



Gearing up for harvest amid droughts and floods.

The 2010 Australian wheat harvest is rapidly approaching for southern producers, while for many in central Queensland it is already complete. Production prospects across the country couldn't be more opposed, with a dripping wet, and potentially record, east coast crop being countered by a drought ravaged WA crop.

This year the WA wheat crop could fall to 4 million tonnes or less, which is less than half of the 8.2 million tonnes crop harvested in 2009/10. This year will be comparable to the worst crop of the past decade.

On the east coast potentially record large crops are in the making, despite the threat of locusts and frosts. However, to the distinction between east and west this year, it appears that the most significant risk to east coast production is excessive rain.

Already grain quality in central Qld has been downgraded to feed because of moisture damage. While some crops in southern NSW will not get the chance to ripen because of flooding in the past few days. Those crops that did escape the floodwaters are still vulnerable to potential harvest rain with the Bureau of Meteorologies' forecast a '*wetter than average*' October to December associated with the current La Nina. The SOI readings indicate that the current La Nina remains a very strong episode, and it is expected to persist into at least early 2011.

Despite the potential threats, harvest will roll around. With the harvest farmers will turn their attention to marketing their wares, but it won't be just the 2010/11 crop that some producers will be looking to cover. At around A\$310/t, prices for the 2011/12 crop are attractive for many wheat producers, while prices around A\$330/t are inducing many people to look at 2012/13. These producers are looking to lock in some pricing for the 2012 and 2013 marketing years, whilst still managing their production risk.

Fig 1: Southern Oscillation Index

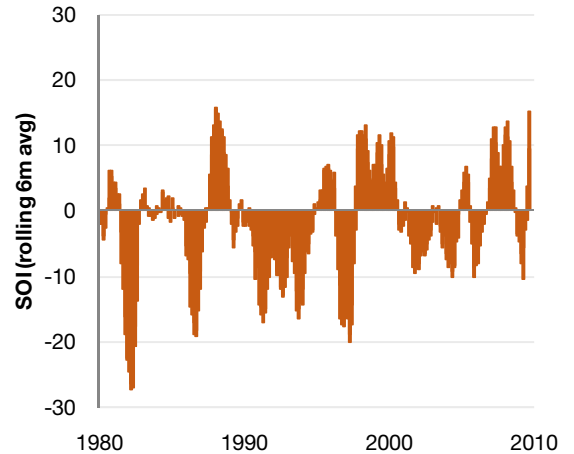


Fig 2: CBOT wheat prices (1st contract, US\$/bu)

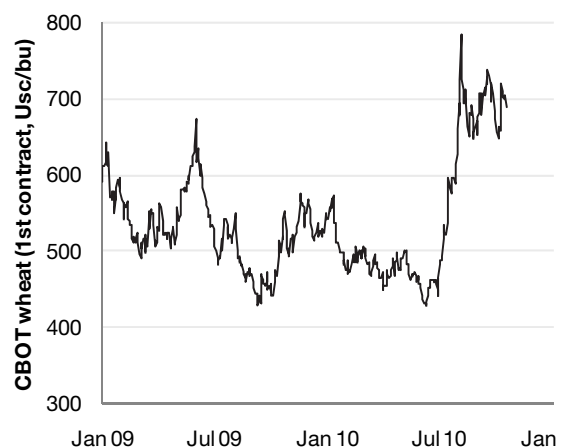
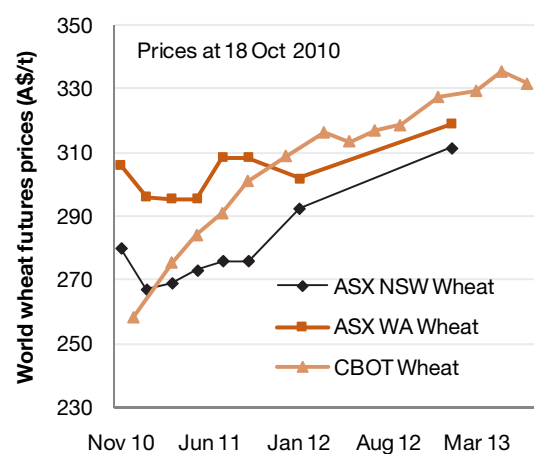


Fig 3: World wheat futures strips (A\$/tonne)





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