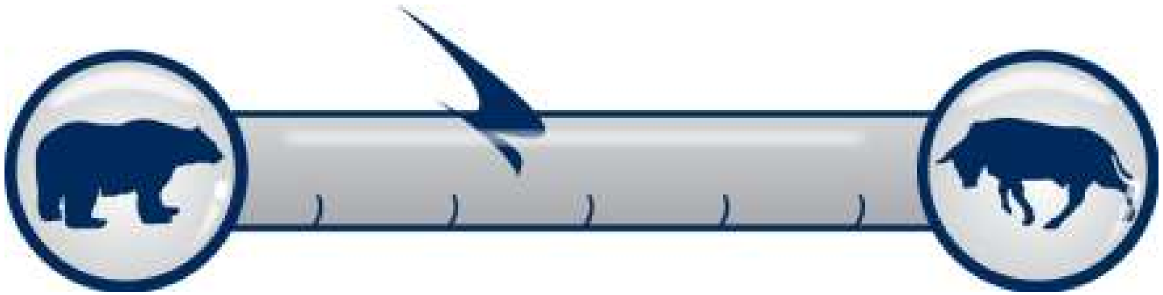
Overarching considerations…

- **The world economy is on tender hooks**
  - Europe
  - US
  - China
- **Wide-scale deleveraging**
  - Commodities
  - Equities
  - Financials
- **Commodities off the investment preferred list**
- **General risk aversion amongst investors**
- **Generally loose grain balance sheets**
- **Large Australian crops**
- **But, the Silly Season looms…**

GAVILON®

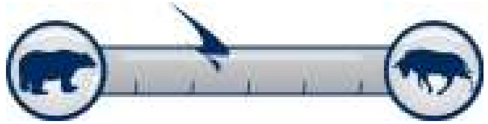
Wheat View

“NEUTRAL TO BEARISH”



GAVILON®

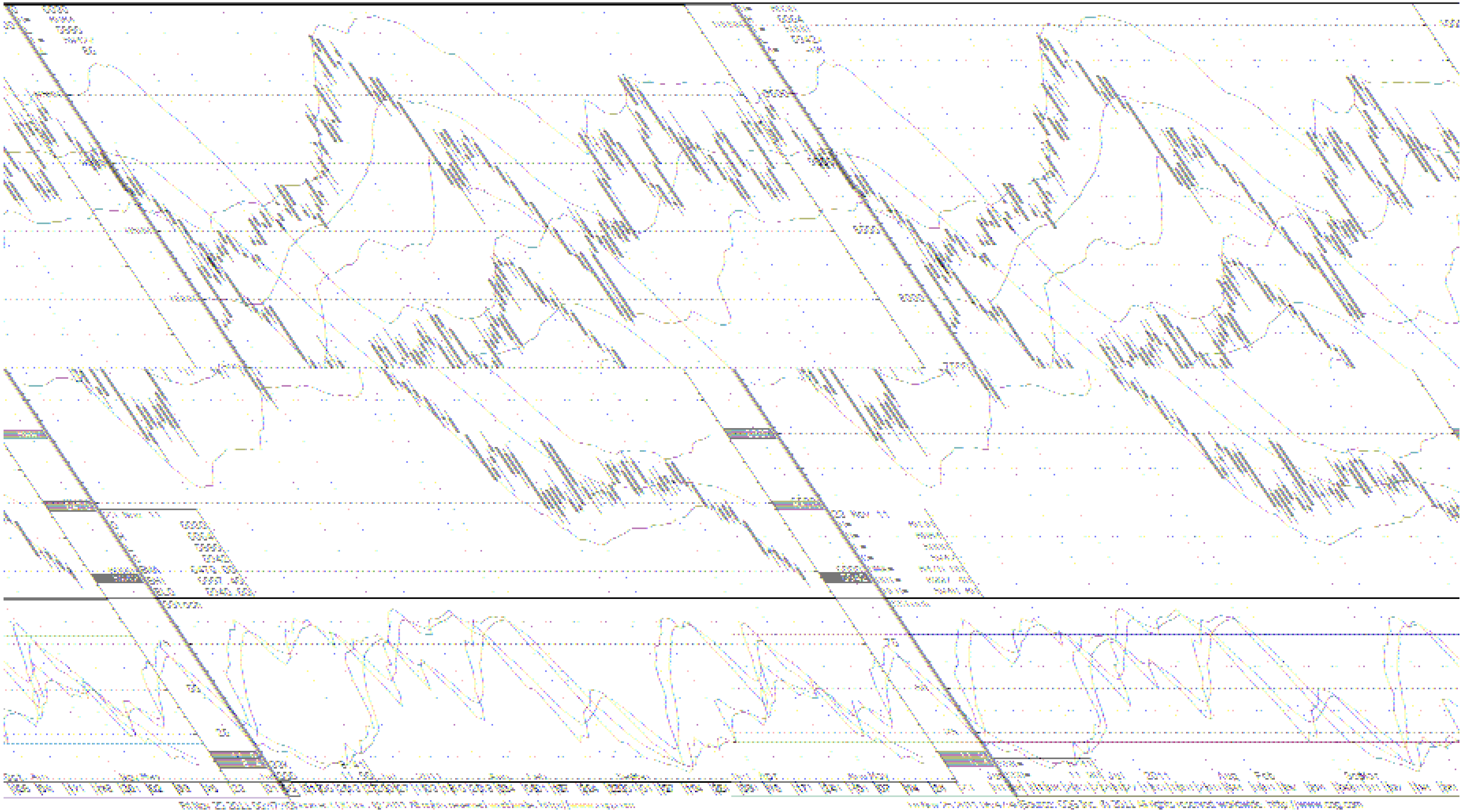
Wheat – Key Points



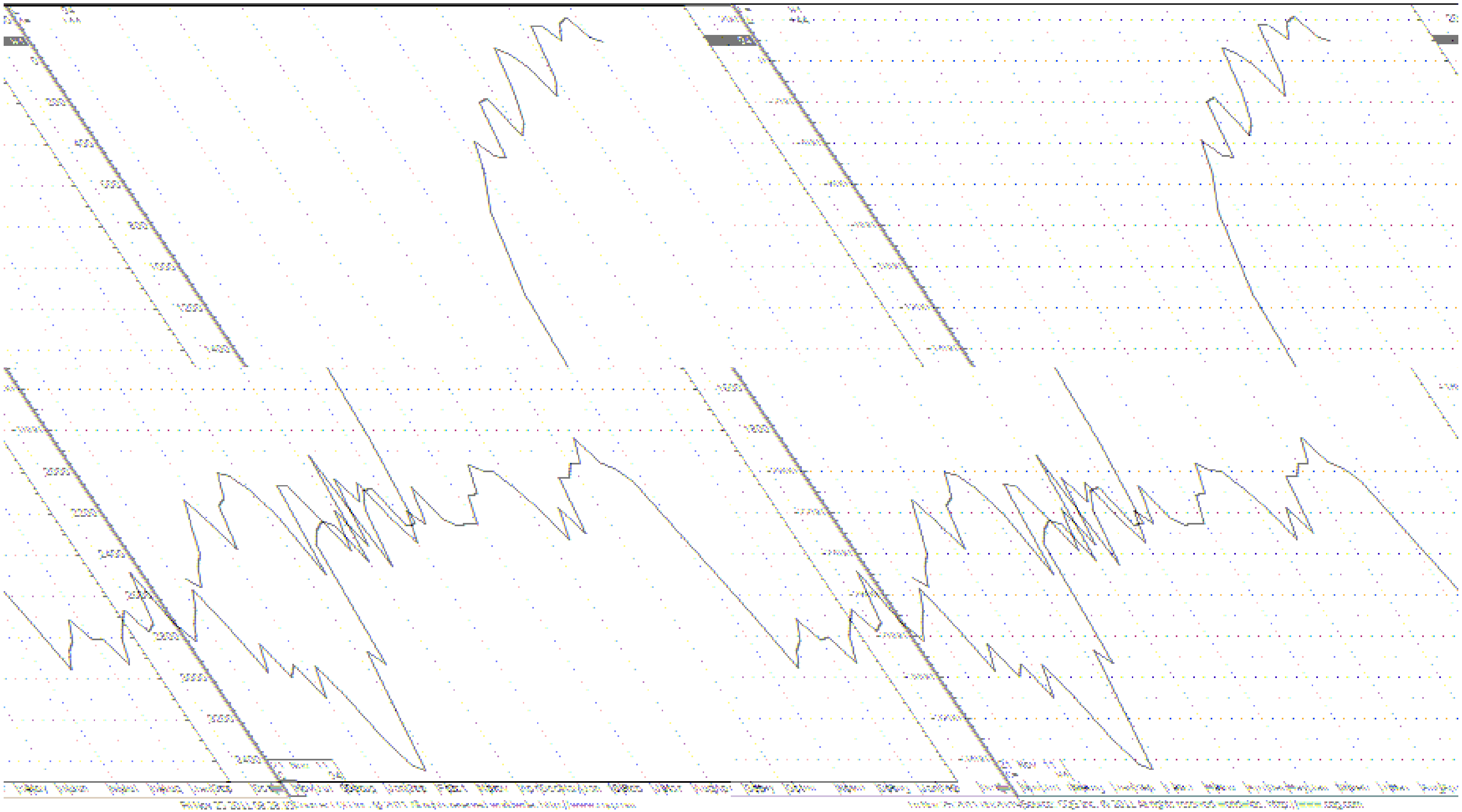
- **View:** Neutral to Bearish
- **Factors supporting our view:**
  - Bearish world wheat flat price values and overvalued US wheat.
  - Large carry out of low quality wheat in Australia.
  - A large, low-protein Australian crop on it's way.
  - Balancing this: Shorts in the prompt protein wheat market – WA protein values are above export parity. EA similar story.
  - US corn looking for export business to China.
- **Factors which could change our view:**
  - US Corn may now work into China.
  - If we see the Chinese enter the market now for Corn, wheat should be supported.
  - Speculators are short 75 k wheat contracts which would trigger large scale short covering.
  - Speculative length in Corn is small compared to historical averages.

GAVILON®

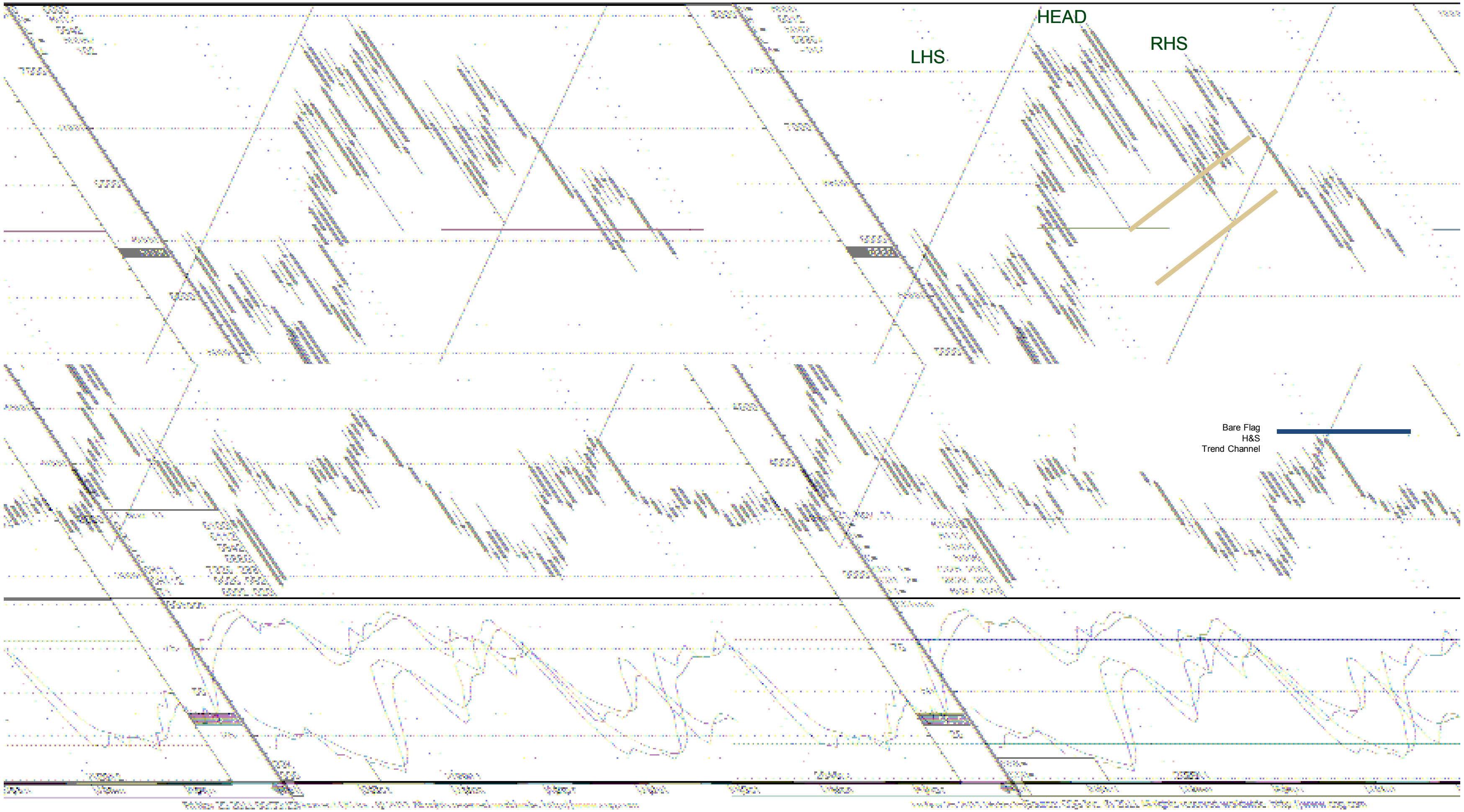
Wheat Futures



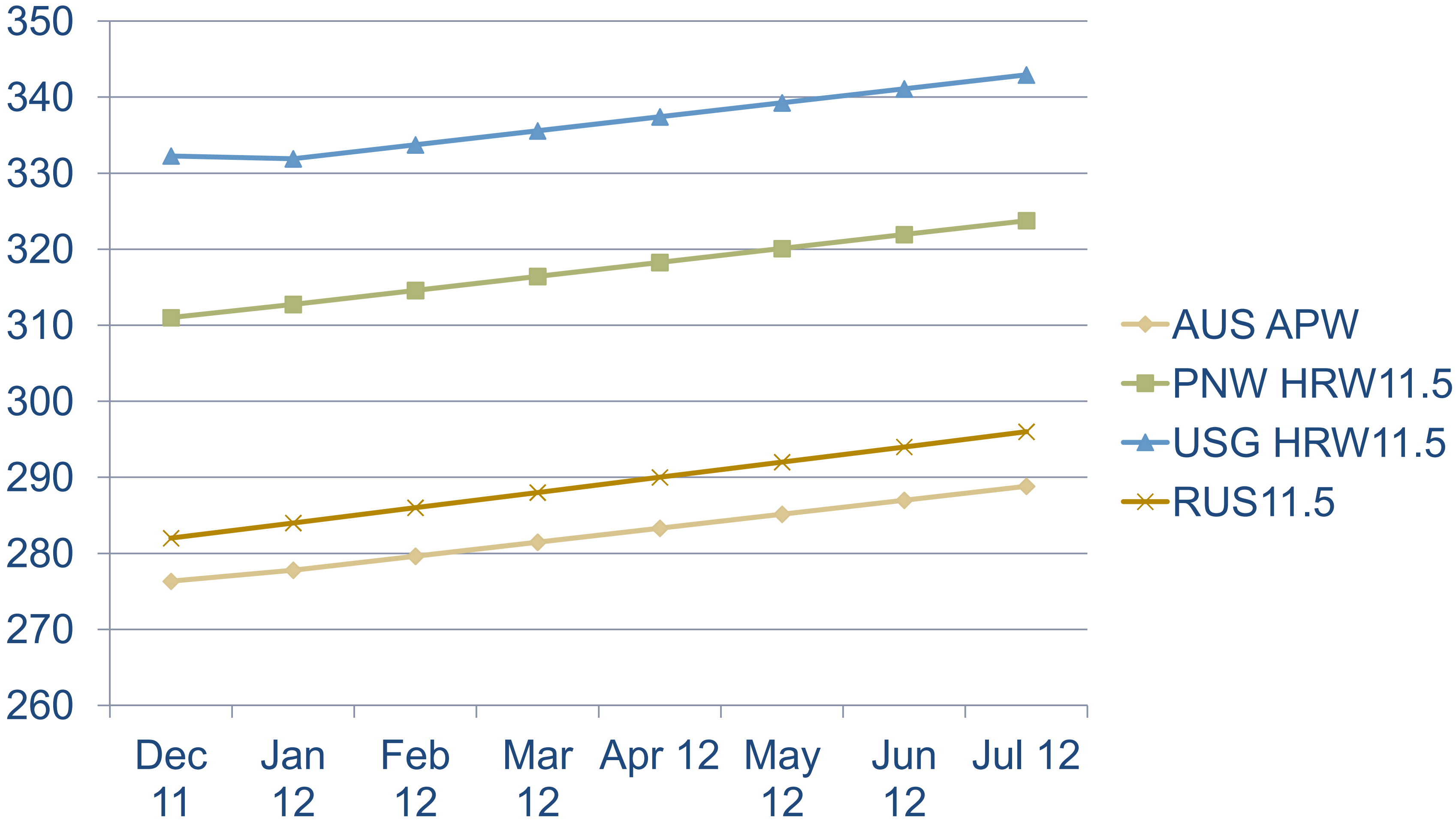
Corn to wheat spread



Corn – headed lower??

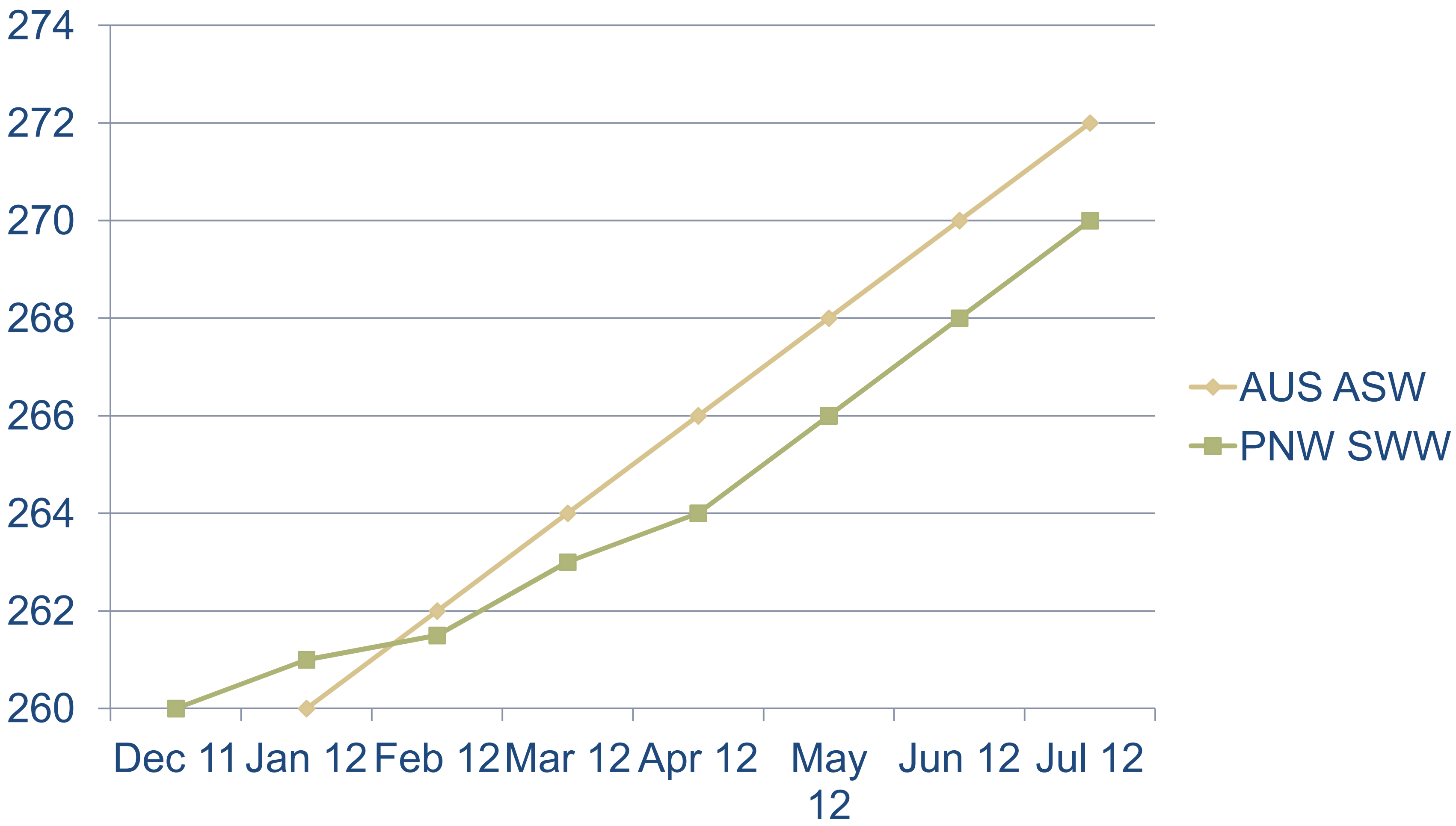


Parity matrix- Wheat to Indonesia



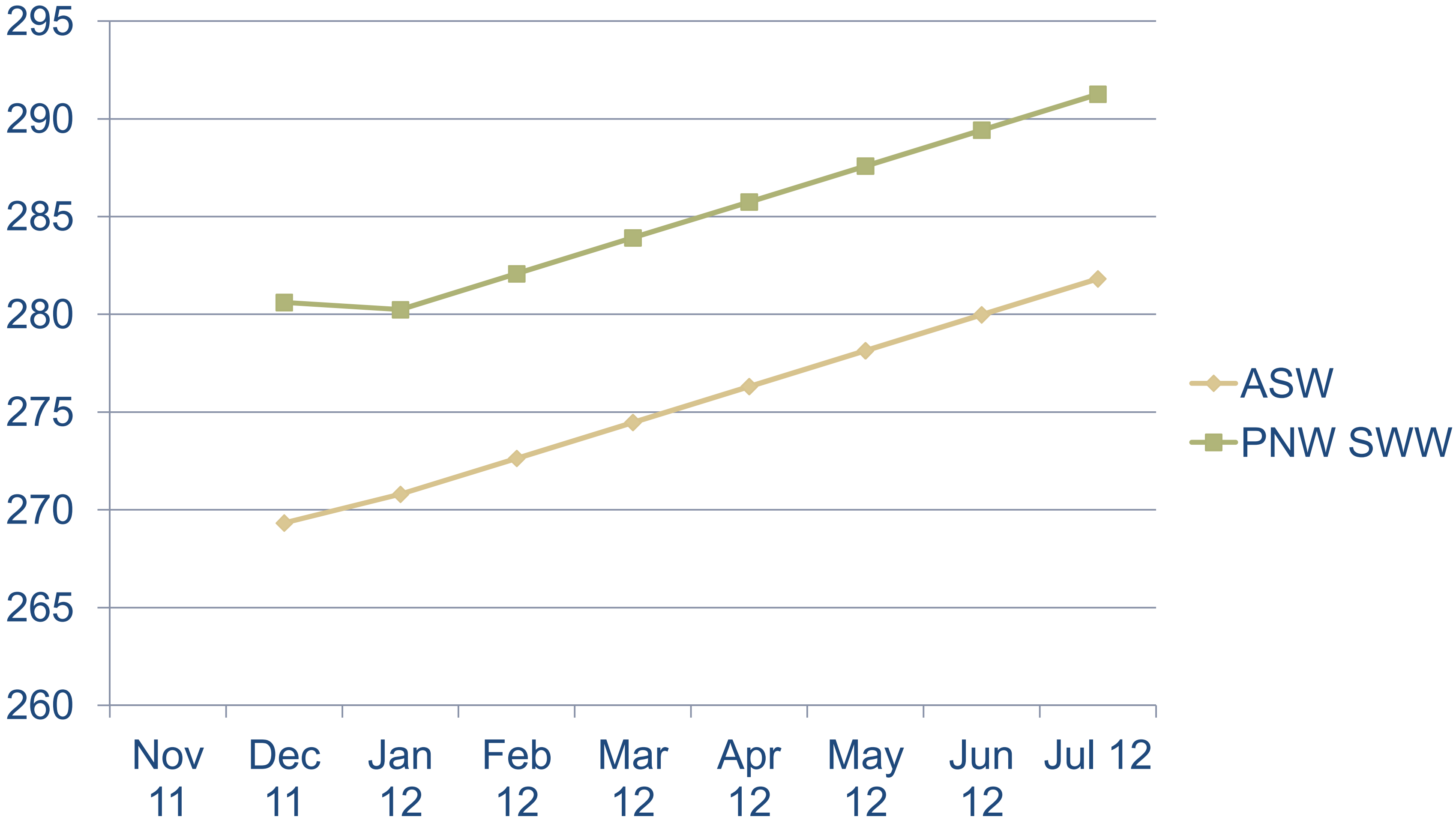
GAVILON®

Parity matrix- Wheat to China



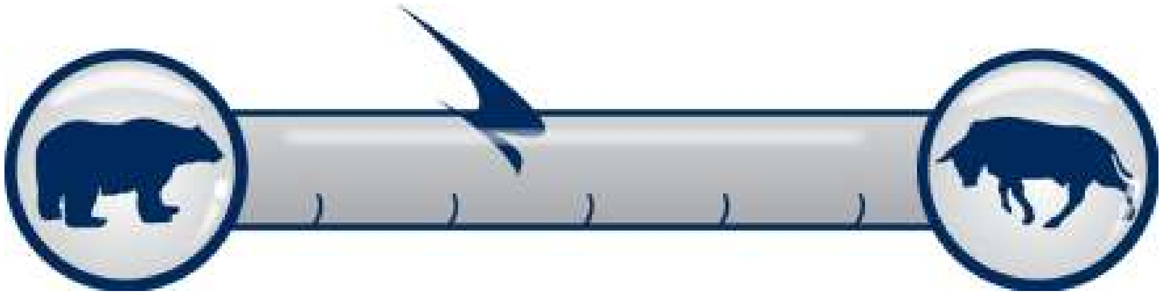
GAVILON®

Parity matrix- Wheat to Yemen

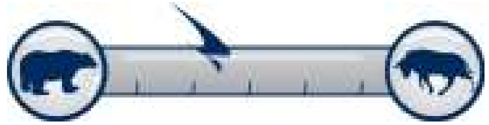


Feed Barley View

“NEUTRAL TO BEARISH”



Feed Barley – Key Points



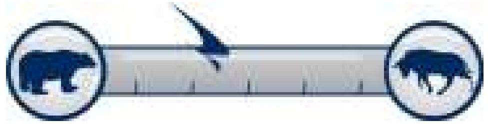
- **View: Neutral to Bearish**

- **Factors supporting our view:**
  - Key technical levels have been broken for corn and wheat futures
  - Feed barley compared to milling wheat remains at a premium which is unsustainable.

- **Factors which could change our view:**
  - A resurgence of buying interest will give the market some support
  - Aussie is most competitive barley in the world.
  - A rally in corn on the back of Chinese buying.

GAVILON®

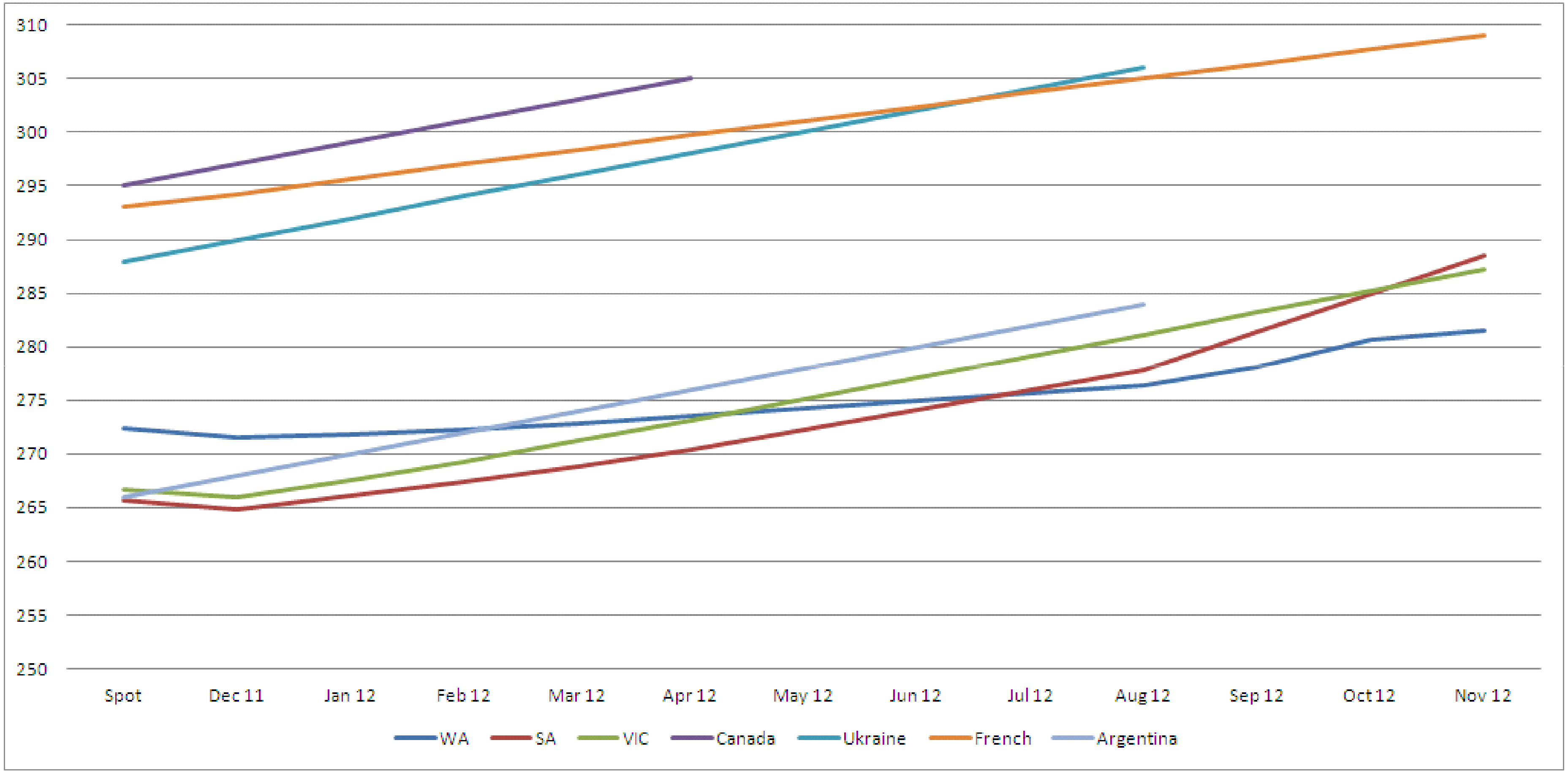
Australian Barley Export Matrix



	08/09	09/10	10/11	11/12
China	826	1,326	1,100	**1,400**
Japan	800	1,200	800	**1,100**
Saudi Arabia	1,200	900	1,300	**1,440**
Korea, South	15	35	41	**50**
United Arab Emirates	70	200	300	**100**
EU-27				
Vietnam	25	15		**10**
Taiwan	50	30	100	
Other	250	200	60	100
Total	2,986	3,806	3,701	4,200

GAVILON®

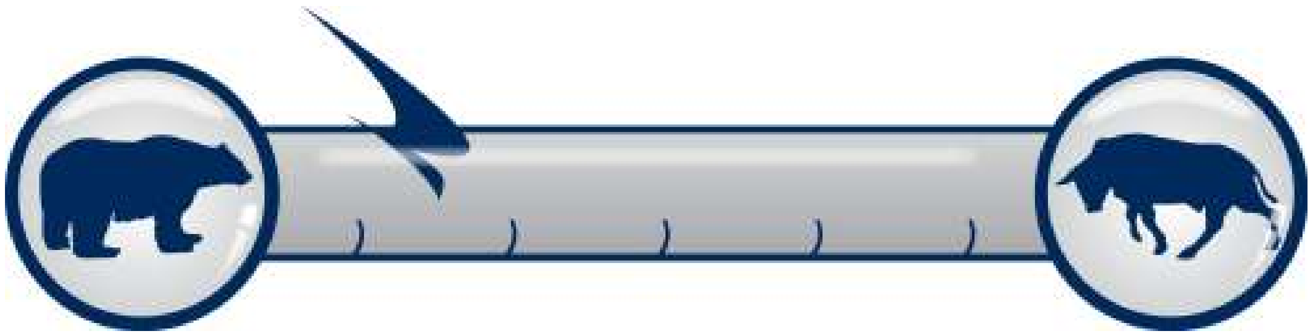
Parity Matrix - Feed Barley to Saudi



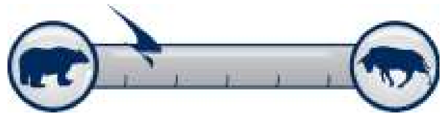
GAVILON®

Malting Barley View

“BEARISH”



Malting Barley – Key Points



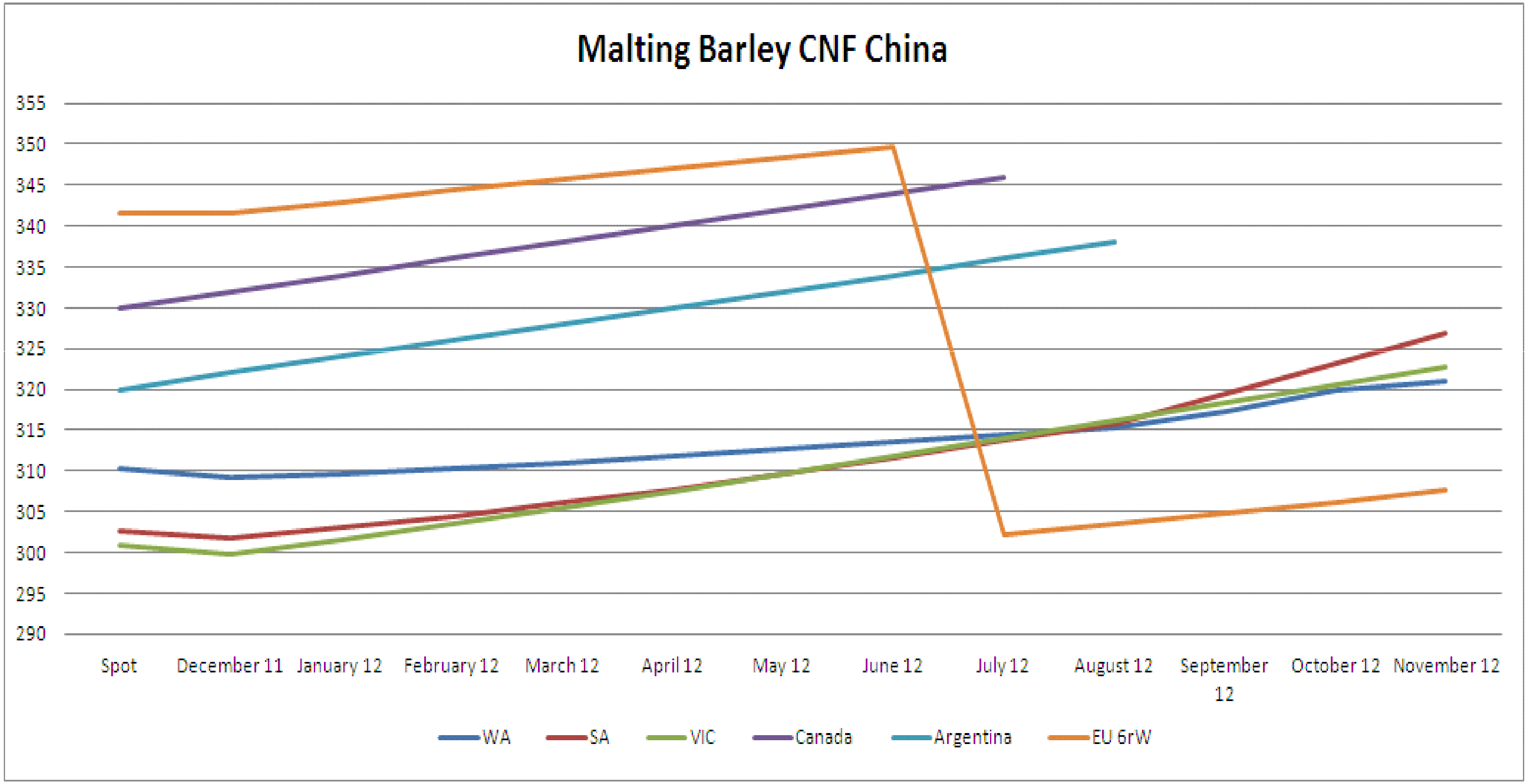
- **View: Bearish**

- **Factors supporting our view:**
  - Ample supply in Australia for China. 2mmt total demand, 1.2mmt from Aussie.
  - Buyers remain on the sidelines.
  - Eastern Australian values are trading at a discount into major export markets.
  - Farmers seem to be selling where the obvious value is at this stage. It is our view is that it will be Canola first then barley and finally wheat.

- **Factors which could change our view:**
  - More poor weather during harvest will change the dynamics between the feed grade percentage and the malting grade percentage and hence prices.

GAVILON®

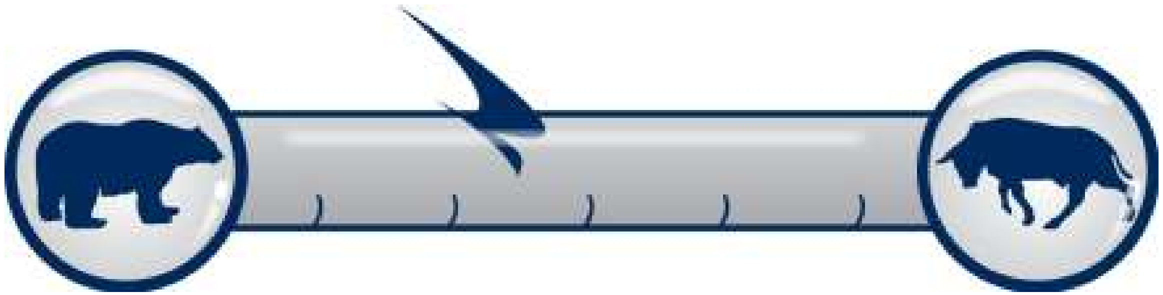
Parity matrix – Malt Barley to China



GAVILON®

Canola View

“NEUTRAL TO BEARISH”



Canola – Key Points

- **View:** Neutral to Bearish
- **Factors supporting our view:**
  - Large volume of Aussie farmer selling has significantly pressured Aussie prices.
  - Farming selling has pressured the Aussie basis rather than the board.
  - Still a good volume of Aussie selling to go
  - With a plethora of offers to buyers it has given them the ability to continually drop prices.

- **Factors which could change our view:**
  - Poor Ukraine rainfall has resulted in a lack of winter plantings for 2012 giving prices some support. There have been reports that European canola planting acreage could decline by 3% for 2012.
  - The decline in European canola plantings will also provide a premium for Australian Non-GM prices to GM Canola.

GAVILON®

EU-27 Canola Balance Sheet

		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12 (f)
	(000 mt)										
Area Harvested		4,270	4,198	4,572	4,846	5,408	6,554	6,182	6,512	6,900	**7,000**
	ac.	10,547	10,369	11,293	11,970	13,358	16,188	15,270	16,085	17,043	**17,290**
Yield	**kg/ha**	1.11	1.08	1.37	1.30	1.20	1.13	1.24	1.34	1.19	**1.10**
	bu/ac										
Opening Stocks		633	334	278	1,691	1,600	1,441	961	1,831	1,904	884
Production		11,752	11,185	15,432	15,523	16,092	18,358	19,000	21,566	20,300	**19,000**
Imports		55	168	70	378	432	687	3,342	2,198	2,050	3,060
Total Supply		12,440	11,687	15,780	17,592	18,124	20,486	23,303	25,595	24,254	**22,944**
Crush		10,515	10,481	12,949	14,690	15,720	18,250	20,400	22,550	22,400	**21,000**
Other		725	807	941	1,003	888	879	974	984	870	**900**
Exports		866	121	199	299	75	396	98	157	100	**100**
Total Usage		12,106	11,409	14,089	15,992	16,683	19,525	21,472	23,691	23,370	**22,000**
Ending Stocks		334	278	1,691	1,600	1,441	961	1,831	1,904	884	**944**
Stocks to Usage %		3%	2%	12%	10%	9%	5%	9%	8%	4%	**4%**

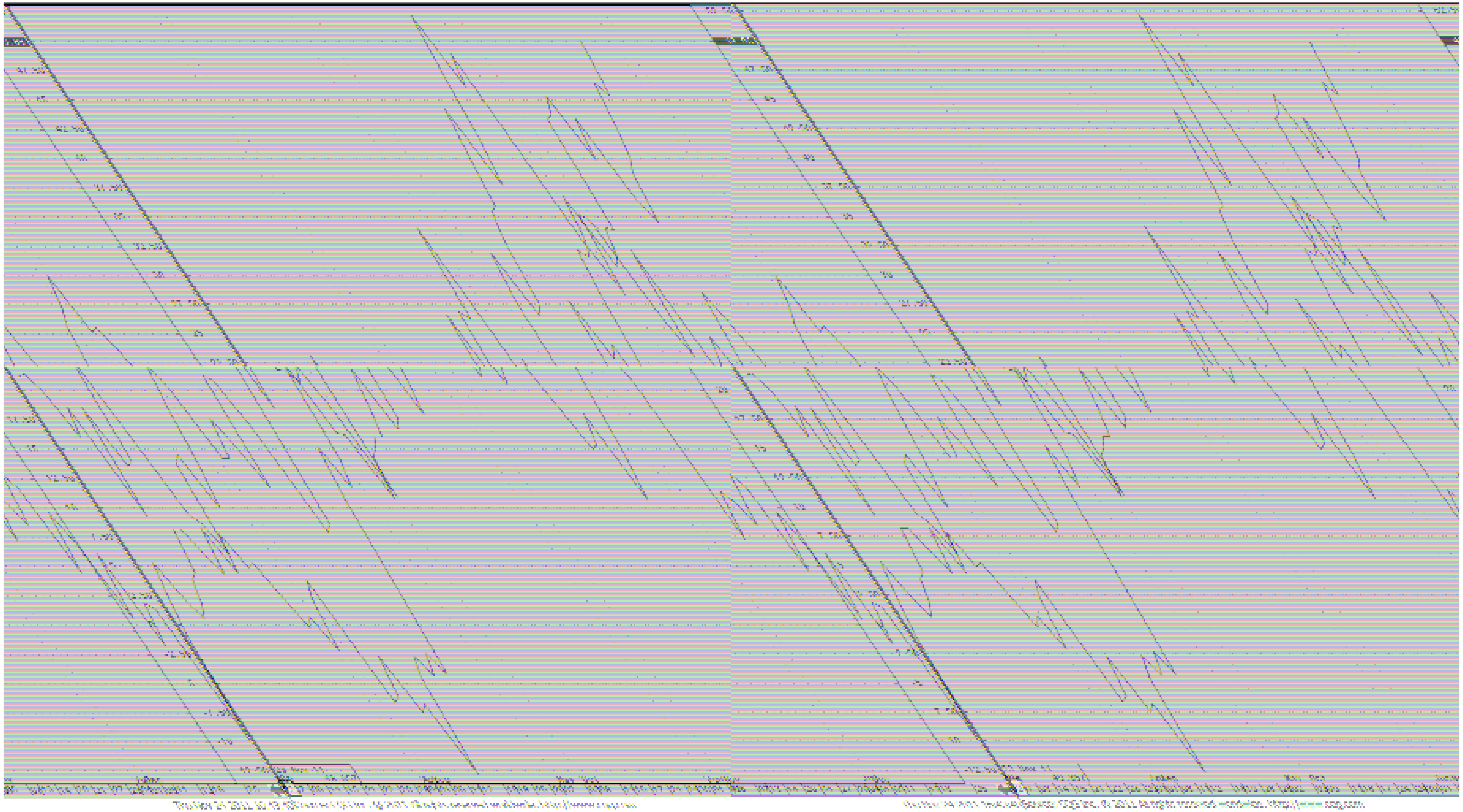
GAVILON®

2011/12 Canola Export Matrix

	Australia	Canada	Ukraine	World
Japan	50	2,000	-	2,050
Pakistan	-	1,050	-	1,050
EU-27	1,560	200	1,300	3,060
United Arab Emirates	50	550	100	700
Bangladesh	-	150	-	150
China	-	1,500	-	1,500
United States	-	550	-	550
Mexico	-	1,000	-	1,155
Turkey	-	-	150	150
Others	-	-	-	360
Interstate	-	-	-	-
World	1,660	7,000	1,550	10,725

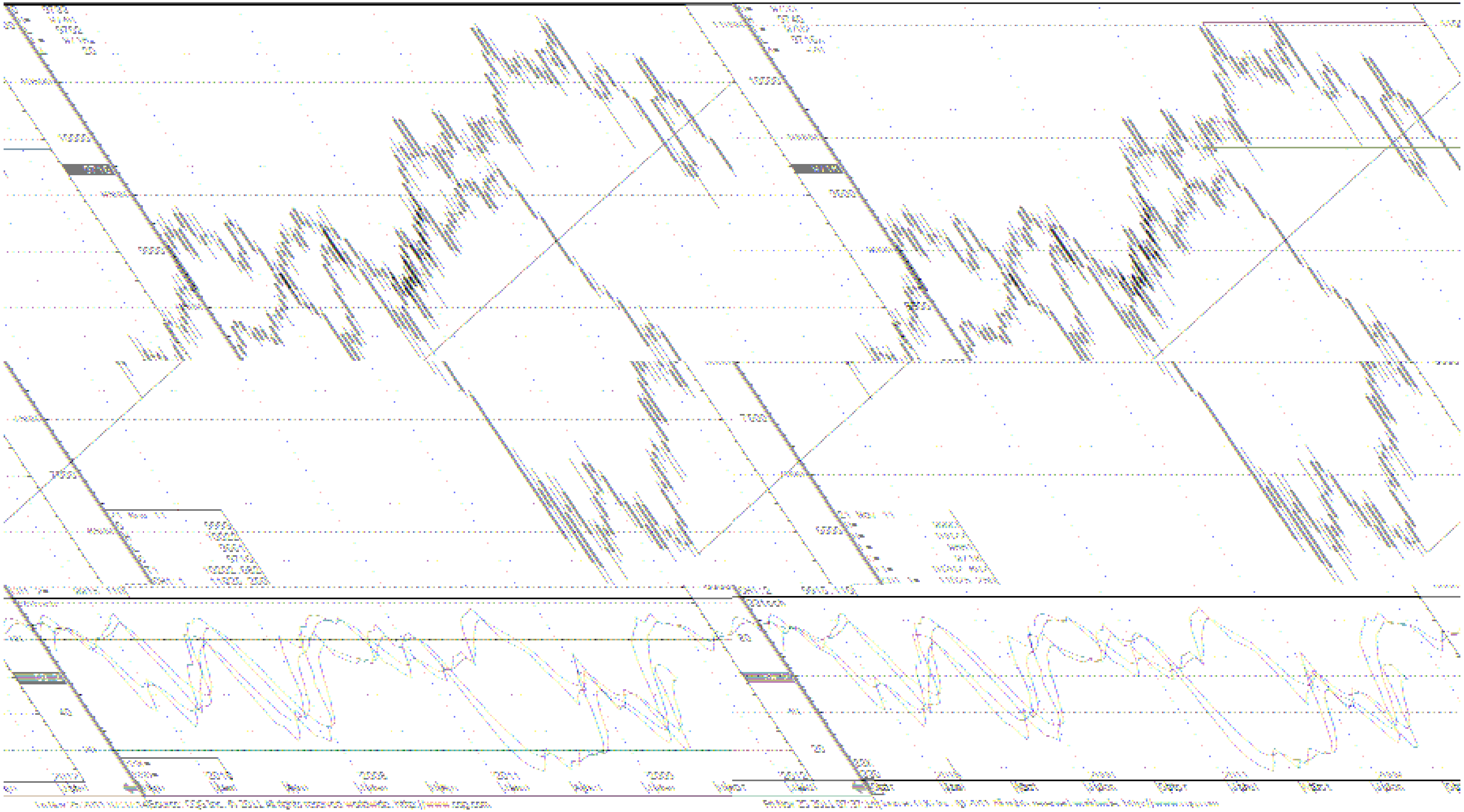
GAVILON®

European vs Canadian Canola



GAVILON®

Aussie Dollar – The Saviour??



THANKYOU

PREPARED FOR:

Matt Rutter