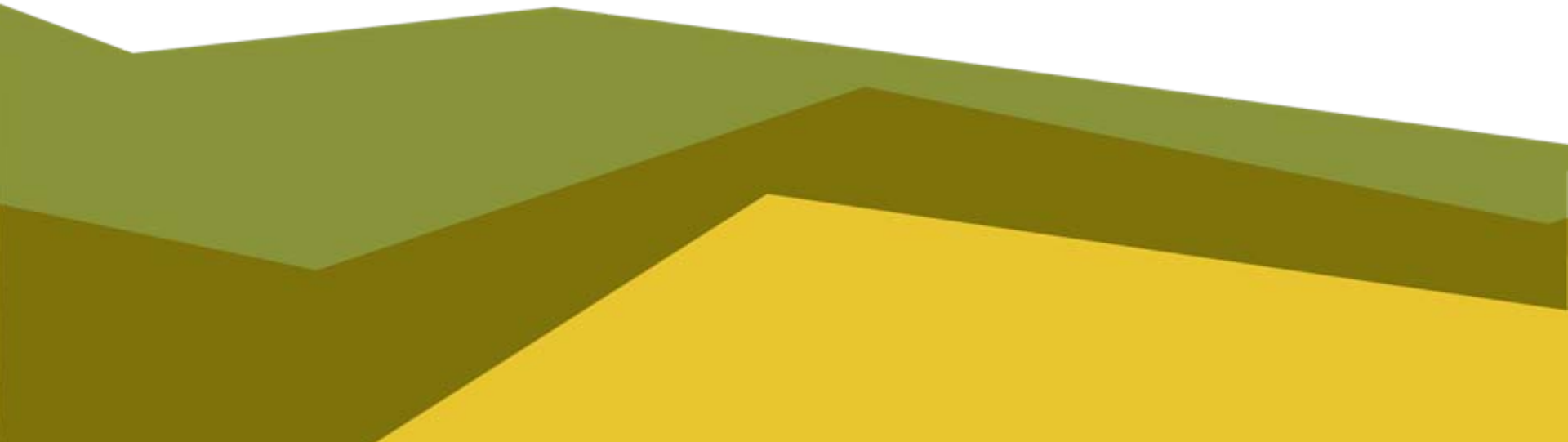


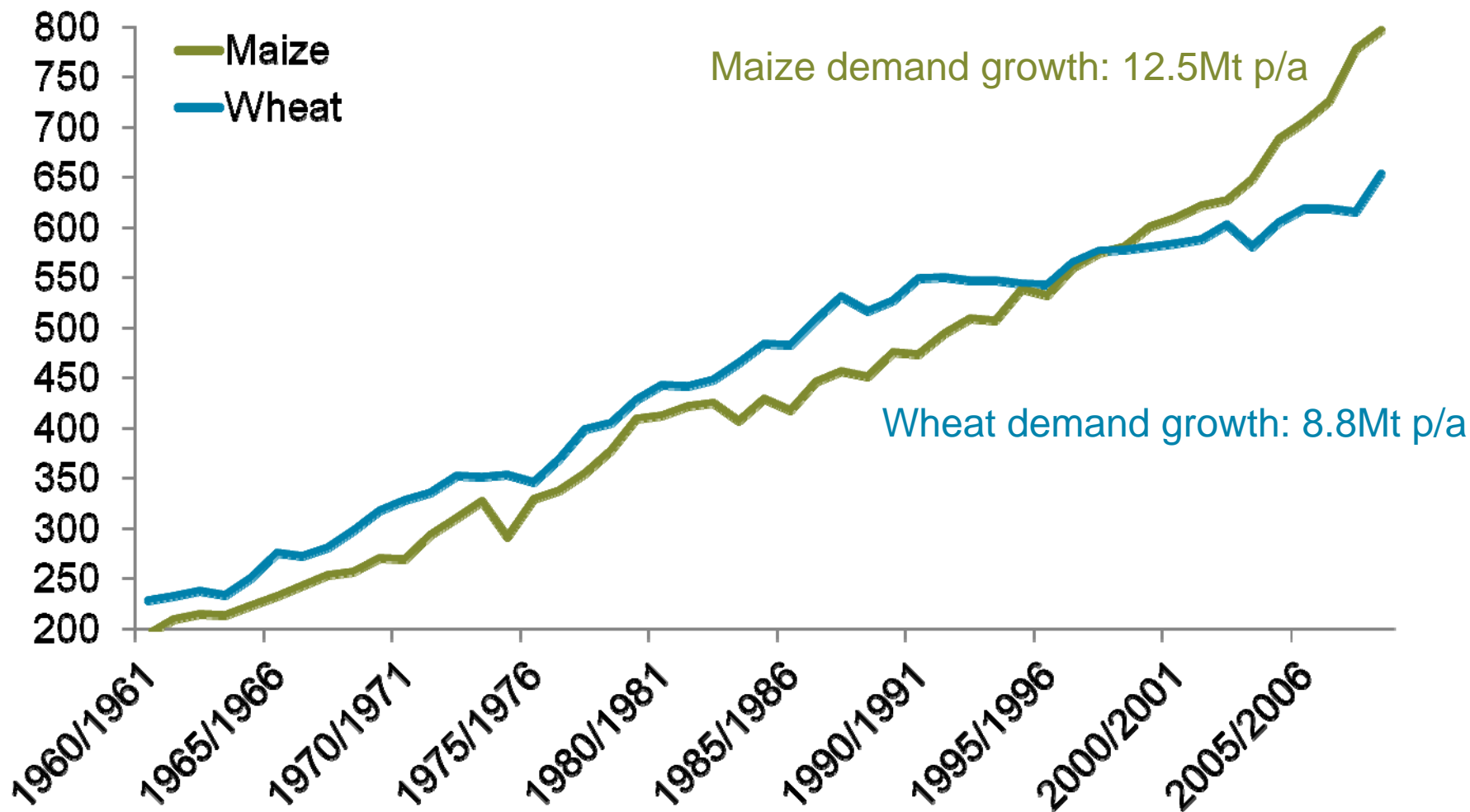
International Wheat Market - Nov 2008

Mike Mendelsohn
Senior Economist, HGCA



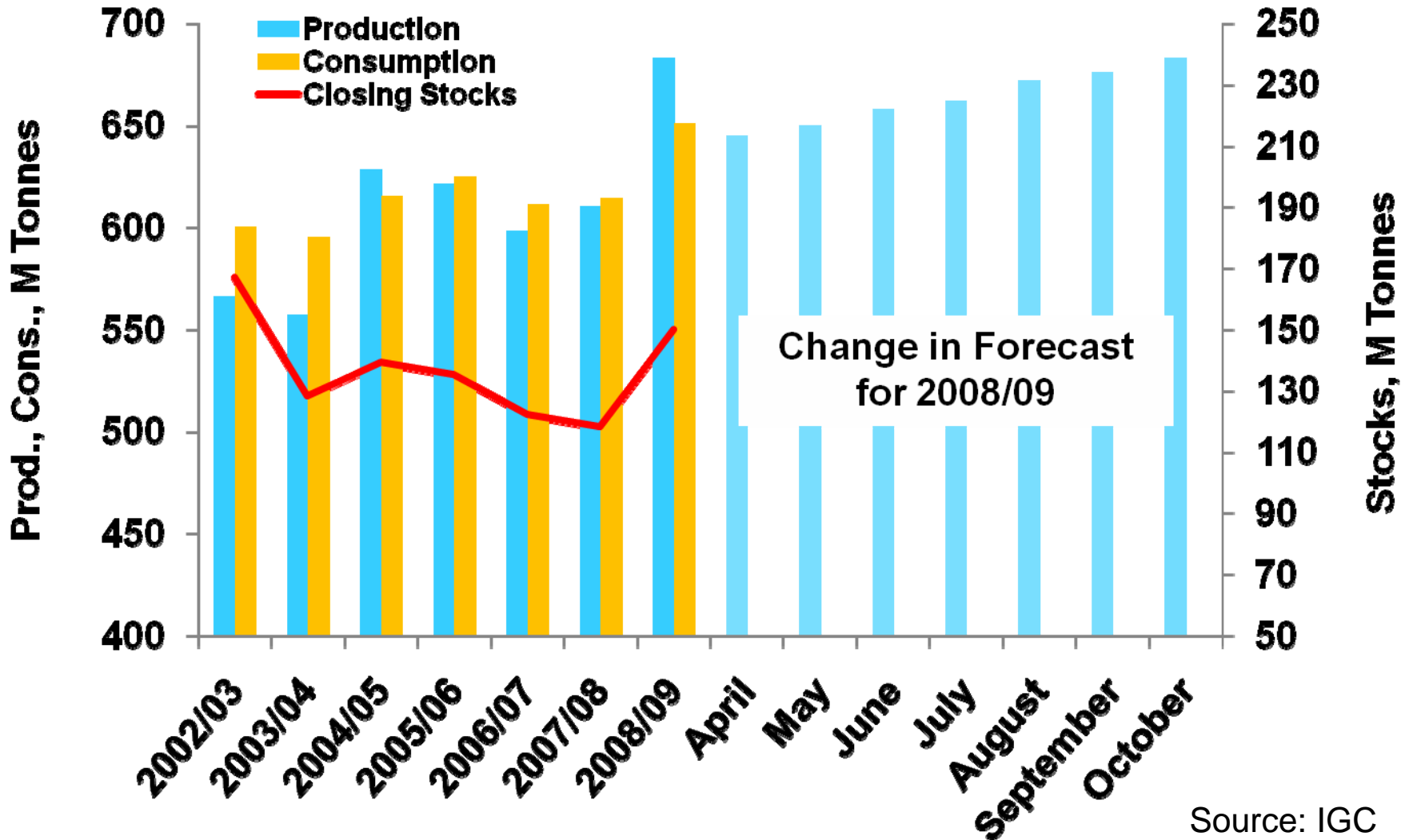
Setting the scene

world grain demand on the rise



World wheat production sharply up in 2008/09

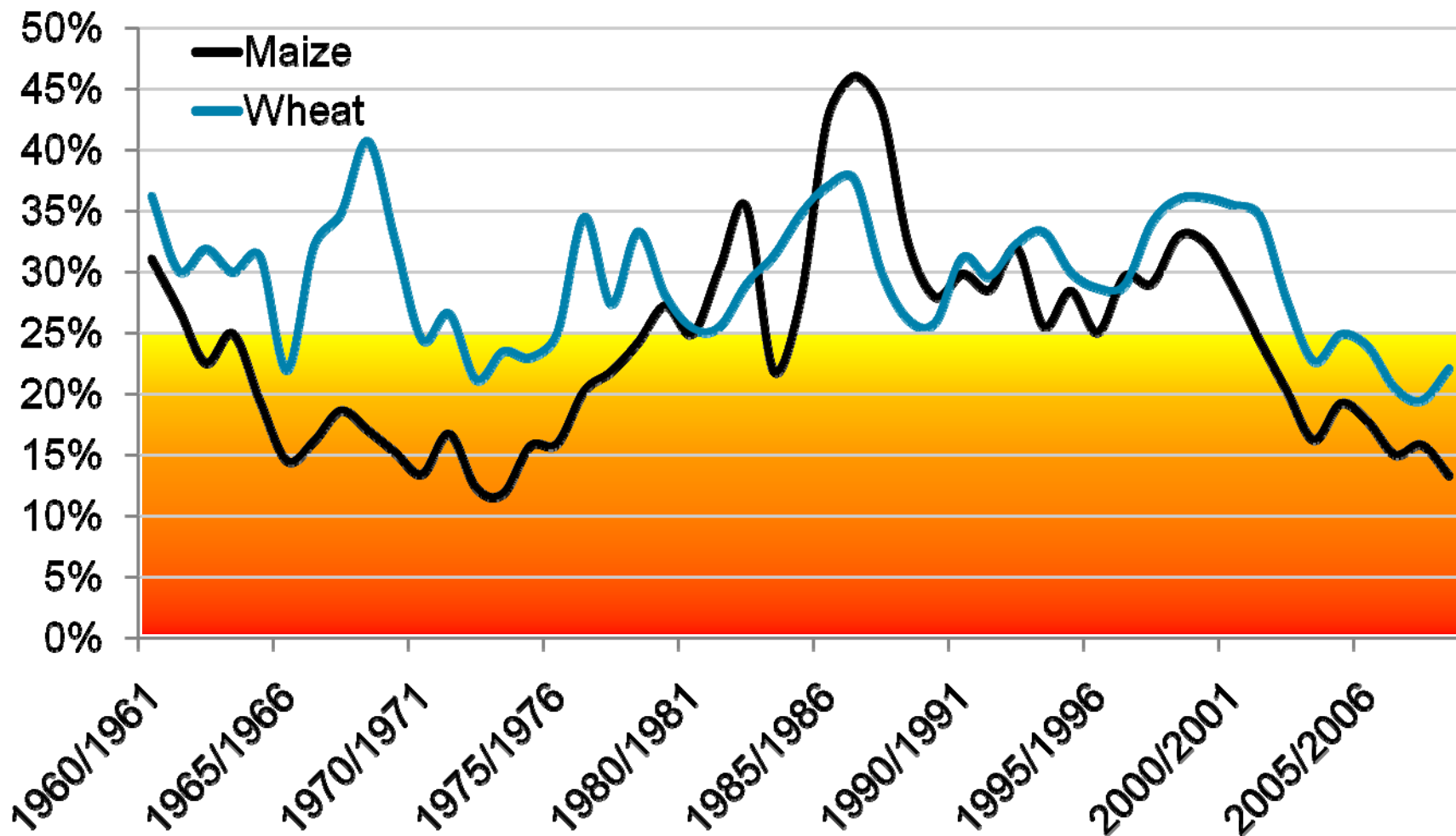
- stocks to rise by 32Mt



Source: IGC

Stocks-to-use ratios still tight

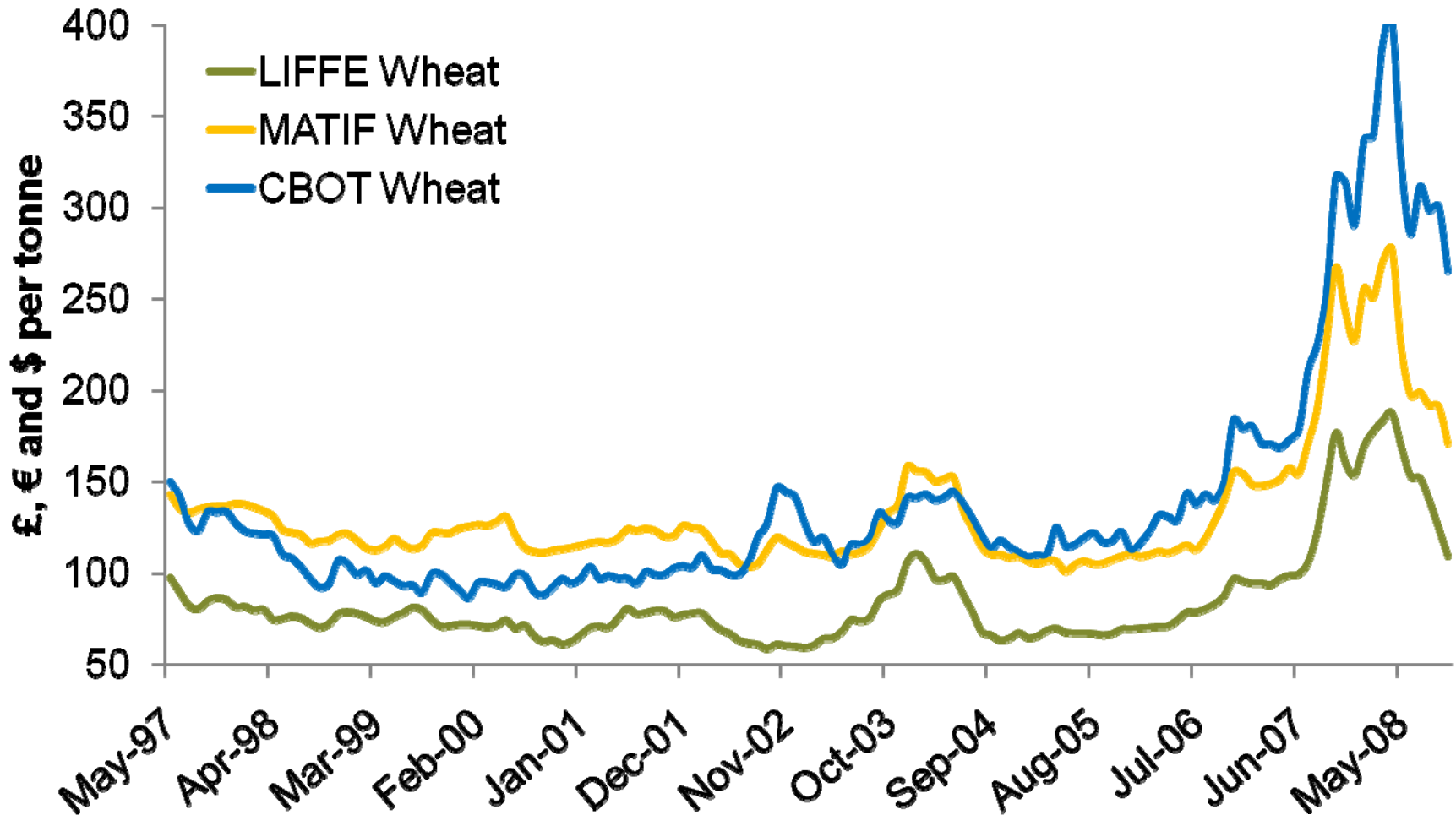
Markets to remain responsive to supply events



Source: USDA

International market volatility rising

UK tracks French which broadly follows US



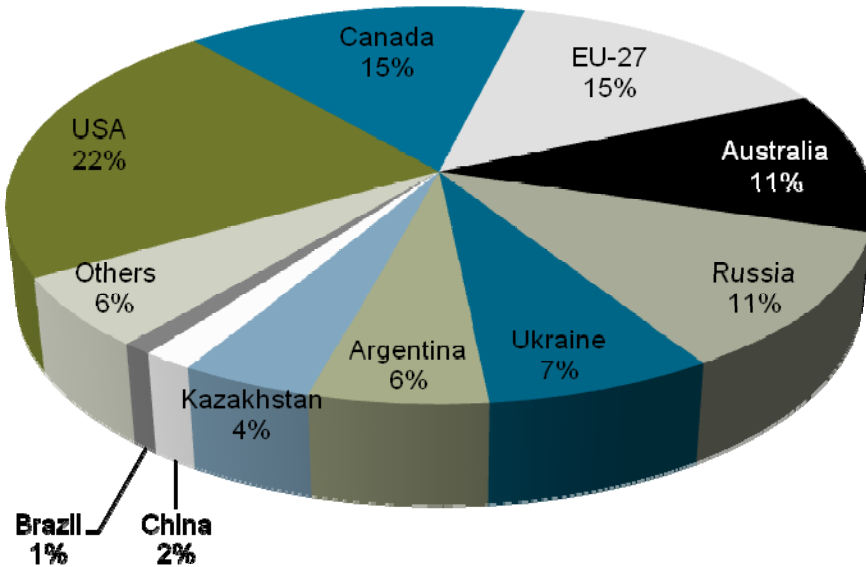
LIFFE-MATIF Correlation 97.9%
LIFFE-CBOT Correlation 93.7%
MATIF-CBOT Correlation 93.6%

Global export markets

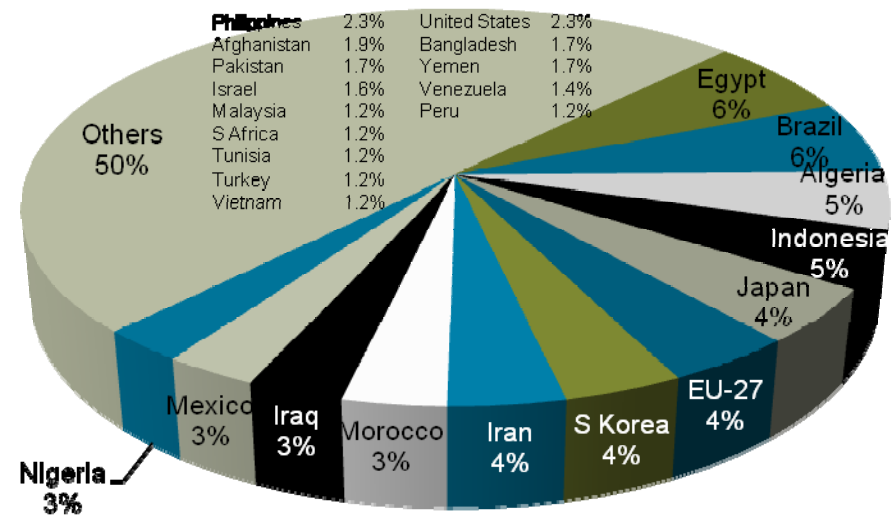
N. Hemisphere dominant exporters



2008/09 World Wheat Export Estimate

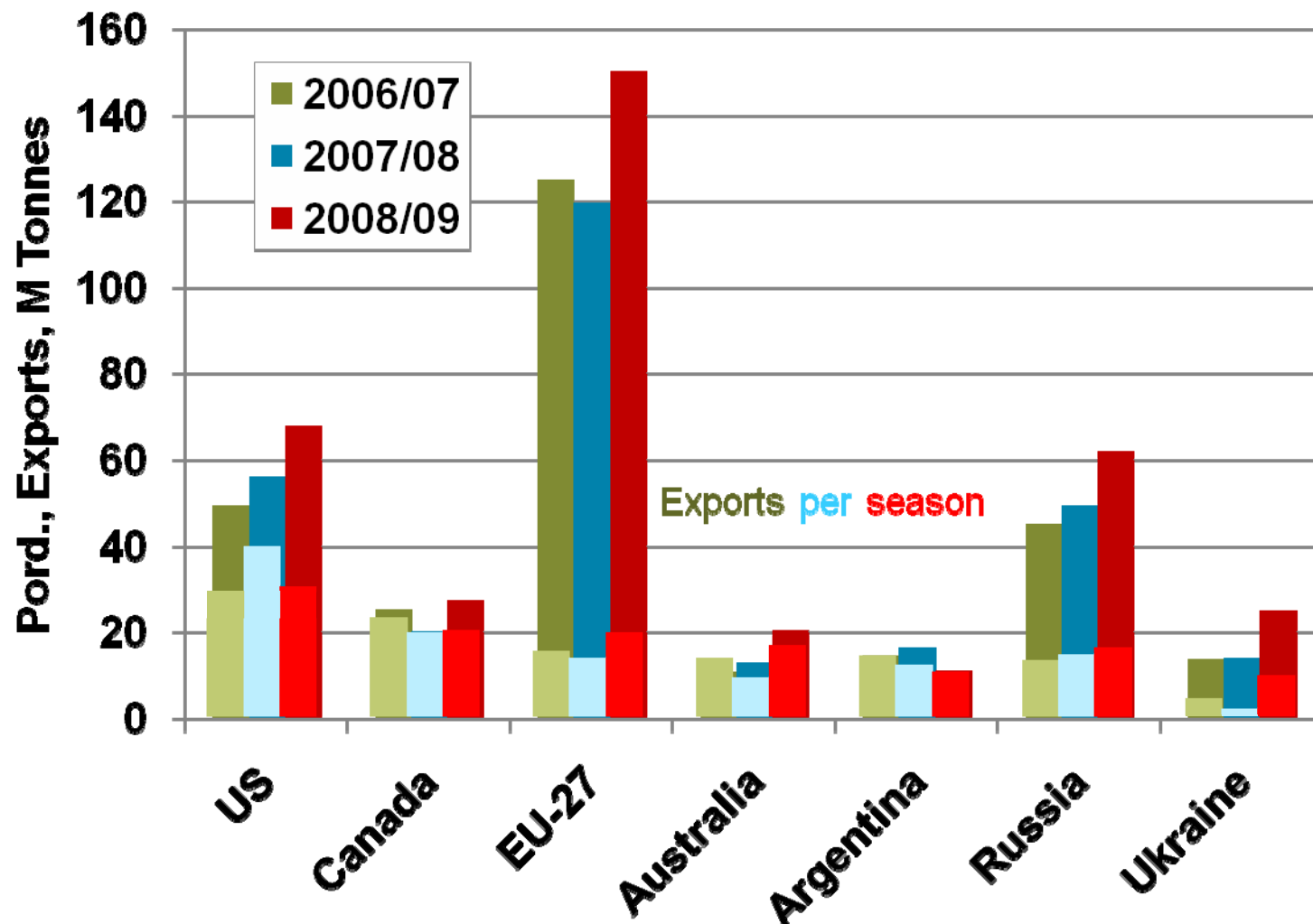


2008/09 World Wheat Import Estimate



Main exporters harvest more wheat

-strong export competition this season

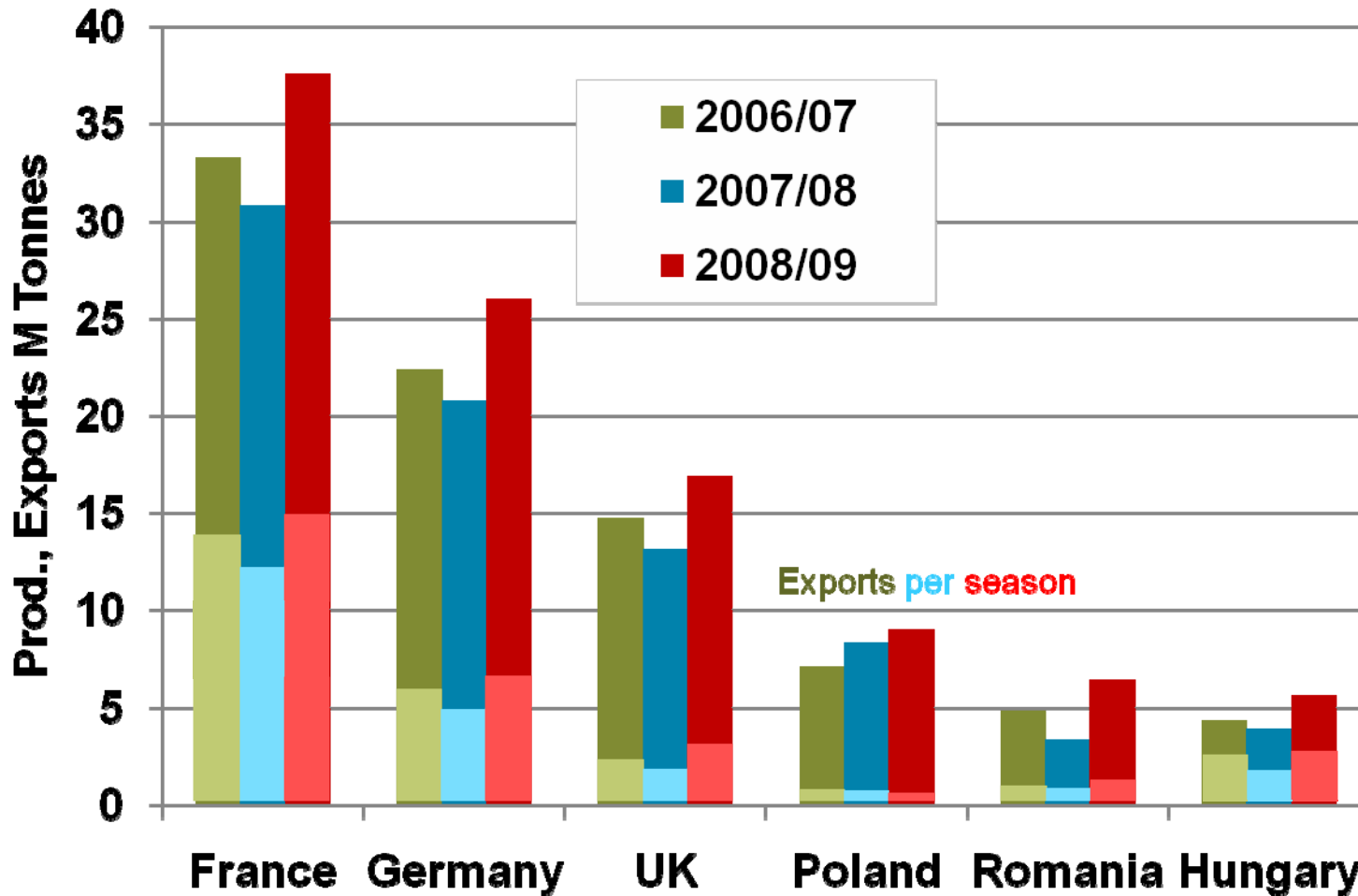


Forecast for 2008/09

Source: IGC

EU 2008 soft wheat crop at 139.5Mt

- export competition also to rise within the EU

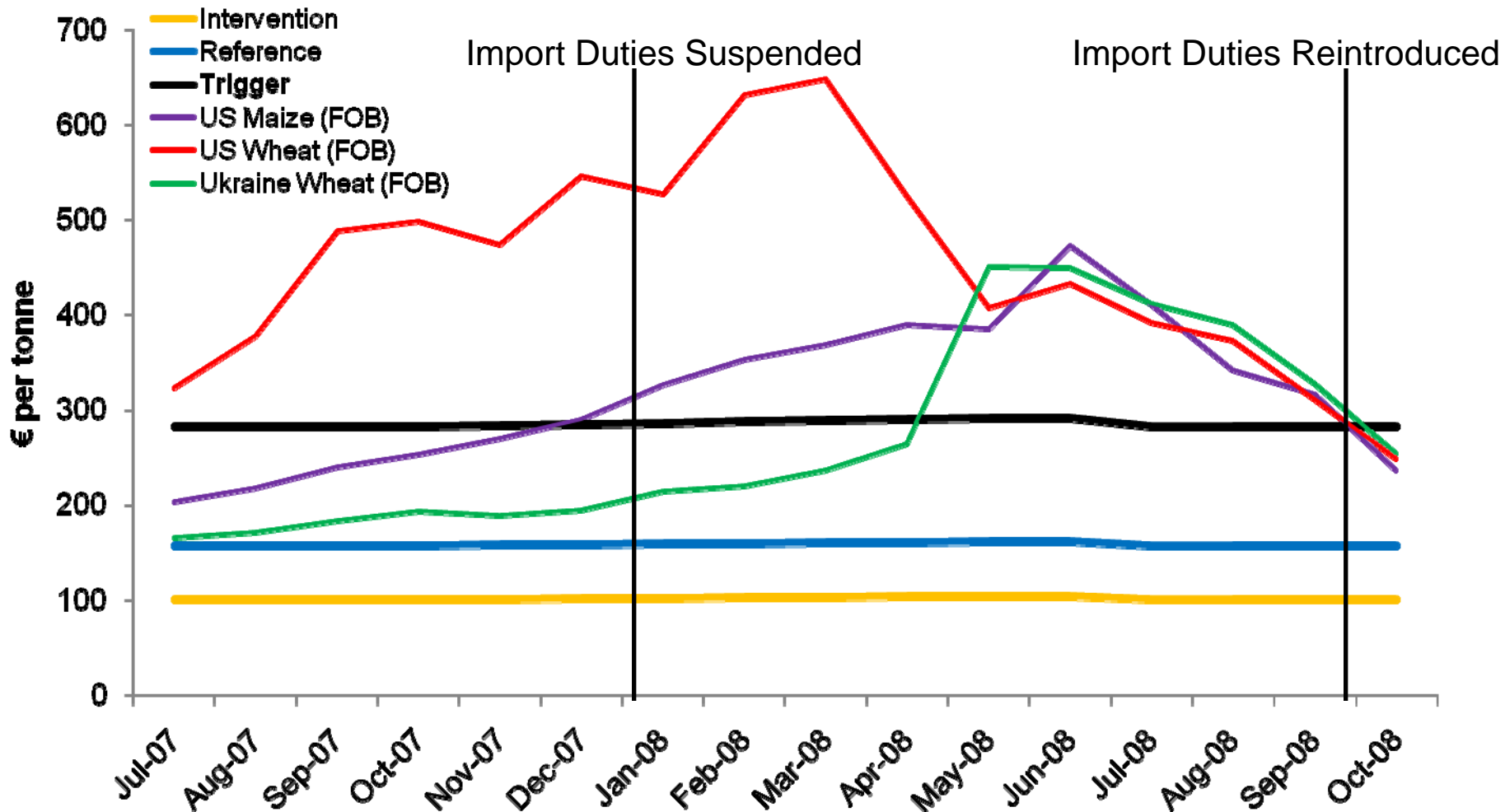


Forecast for 2008/09

Source: Strategie Grains

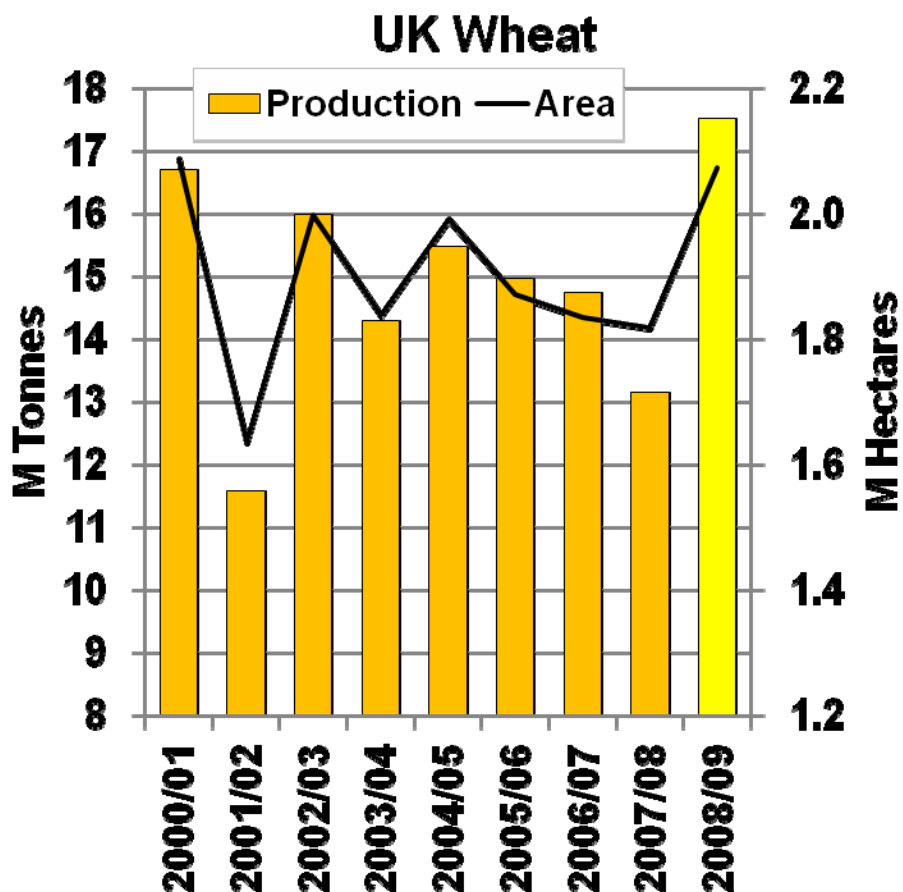
EU Import duties reintroduced

World prices fall below trigger level



UK wheat balance sheet

- larger exportable surplus and higher wheat use



	06/07	07/08	08/09*
Prod.	14.7 Mt	13.2 Mt	17.5Mt
Demand of which feed H&I	13.5 Mt 6.8 Mt 6.4 Mt	13.2 Mt 6.1 Mt 6.8 Mt	14.5Mt 6.9 Mt 7.1 Mt
Exports	2.1 Mt	1.5 Mt	3.9 Mt

* Published 5/11/08, using Defra provisional production estimate

With large exports, quality will be a key issue this season!

UK wheat quality below average in 2008

- large regional differences



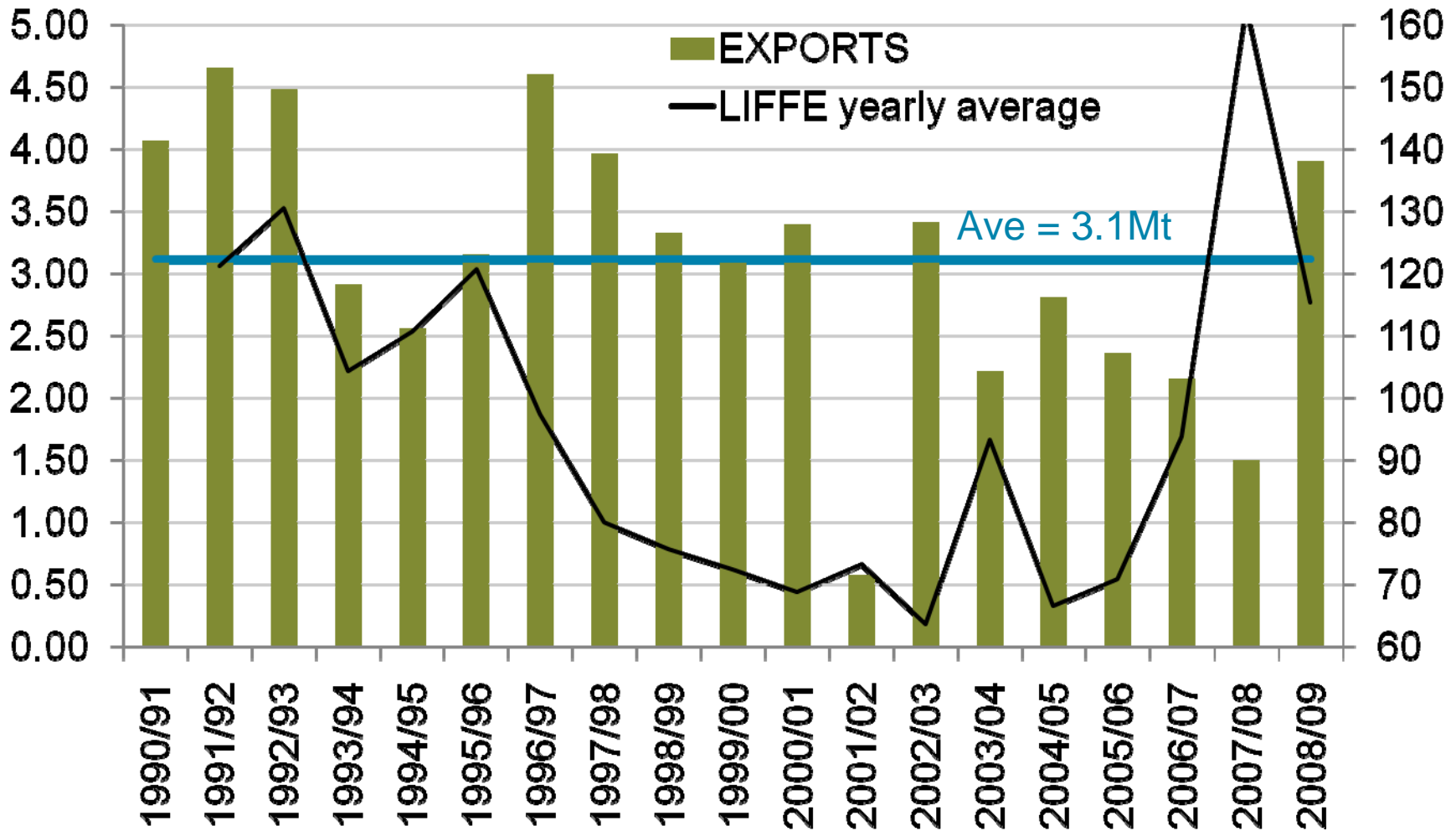
	nabim	2006	2007	2008 ¹	3-yr ave
Specific Weight (kg/hl)					
1	1	76.2	76.3	76.5	76.6
2	2	77.4	76.0	76.3	76.9
3	3	75.7	75.1	74.6	75.4
Hagberg Falling Number					
1	1	321	246	262	286
2	2	306	259	267	281
3	3	265	221	197	238
Protein (%)					
1	1	13.5	12.8	12.0	13.3
2	2	12.7	12.4	11.5	12.6
3	3	12.6	11.6	10.6	11.8

- **Milling wheat premium** for full spec wheat has risen to around £40-£60/t
- But **milling wheat pricing** difficult due to variability
- **Imports of quality wheat** to remain high this season
- But **Continental quality** also variable this year
- Less quality wheat available from **Russia, Ukraine**

1) PROVISIONAL results based on 32,466 samples.

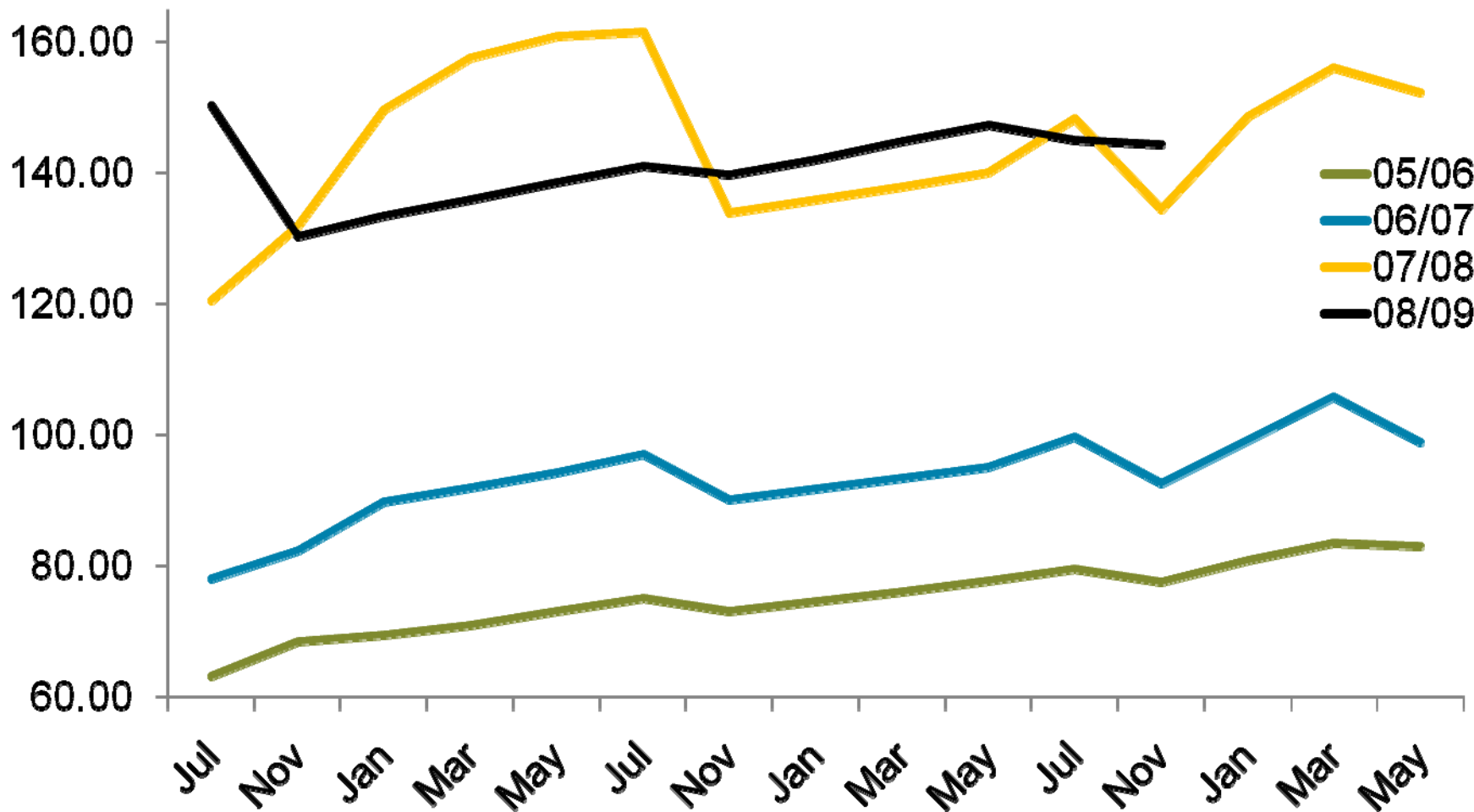
Historical UK Exports

Around 4Mt forecast for 08/09



UK wheat forward pricing

High carries this season

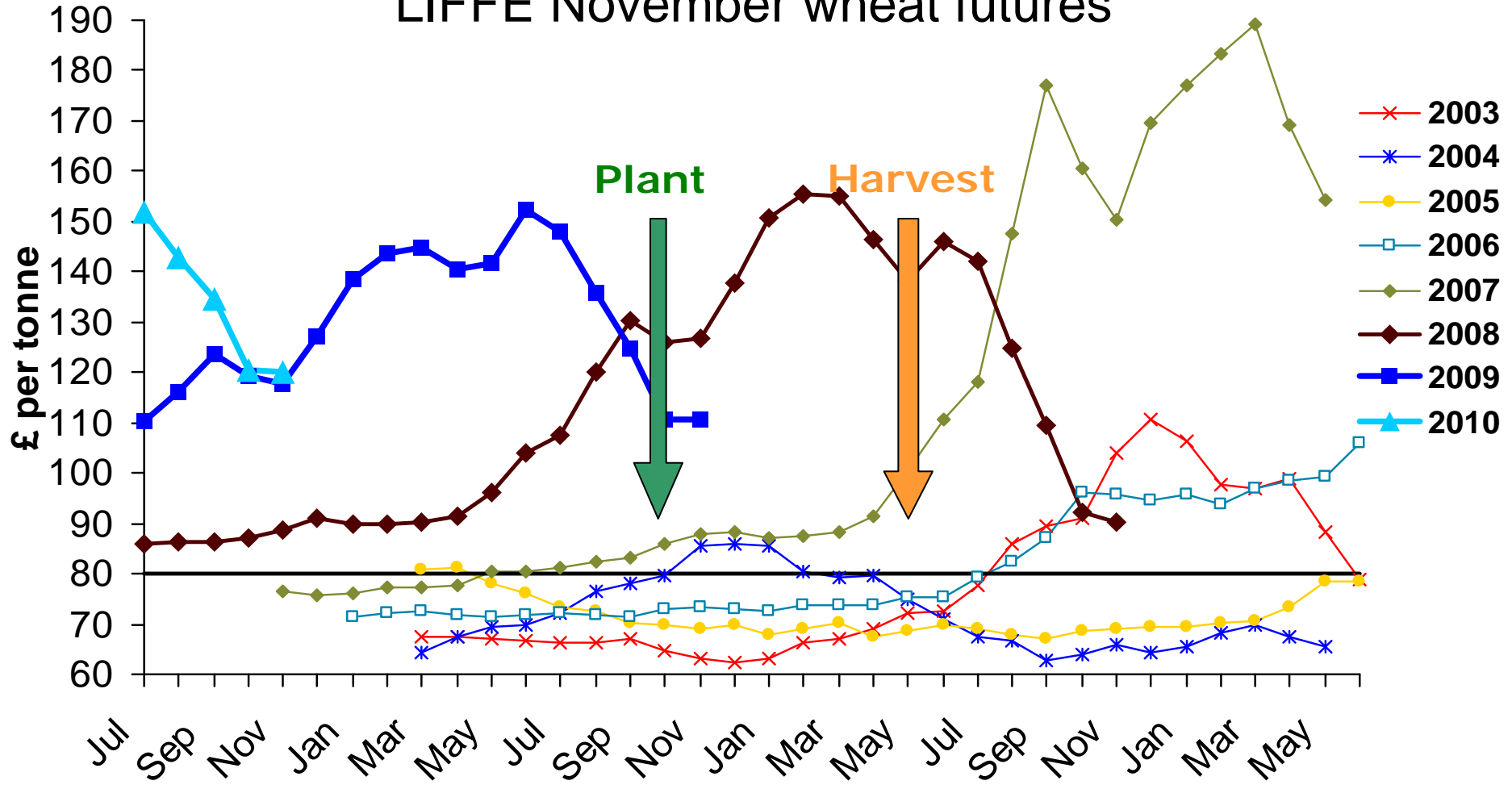


Wheat plantings for 2008 and 2009

–36 months (3 years) to price crop



LIFFE November wheat futures



Wheat Revenue Protection Strategies

- could you cope with £40 price moves?



Wheat	Possible Outcomes November 2009 (Current = £110)	
Selling strategy	£70	£150
	-£40	+£40
1) Sell all forward today	£110	£110
2) Sell all forward, buy Call options*	£100	£140
3) Sell ½ forward, leave ½ unsold	£90	£130
4) Leave all unsold till Nov	£70	£150

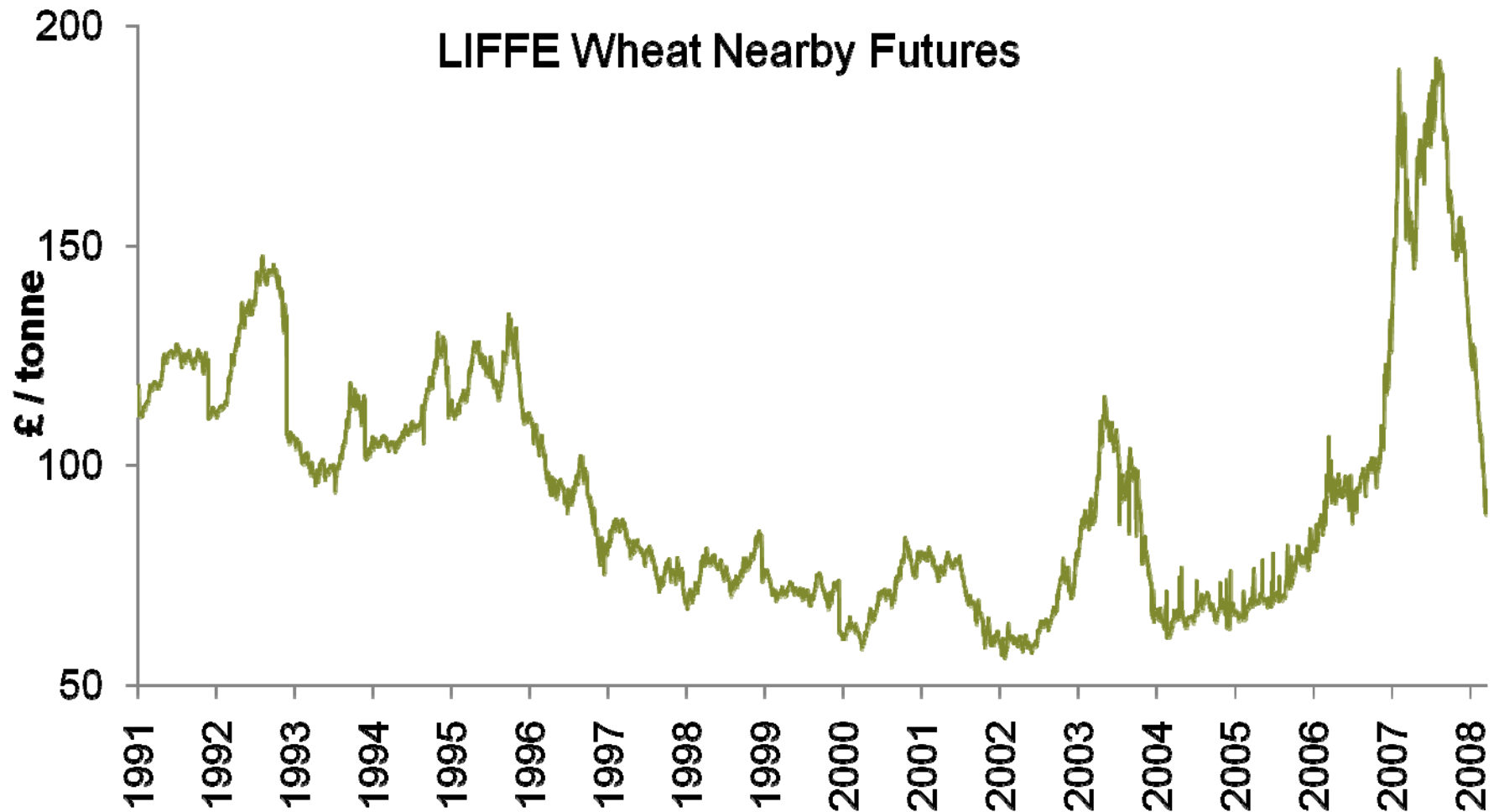
*Option cost = £10 per tonne

Concluding remarks



- Global supply response to last season's high prices - record wheat crop in 2008
- But global stocks remain low despite rebuilding this year
 - world still vulnerable to supply shocks
- Large UK exportable surplus, challenging quality
- Lower prices and increased export competitiveness
 - especially from Ukraine, despite quality problems there too
- **Focus on Risk Management instead of price prediction**

Volatility is not a one-off



Thank You

mike.mendelsohn@hgca.com

020 7520 3909