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The rain continues to fall in Central Victoria and the Western District East (WDE) regions as the markets remain volatile however the general trend has been up over the last 6 weeks. Last month's Central regions rainfall ranged from 25 – 65mm last month and Western Districts East had much the same at 25mm – 60mm. August rainfall to date has been more impressive with Kerang 41.2mm, Charlton 38.4mm, Castlemaine 46.4mm in the central region and Ararat 69.5mm, Ballarat 51mm, Mortlake 86.6mm and Geelong 20.6mm in the WDE.

2010/11 m/g wheat contracts over the last week have ranged in price from \$270 - \$335/mt APW1 Melbourne/ Geelong port with most spreads being H1 +\$18, H2 +\$12 AUH2-\$5 ASW1 -\$10 AGP1-\$15 FED1-\$20 to -\$40. However, growers seem to be holding back from selling new crop physical mainly due to the concerns about locust hatchings and field mice.

The increase in prices has been due to CBOT futures rising from \$4.80US/bu to \$8.15US/bu since the start of July. However, at the time of writing it has come back to \$7.37US/bu due mainly to profit taking by hedge funds. It's not a very transparent market at the moment with a lot of speculation on the amount of wheat Russia (the world's 3<sup>rd</sup> biggest wheat exporter) will harvest as their crops are in the filling stage and they are experiencing the worst heat wave on record (500 bushfires are raging across the country). Most estimates for Russia's upcoming harvest is 60 – 65mmt down from 85mmt a few months ago which is why their government has banned grain exports until 31st Dec 2010. However the real concern is how much winter wheat crop will be sown in Russia which is due to start in 6 – 8 weeks time. The Ukraine and Kazakhstan are also areas of concern.

The canola market from an international point of view really has not moved much as the weather over in Canada gradually improves. New crop CS01-A contracts have ranged \$500 - \$526 Melbourne/Geelong port over the last week but trades have been limited as most growers have already forward sold what they wanted to commit while Canada was experiencing unfavorable weather a few months ago.

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