



Rabobank

November 2011

Agribusiness Review

Australia and New Zealand

Rabobank Group

Food & Agribusiness Research and Advisory (FAR)

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This report was prepared by Rabobank's Food & Agribusiness Research and Advisory division, a team of leading agribusiness analysts from Australia, New Zealand and around the world.

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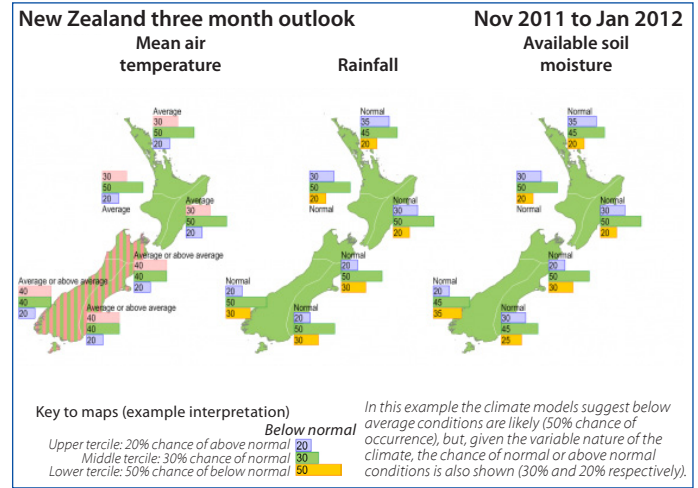
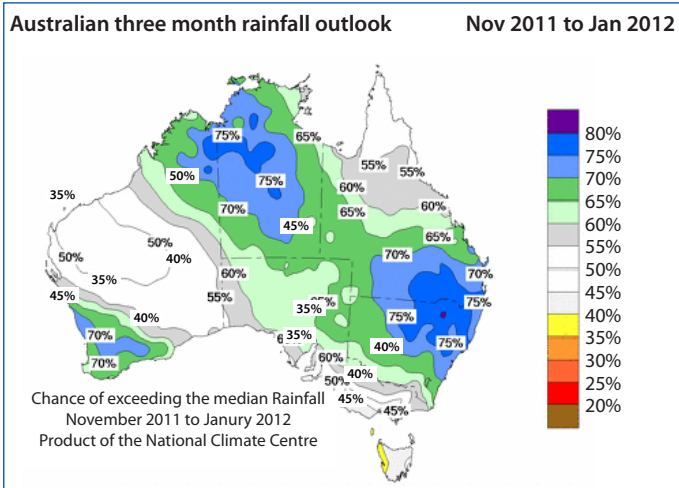
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Report highlights

- La Niña has returned and Australia experienced a wetter-than-normal month in October, with around one-and-a-half times the normal rainfall received, averaged across the country. Wet and cloudy conditions generally covered most regions of New Zealand, due to easterly pressure events.
- Political confusion in the Euro zone continues to obscure resolution of the sovereign debt crisis, causing ongoing financial market volatility and impeding the global economic recovery. On the upside, strong third quarter GDP growth in the United States has made the prospect of a relapse into recession less likely.
- The Reserve Bank of Australia cut interest rates on Melbourne Cup day by 25 basis points to 4.5% in response to the weaker global economic outlook and more benign domestic inflation. Both the Australian dollar and New Zealand dollar have regained ground from their early October lows, and are expected to trade around current levels in the near term.
- Global grain prices are trading in a narrow range after a significant fall in October as the uncertainty over EU sovereign debt concerns continues to weigh on grains and oilseeds markets. In terms of fundamentals, the final US corn yields and the effect of La Niña on production Brazil and Argentina are the biggest swing factors presently.
- Excellent seasonal conditions has supported young cattle prices at high levels, while heavy cattle have felt the pressure of a rebounding Australian dollar. In the global trade arena, the US government has finally ratified the US-Korea Free Trade Agreement, which will allow for progressive reductions of the 40% tariff on US beef imports. The Korean government is currently working towards ratifying the agreement which is intended to come into force on 1 January 2012.
- For dairy markets modestly softer market dynamics since May 2011 have continued to result in price weakness through October. Global supply is running ahead of the previous year's level in all key regions. Sluggish demand in Europe and the US has made more milk available for export, and reduced imports into China has also added pressure to a softening market.
- The price of oil remains volatile, reflecting swings in global market sentiment. It is currently trading around USD110/barrel.



Australia

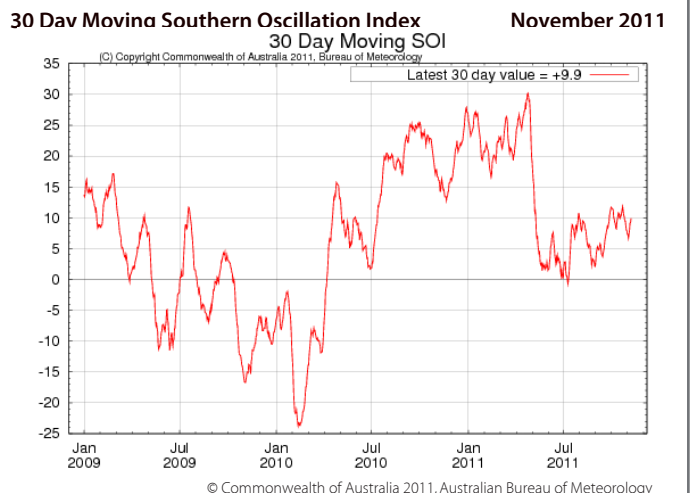
- Australia experienced a wetter-than-normal month in October, around one-and-a-half times the normal rainfall received, averaged across the country, according to the Bureau of Meteorology (the Bureau). However most of the rain events occurred across northern and western areas of the country. Western Australia received triple the average rainfall across the state, observing the third wettest October since 1975. While the Murray-Darling Basin experienced a drier-than-normal October.
- A late developing La Niña has influenced the Bureau’s latest outlook for November 2011 to January 2012. The outlook places firm odds on above-average rainfall across south-west Western Australia, the Northern Territory, central and southern Queensland, as well as New South Wales. The odds of a wetter-than-normal summer ease to an even chance in Far North Queensland and central Western Australia, while a normal to drier-than-normal summer is expected in Victoria and Tasmania.
- The Bureau’s temperature outlook indicates that cooler-than-normal days and warmer-than-normal nights can be expected across most of the country from November to January. South-eastern areas of the country are the exception here, with warmer-than-normal temperatures expected due to the persistent positive Indian Ocean Dipole (IOD).

New Zealand

- New Zealand’s weather was quite mixed throughout October. Wet and cloudy conditions covered many regions, due to easterly pressure events. NIWA reports that the east coast of the South Island experienced a cooler-than-normal October, while conditions were mostly warm, sunny and dry across the West Coast. Soil moisture levels are unseasonably dry in the eastern North Island and wetter-than-normal in the north and east of the North Island.
- Much of the north and west of the North Island and north and east of the South Island received above to well-above average rainfall. More than double the normal rainfall was received in parts of the Bay of Plenty, Nelson, Canterbury and Central Otago. However, Gisborne received less than half of the normal October rainfall, the south and west of the South Island also experienced drier-than-normal conditions.
- NIWA’s latest outlook for November 2011 – January 2012 indicates that La Niña has returned, although a normal summer is likely. Temperatures are expected to be normal throughout the North Island and normal to warmer-than-normal across the South Island. Rainfall and soil moisture levels are predicted to be near normal across the country.

Southern Oscillation Index

- The Southern Oscillation Index (SOI) fluctuated throughout October and mostly remained above the La Niña threshold of +8. The current 30-day moving average is +9.2 – seven points shy of the level this time last year.
- Other climatic indicators including Pacific Ocean temperatures, cloudiness and trade winds also indicate the presence of a La Niña, which the Bureau expects to strengthen into mid-summer.
- Previous La Niña’s have brought above-average rainfall to northern and eastern Australia throughout spring and summer, also increasing the prevalence of tropical cyclones. The Bureau expects a moderate La Niña this summer, largely due to the presence of an offsetting positive IOD.

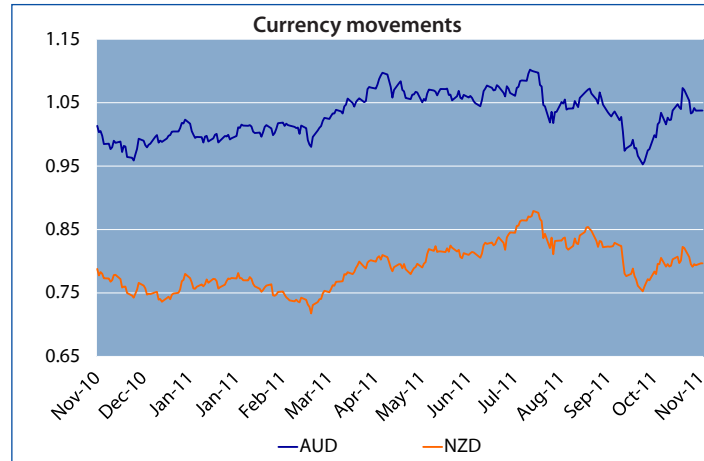


Economy/currency

Currency USD

	Current (08-Nov-11)	Last month	Last year
AUD	1.0376	0.9768	1.0159
NZD	0.8373	0.7701	0.7955

Source: Bloomberg/Rabobank



Source: Bloomberg/Rabobank

Global

- Political confusion in the Euro zone continues to influence global markets and cloud the outlook for the global economic recovery. European leaders met at a summit in late October, attempting to once again resolve or at least minimize the impact of the sovereign debt issues. At the conclusion of the summit, the leaders signalled an agreement to endure a larger loss on private holdings of outstanding Greek debt, an expansion of the European Financial Stability Fund (EFSF), and a recapitalisation of European banks. While global financial markets initially reacted well to the summit's proposed resolutions, political upheaval in Greece and Italy threatens to undermine the plan, causing ongoing market volatility.
- Growth in the United States was relatively strong for Q3, suggesting that a relapse into recession is less likely and a third round of quantitative easing may not be necessary. The economy expanded at a rate of 2.5 % in the September quarter (seasonally adjusted annualised rate), the fastest quarterly expansion in a year.

Australia

- Small signs of improvement in the Australian household economy, with retail sales increasing by 1% in Q3, and stronger employment growth saw the unemployment rate ease lower to 5.2% month-on-month. Meanwhile, private sector credit rose by 0.5% in September - its strongest growth in six months, and the terms of trade improved by 4% in Q3.
- Nevertheless, the Reserve Bank of Australia (RBA) remains alert to the impact of the fiscal challenges abroad and the softer global outlook, as well as below-trend growth in the non-mining sectors

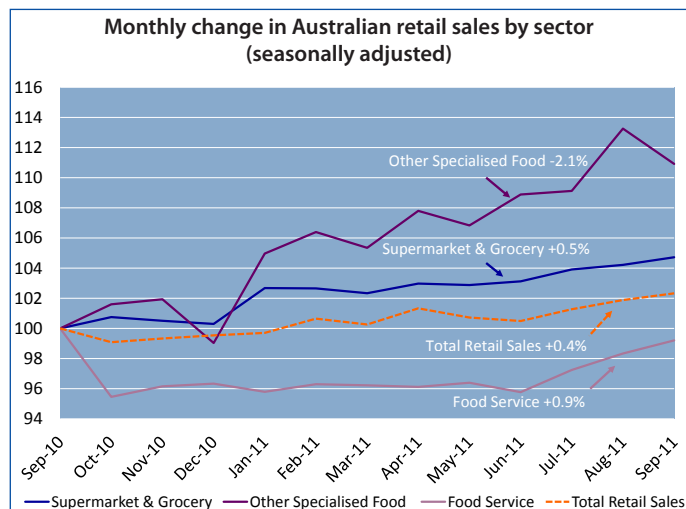
of the domestic economy. Lower CPI growth in Q3, allowed the RBA to drop the hawkish tone of a few months prior, and cut rates by 25 basis points on Melbourne Cup day to 4.5%. The RBA is expected to remain on hold in December.

- The Australian dollar has strengthened from the lows of early October, bouncing back above parity mid-month and currently sitting around USD1.03. The dollar remains sensitive to movements in global risk appetite, yet is expected to trade just above parity in the near term.

New Zealand

- The rugby world cup is yet to have a substantial impact on domestic activity. Employment growth increased by 0.2 % in Q3, with full-time employment growing by 0.4% quarter-on-quarter, while part-time employment fell by 0.6%. This is a slightly better result than Q2, yet still fell short of market expectations. The unemployment rate ticked up to 6.6% in Q3, yet this is partly due to a simultaneous increase in the participation rate during the quarter. Meanwhile, business and consumer sentiment remains lacklustre and CPI growth fell below expectations at 0.4% quarter-on-quarter, making it the lowest quarterly print in over a year.
- The Reserve Bank of New Zealand (RBNZ) left the Official Cash Rate unchanged at 2.5% at its October meeting, in light of ongoing concerns about the impact of softer global growth on commodity prices, and weaker than expected domestic activity. Rabobank expects the RBNZ to remain on hold until mid 2012.
- The New Zealand dollar has lifted from the lows of early October, where it reached its lowest level since March. The New Zealand dollar is currently trading around USD 0.80 and is expected to continue trading around this level in the near term.

Food retail



Australia

- Seasonally adjusted retail trade in September 2011 maintained the improved momentum recorded over recent months, with sales increasing 0.4% on the prior month and 2.3% on the prior corresponding period (ABS, 2011). Trade in annual terms remains sluggish despite upward revisions to estimates of trade in recent months.
- Growth in trade was observed across most retail sectors, and was most prominent in the household goods sector. Trade in Supermarket & Grocery retail trade increased 0.5% on the prior month, while the Other Specialised Food channel posted a strong decline of 2.1% on the prior month.
- Australia's major grocery retailers have reported their sales results for the third quarter of 2011. Sales growth at Coles once again outpaced that reported at Woolworths, and while average shelf prices declined for both retailers, the declines were more marked at Woolworths.
- Trade in Food Service channels (Cafés, Restaurant & Take-away) showed strong improvement in September, lifting 0.9% on the prior month aided by continued strong trade in the Café & Restaurant channel. The Take-away Food channel continues to lag behind but has nevertheless arrested the run of monthly declines observed earlier this year.
- Consumer confidence amongst Australian households continued to improve in October, but still remains around 10% below its 10-year average level (RBA, 2011). Despite reasonably sound labour market conditions, recent turmoil in financial markets and the 2.2% decline in the national housing market in the September quarter cannot be reassuring to consumers.

- With inflation risks having abated to the satisfaction of the RBA, the Melbourne Cup day interest rate cut was widely welcomed, however the impact on the real economy may well be inordinately delayed as households are likely to respond in a precautionary manner.

New Zealand

- An updated reading on New Zealand retail trade covering the September 2011 quarter is not due for release until mid-November.
- The New Zealand labour market continues to offer mild support to the retail sector. Wages in the September 2011 quarter showed modest improvement, and while unemployment was slightly higher at 6.6%, there was notable growth in labour force participation and movement from part-time to full-time employment. Clouding the data has been the process of labour migration away from the Canterbury region.
- Food prices in New Zealand declined 1.0% in September 2011 on the prior month (Statistics NZ, 2011), with fruit and vegetable (-8.6%) and sheep meat (-9.6%) prices experiencing strong seasonal declines on the prior month.
- Relative to a year ago, food prices are up 4.7% including the 2.2% inflationary effect from the GST rate rise in October 2010. Sheep, beef and pork meat prices remain well up for the year, as are grains based foods, while dairy based foods are now only marginally above their levels from a year ago. Restaurant meal prices are have experienced only mild price pressure over the past year.

Grains and oilseeds

ASX wheat prices

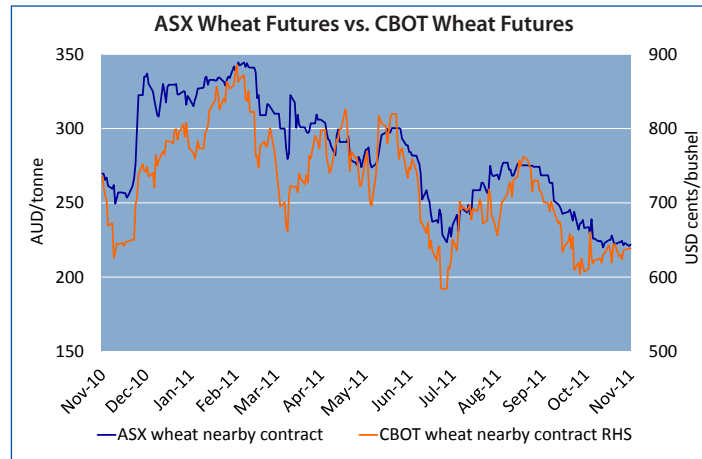
	Current (08-Nov-11)	Last month	Last year
AUD/tonne	222.00	233.00	269.80

Source: Bloomberg/ASX/Rabobank

Chicago Board of Trade Wheat Futures (nearby contract)

	Current (08-Nov-11)	Last month	Last year
USD c/bushel	638.75	607.50	736.25

Source: Bloomberg/CBOT/Rabobank



Source: Bloomberg/CBOT/ASX/Rabobank

Global

- International Grain prices have generally fallen sharply since the end of August 2011 with significant falls for Kansas, Chicago Board of Trade (CBOT) and Australian Securities Exchange (ASX) wheat markets.
- Minneapolis (MGEX) wheat futures have held firm despite falls in other markets, reflecting the tight supply of high protein milling wheat. Minneapolis style wheat is 13% protein milling wheat and has been attracting a premium of approximately USD100/mt over lower quality CBOT wheat (approximately 10% protein).
- Only in the last half of October have wheat markets generally found some stability.
- CBOT, Kansas and ASX wheat prices are now generally followers of CBOT corn. The US corn crop is the largest of the global coarse grain crops and is the benchmark for feed grain prices. Global coarse grain stocks remain at historically tight levels whilst low quality milling wheat remains in ample supply. Prices of these commodities reflect the relative stock levels, with CBOT corn trading at an AUD22/mt premium to CBOT wheat. Whilst wheat is generally considered to be a higher valued commodity, feed demand has been inelastic and end-users are only reluctantly replacing corn with wheat.
- The attention in the grain markets is increasingly shifting towards the Australian harvest which has begun and will be the next crop to enter the global export market.
- Rainfall (or lack thereof) in the Southern plains in the US will continue to be a significant swing factor in grains markets.
- Ukraine has announced an end to the export tariff on wheat, however the tariff will remain on barley exports.

- To the end of October Russia has 96 million tonnes of grain harvested, 33 million tonnes higher than in the same period last year. Since the 1st of July this year, Russian wheat has generally been considered the cheapest origin of wheat in the world, however recently Australian wheat has become priced at a similar level to Russian wheat.

Australia

- Australian has begun its winter crop harvest in some areas with central Queensland almost complete and Geraldton in Western Australia just commenced. The central Queensland harvest has achieved slightly better than expected wheat yields however the protein is well below average. It is expected that for most wheat growing areas of Australia, protein will be below average.
- The harvest in Geraldton continues to be threatened by wet weather conditions and many of the grain delivery sites have installed equipment to measure the effects of weather damage.
- Wet weather is also anticipated to hamper the southern Queensland and New South Wales crop harvest as the Australian Bureau of Meteorology is forecasting above average precipitation over the coming months.
- The canola harvest has commenced along the East Coast, with yields as expected, however the oil content is above average, a pleasant surprise for farmers. Prices have fallen sharply for wheat, barley and canola which has resulted in many farmers yet to market this year's crop.
- Barley is Australia's second biggest crop, and it is expected that this too will be below average protein. This will likely result in more barley meeting malt specifications than the average, assuming wet weather doesn't result in downgrading.
- It is expected that for this season Australia will export a record amount of wheat, potentially in excess of 21 million tonnes.

Beef

Australian beef prices

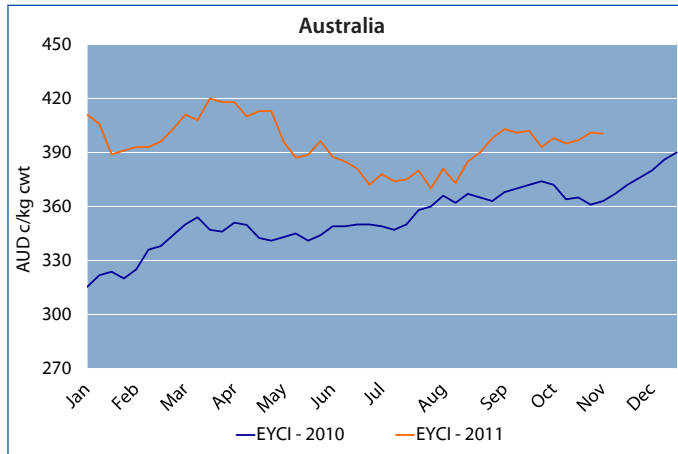
All shown as AUD cents/kg cwt	Current (04-Nov-11)	Last month	Last year
Eastern Young Cattle Indicator (EYCI)	401	398	363

Source: NLR5/Rabobank

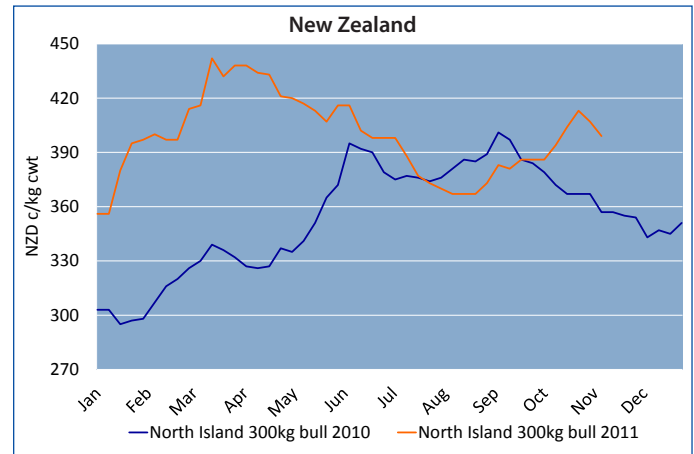
New Zealand beef prices

All shown as NZD cents/kg cwt	Current (07-Nov-11)	Last month	Last year
North Island Bull 300kg	399	394	357
South Island Bull 300kg	393	393	340

Source: NZX Agrifax/Rabobank



Source: NLR5/Rabobank



Source: NZX Agrifax/Rabobank

Global

- US domestic 90CL beef prices continued to lift through to the start of the November and remain USD20c/kg cwt above 2010 prices, with the spread moving out to USD45c/kg cwt above the five year average for imported lean manufacturing beef (90CL). The foodservice sector continues to improve in this market, increasing demand at a time when US cow production is slowing and expected to continue to be lower into the new year, therefore limiting domestic lean manufacturing beef supplies.
- The US-Korea Free Trade Agreement, which was signed in 2007, has finally been signed by the US government. As yet, the Korean government has not yet passed the agreement, due to opposition concerns. The Korean and US governments are aiming to have the agreement implemented by 1 January 2012. The FTA would see a progressive removal of the 40% tariff on US beef imports over a 15 year period. Korea is the third largest export market for Australian beef and the second largest for New Zealand. Both Australia and New Zealand are also in the process of negotiating an FTA with Korea.

Australia

- Australian young cattle prices remained stable over the past month, held up by continued strong demand from the re-stocker segment. For many producers on the east coast 2011 has been one of the best seasons they have had in years, and with water and feed in good supply they are looking to take advantage.

While young cattle held up, heavy cattle prices declined, as the rebounding Australian dollar and sluggish demand in markets such as Japan saw export returns pressured. Heavy cattle prices are likely to remain under pressure through to the end of the year, unless there is an easing in the Australian dollar.

New Zealand

- US domestic and imported lean manufacturing beef prices have started to lift ahead of seasonal trends. New Zealand farmgate prices have followed these trends improving 3-5% for prime cattle through the month. Prices are expected to continue to move higher into the new year.
- Prime cattle slaughter continues to lift and equated to 61% of total kill last month. Overall total cattle slaughter numbers were down 11% for the month compared to last year, as a result of drops in cow and bull processing (-27%). Good pasture growth and softer schedule prices for these animals are likely the key factors, while prime cattle slaughter has held at comparable levels to this time last year as schedules are staying above NZD4/kg.
- New Zealand's beef exports in September of 18,000 tonnes brought 2010/11 season to a close 2% down on the previous year at 356,000 tonnes. Beef exports for 2010/11 generated NZD2 billion (up 12% in value on last year). US and Korean export markets remained weak (31% and 8% total exports respectively) but this is a traditional period of shortened supply and other key markets such as Japan and Indonesia lifted monthly demand.

Sheepmeat

Australian lamb prices

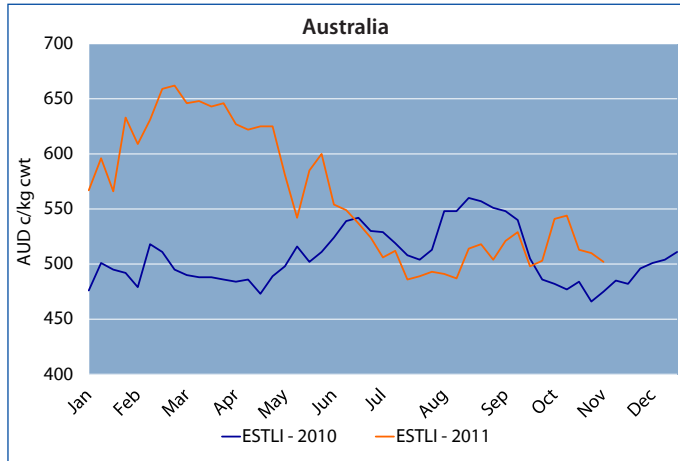
All shown as AUD cents/kg cwt	Current (01-Nov-11)	Last month	Last year
Eastern States Trade Lamb Indicator (ESTLI)	502	541	475

Source: NLR5/Rabobank

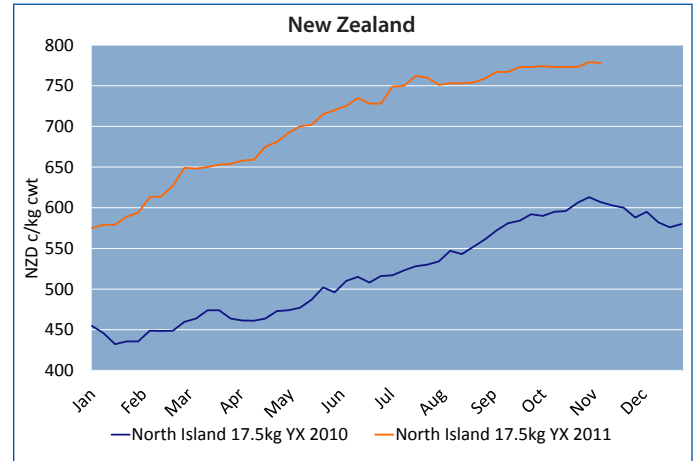
New Zealand lamb prices

All shown as NZD cents/kg cwt	Current (07-Nov-11)	Last month	Last year
North Island 17.5kg YX	778	774	607
South Island 17.5kg YX	738	717	589

Source: NZX Agrifax/Rabobank



Source: NLR5/Rabobank



Source: NZX Agrifax/Rabobank

Australia

- Lamb prices have eased over the past month, with the Eastern States Trade Lamb Indicator falling to AUD502c/kg as at the beginning of November. This is a decline of around 40 cents on the beginning of October, but still 6% above the same time last year. Heavy lambs felt the greatest pressure, as the rebounding Australian dollar impacted on export margins, while re-stocker lambs held steady due to excellent seasonal conditions. Assuming weather does not dry up significantly over November restocker interest should continue, however heavy lambs will remain under pressure while the Australian dollar remains high.
- The Australian Federal Government has released its response to the Farmer Review, an independent review of the live export trade. One of the main findings of the report is that the closed supply chain system, which was recently introduced in Indonesia, should be expanded to other countries. The system will be phased in progressively, and will apply to cattle, sheep and goat exports. Kuwait, Bahrain, Oman and Turkey are the first countries (after Indonesia and Egypt which already have systems in place) to undergo the implementation, with systems to be put in place by February next year. Australia exported around three million live sheep in 2010, mainly to the Middle East region.

New Zealand

- The 2011/12 season lamb kill started softly through October with lamb numbers being processed down 10% on last year. Early

November figures are yet to show the typical lift for this time of year. However, given the 2010/11 season finishing so strongly with processing numbers and heavier weights (averaging up to 2kg above average) through August and September, a softer start to the season is not unexpected. The numbers are likely to stay lighter until late November as overall spring pasture remains good across the country.

- Looking forward the expectation continues to be that prices will soften in 2011/2012 as product availability improves on last season. North Island farmgate prices carried on climbing marginally through October finishing another NZD5c/kg higher. North Island competition for stock has meant prices have continued to stay up in the short term and remain 30% higher than last October. South Island processors lifted prices on average NZD15c/kg over the month remain 22%. This is all the more interesting as export returns in September have dropped below the NZD9/kg FOB mark for the first time since January, meanwhile product volumes for this time of year have lifted. An additional volume of 8,000 tonnes of product over August and September was exported compared to the same time last year. Both boneless export prices and bone-in cuts have seen prices soften around NZD50c/kg to NZD12.10/kg and NZD8.10/kg respectively in September. In the end exports for the 2010/11 season totalled 342 thousand tonnes a reduction of 15 thousand tonnes (4.2%) on the previous year, which remain 22% above this time last year.

Dairy

World dairy prices

	USD/tonne			AUD/tonne			NZD/tonne		
	27-Oct-11	Last month	Last year	27-Oct-11	Last month	Last year	27-Oct-11	Last month	Last year
Butter	4,100	4,100	4,350	3,901	4,191	4,431	5,074	5,293	5,778
SMP	3,350	3,388	3,100	3,188	3,463	3,157	4,146	4,374	4,118
WMP	3,500	3,450	3,475	3,330	3,526	3,539	4,331	4,454	4,616
Cheddar	3,950	4,288	4,100	3,759	4,383	4,176	4,888	5,536	5,446

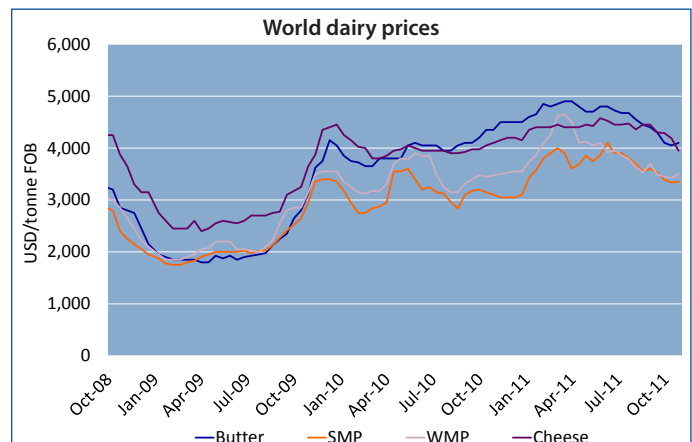
Source: USDA/Rabobank

Global

- The softer tone to the market continued through October with further falls in dairy commodity prices in USD terms. While price movements were mixed, across the dairy complex falls were in the range of 2-8%.
- Currently milk production is tracking well above year ago levels in the largest exporting countries which helped ease prices. Production seasons are winding down in the Northern Hemisphere but are still tracking above year ago levels. Production seasons in the Southern Hemisphere are now in full swing with strong growth in Australia, New Zealand and Argentina.
- The demand picture is mixed. Milk powder import purchases from China continue to run lighter than year ago levels. In addition, macroeconomic issues in the Euro zone continue to weigh on market sentiment.
- With EU and US production growth running well ahead of demand in respective domestic markets, this is creating additional exportable surpluses in conjunction with spring flushes in the Southern Hemisphere.
- In contrast, demand appears to be holding up well in other key importing nations such as the South East Asian region. This should help provide some near term stability in commodity prices through the end of the year.

Australia

- The benefits of a good season and pricing conditions are starting to show. For the month of September, preliminary data shows national milk production was up 6.1%. Production gains have been the strongest in the Western and Northern regions of Victoria and Tasmania.
- October brought with it the first round of farmgate milk price step-ups. Murray Goulburn lifted its price paid to suppliers by AUD0.20/kg protein and AUD0.08/kg butterfat.
- Dairy commodity prices in local currency terms continue to ease. An elevated AUD and softer prices in USD continue to negatively impact export returns. As a result, Murray Goulburn cautioned suppliers stating its full year average price is now likely to finish nearer the lower end of its forecast range (AUD5.30/kgMS).



Source: USDA/Rabobank

Production growth in key exporting regions

	Latest month	Last three months
EU 27	2.4% (Aug)	2.4%
US	1.7% (Sep)	1.4%
Argentina	13.8% (Sep)	12.5%
Australia	6.1% (Sep)	2.1%
NZ	9% for 5 months to October 2011	

*Rabobank estimate

New Zealand

- Dairy commodity prices in local currency terms eased 6% on average as the NZD gained around 4% (or US 3 cents) against the USD over the past month. Compared to last year, prices are now around 7% lower in local terms but have held up better for powders than for butter and cheese. Nevertheless, Fonterra reduced its forecast milk price for the season by 7% to NZD6.30/kgMS.
- Ideal spring conditions have continued to provide persistently high milk volumes for processing during the 'flush'. While the edge was taken off manufacturing volumes in late October as gas supply disruptions closed plants in the upper North Island over two to three days, these issues have now been resolved and milk volumes lost were not significant for national production levels over the whole season.
- September dairy export volumes were 4% higher than last year as the higher milk flows started to come through. Compared to last year the product mix favoured increased exports of cheese, butter and casein as volumes shipped to Australia and Japan were higher, while Chinese trade was relatively lacklustre.

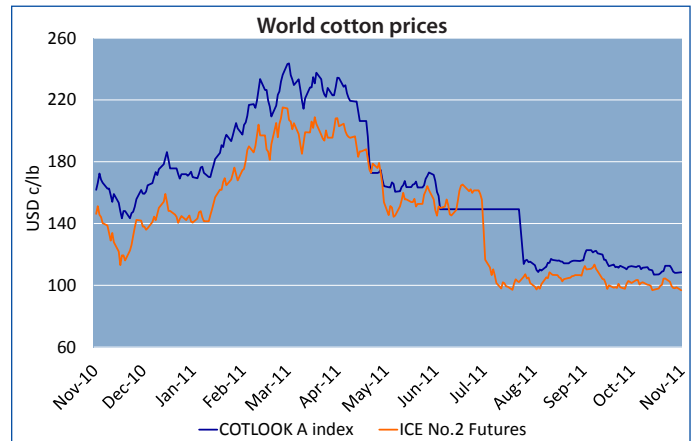
Cotton

World cotton prices

All shown as USD cents/lb	Current (08-Nov-11)	Last month	Last year
Cotlook A Index	108.45	112.40	160
ICE No.2 NY Futures (nearby contract)	96.76	103.47	142.23

Source: Bloomberg/ICE/Rabobank

- Front month cotton prices fluctuated throughout October following an ongoing easing in demand and macroeconomic uncertainty. The ICE #2 front month is currently trading above USD 96c/lb or AUD 476/bale. The May 12 contract however, gained some strength in October, up 2% over the month, as did other late dated contracts. The back end of the futures curve is starting to lift, and may begin to factor in some cost of carry.
- The Chinese National Cotton Reserve was an active buyer earlier in October, taking advantage of lower prices and propping up US exports for both the 2011/12 and 2012/13 marketing years. However this buying activity has since slowed. We expect Chinese demand to remain lacklustre as we approach the closure of the Chinese cotton quota import window in December. This easing in demand is likely to pressure prices in the near-term.
- Australian cotton plants are beginning to emerge and the climate outlook for key production regions favours a wet growing season,



Source: Bloomberg/ICE/Rabobank

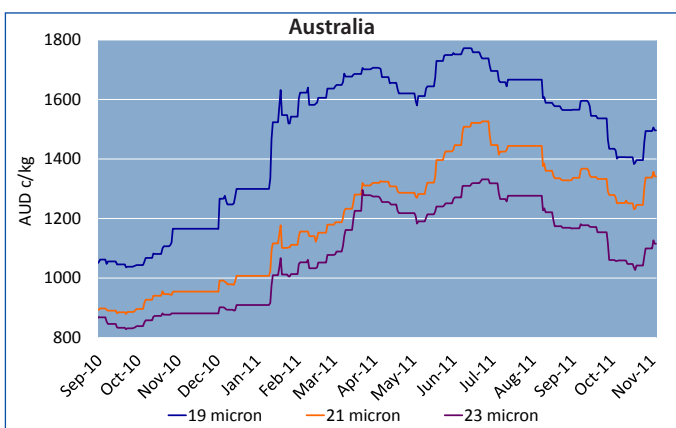
with warmer-than-normal night temperatures. Rabobank expects a record Australian cotton crop of 4.73 million bales to be produced in MY 2011/12, up around 17% on last season.

Wool

Australian wool prices (eastern)

All shown as AUD c/kg	Current (04-Nov-11)	Last month	Last year
Fine (19 micron)	1496	1428	1166
Medium (21 micron)	1342	1271	955
Broad/coarse (23 micron)	1116	1058	882

Source: Rabobank/Bloomberg/AWEX (average north and south prices)



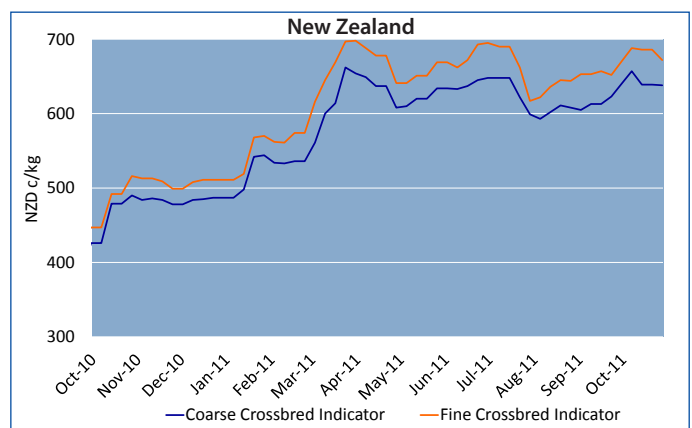
Source: Rabobank, Bloomberg/AWEX (average north and south prices)

- The Australian wool market regained strength in late October, despite ongoing economic headwinds in some of the main wool-consuming countries. Medium types made the greatest gains, the AWEX 21 micron price guide increased by 5% month-on-month.
- Supply constraints continue to support the Australian market. The total volume of wool tested this season in Australia (by weight) has been greater than in the July-October period last year, however last

New Zealand wool prices

All shown as NZD c/kg	Current (28-Oct-11)	Last month	Last year
Fine crossbred	672	670	516
Coarse crossbred	638	640	490

Source: Rabobank



Source: NZWSI/Rabobank

- month's volumes were 8.4% below the October 2010 levels.
- The NZWSI fine and coarse crossbred indicators remain at elevated levels despite slightly weakening at the end of October. The markets for merino and mid micron types have been more sensitive to the global economic headwinds in recent months, yet both markets improved slightly in late October.

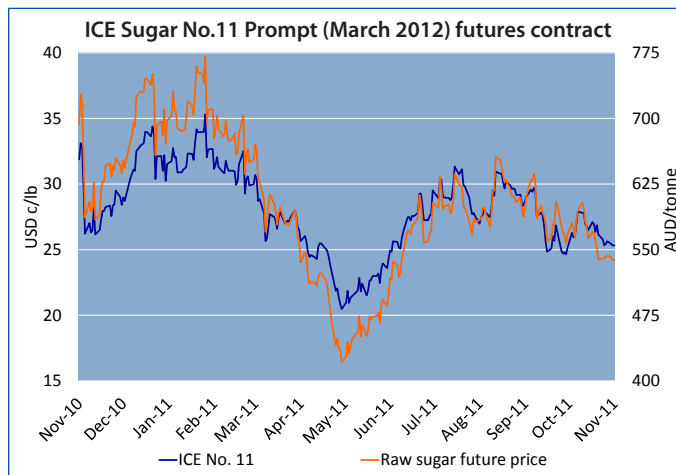
Sugar

ICE Sugar No.11 Prompt (raw sugar futures price March 2012)

	Current (8-Nov-11)	Last month	Last year
USD cents/lb	25.32	25.16	31.88
Converted to AUD/tonne	538.19	567.86	693.40

Source: Bloomberg/ICE/Rabobank

- Sugar prices gained strength throughout October and ended the month up two percent. The initial threat of production downgrades due to floods in Thailand and ongoing downgrades to the remaining Brazilian crop in the Centre South were the main upside factors throughout the month.
- The ICE # 11 front month futures contract has since eased to above USD25c/lb in November, reflecting the markets cautious expectation of upcoming Northern Hemisphere supply availability.
- Delivery of the Northern Hemisphere supply response is edging closer, however floods throughout Thailand have delayed the harvest, and while the crush has begun in India, the volume of Indian exports in 2011/12 remains uncertain.
- Most Australian regions are reaching the end of the 2011 crush, however, weather permitting, the Burdekin is expected to continue crushing into December. More than 25 million tonnes have been crushed to date, with approximately three tonnes remaining.
- It's been a busy start to November for Australia's sugar assets, with consolidation and corporate investment interest heating up. The Proserpine Co-operative Sugar Milling Association fell into voluntary administration after rejecting a number of takeover and merger offers from various parties. COFCO has extended an



Source: Bloomberg/ICE/Rabobank

increased offer of AUD122 million, which at the time of writing has not been matched by another party. This may be one of the last opportunities for Proserpine before receivership.

- In other news, Maryborough Sugar Factory (MSF) shares were placed in a Trading Halt on the Australian Securities Exchange in early November, as the market awaited an announcement on a material control transaction, that was confirmed to be a takeover bid from Mitr Phol.

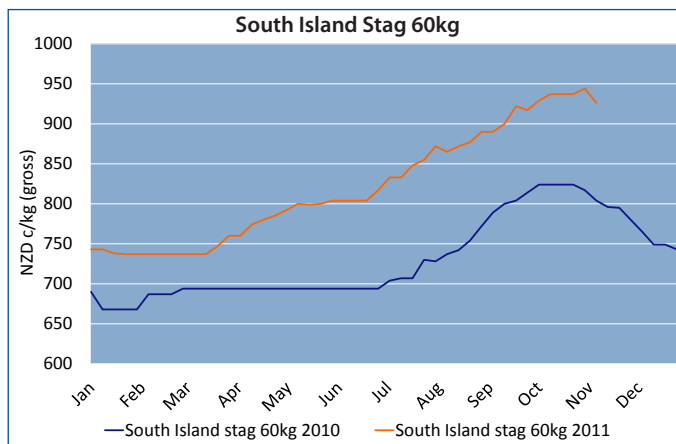
Venison

New Zealand venison prices

All shown as NZD cents/kg gross	Current (07-Nov-11)	Last month	Last year
North Island Stag 60kg	905	900	798
South Island Stag 60kg	926	937	804

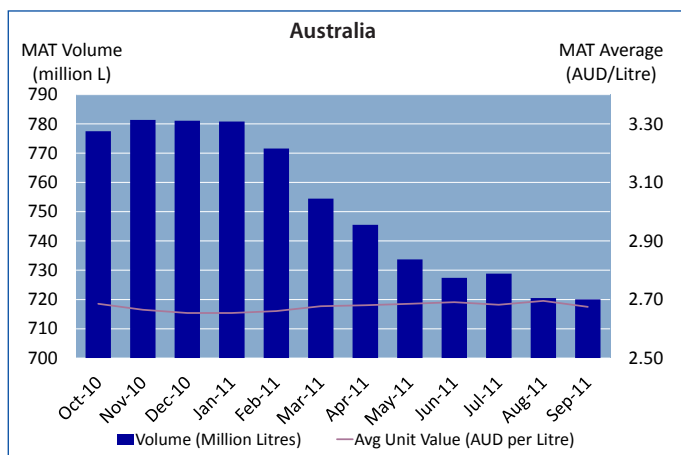
Source: NZX Agrifax/Rabobank

- September exports saw chilled volumes continue to lift over the European Autumn, with market returns staying just over NZD20/kg FOB, while frozen export volumes softened to balance the increased interest in chilled product. Frozen returns are currently sitting at NZD12/kg FOB, while overall total product returns lifted 5% for the month. October farmgate returns have continued to reflect the solid market returns lifting NZD28c/kg over the month prior or around 3%.
- Frozen velvet exports dominated September shipments at 22 tonnes, with half heading to China and the other half to Korea. Frozen prices lifted to NZD74/kg in September, an improvement of 50% on August's exports. By contrast, while frozen prices improved, dried velvet prices have fallen back from August's average export value of NZD220/kg to NZD145/kg in September.



Source: NZX Agrifax/Rabobank

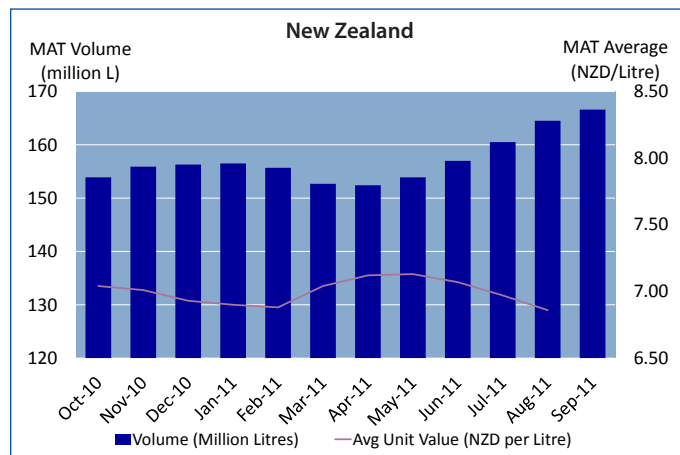
Wine



Note: MAT - Moving Annual Total refers to the twelve months ending with the nominated month
Source: Australian Wine and Brandy Corporation/Rabobank

Australia

- Australian wine export volumes in the year to September 2011 fell 6.7% on the prior year to 720.1 million litres (ML), while the FOB value of exports fell 8.2% to AUD1,926.1 billion. The industry has experienced a steady decline in monthly shipment volumes due to successive below average harvests and sensitivity to gradual price increases in core markets.
- Export volumes in the month of September 2011 were down 0.6% relative to the same month last year. In terms of monthly pricing, average unit values have increased marginally for both bottled wine (+1.7% to AUD4.22 per litre) and bulk wine (+1.3% to AUD1.00 per litre) compared to a year earlier.
- Despite improved pricing, record bulk shipment volumes in the month of September caused average pricing for the month to decline significantly to AUD2.54 per litre. Bulk export volumes in September increased 20% on the prior corresponding month, buoyed by significant increased trade to the United States (+100%) and United Kingdom (+37%). While volumes to China have fallen 69% relative to the same period last year, pricing is up a remarkable 112%.
- Trade to the burgeoning China/Hong Kong market appears to have levelled-off for Australian wine exporters in the 2011 year. Combined bottled wine exports to China/Hong Kong are down 38.7% in the calendar year to date. With many other wine producing countries continuing to expand shipments into the market, it would seem that Australian wine producers are losing valuable market share in what is now a much more cluttered market.



Note: MAT - Moving Annual Total refers to the twelve months ending with the nominated month
Source: New Zealand Winegrowers based on Statistics New Zealand/Rabobank

New Zealand

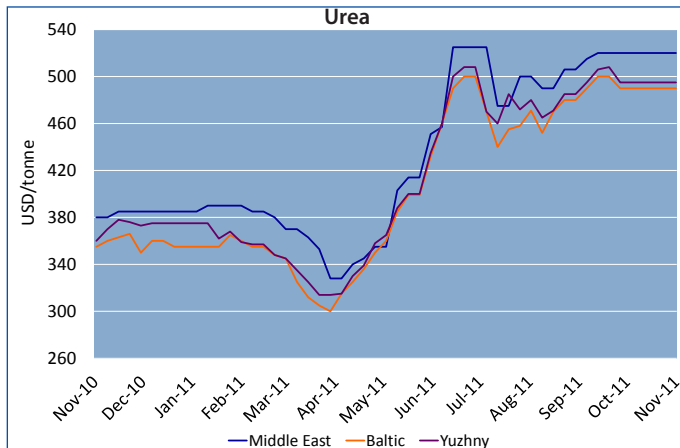
- New Zealand wine export volumes increased 10.3% to 166.6ML in the year to September 2011. Bottled wine shipment volumes remained flat at 108.3ML, while bulk wine shipments increased 36.9% to 58.3ML over the period (NZ Winegrowers Assoc., 2011).
- Exports reached a record 20.9ML in the month of September on the back of record bottled shipments (+11% versus September 2010) and record bulk shipments (+36%). Sales are seasonally higher at this time of year, however the share of bulk wine shipments in the export mix neared 50% for the first time as Marlborough-based wine companies continue to manage down inventories following the increased harvest in 2011. Bulk wine pricing has fallen accordingly as foreign importers and third party brand owners take advantage of higher supplies.
- In the year to August 2011, the annual value of exports grew 4.8% to NZD 1.1 billion. The annual average unit value declined to FOB NZD6.86 per litre in response to a higher proportion of bulk wine in the export mix. The New Zealand Winegrowers Association estimates that the UK market now accounts for 46% of all bulk wine exports that leave New Zealand's shores.
- Average bottled wine pricing in core markets has been mixed over the past 12 months, mostly in line with currency movements and trends in bulk shipments. Bottled wine pricing has stabilised in core markets such as the UK and US, firmed in Australia due to a more favourable currency pairing, and softened in Canada where prices remain the highest of the group.
- Despite ninety percent of shipments still being concentrated in four core markets, alternative markets continue to grow in significance for New Zealand wine producers. In the nine months to September 2011, exports to Germany (+86%), Ireland (+62%), China (+74%), Sweden (+35%) and Denmark (+24%) have all recorded strong gains.

Fertiliser

Fertiliser prices

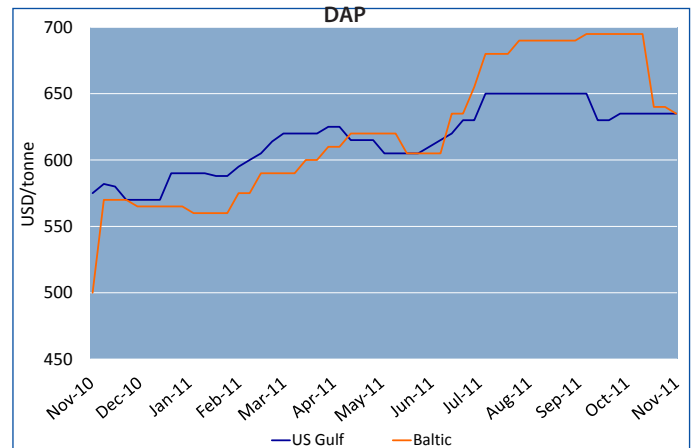
All shown as USD/tonne	Current (03-Nov-11)	Last month	Last year
Urea (Middle East)	520	520	380
DAP (US Gulf)	635	635	575

Source: Bloomberg/ICIS/Rabobank



Source: Bloomberg/ICIS/Rabobank

- Global fertiliser markets remained flat in October. However global benchmark fertiliser price sit well above year ago levels; urea prices are 37% higher while DAP prices are 10% firmer.
- Ongoing issues across the markets continue to dominate buyers' and sellers' attention. On the supply side Tunisian DAP production remains at reduced levels and global supplies have been limited by reduced exports from China during their low tax export window - which has now closed for urea and DAP.
- Indian importing has been steady on the back of local supply and reduced inventories. In addition, Pakistan urea imports have been firmer as gas shortages impact local supply. In the US, drought



Source: Bloomberg/ICIS/Rabobank

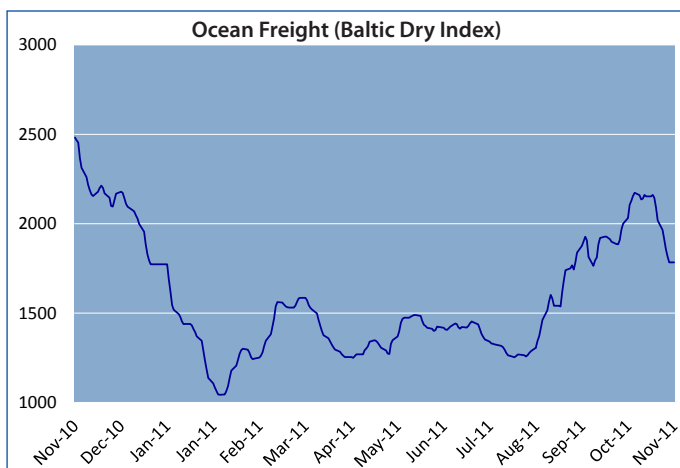
- conditions have pressured demand.
- Uncertainty over the macroeconomic situation across the Euro zone has continued to impact some agricultural commodity markets. At this stage international fertiliser prices appear largely unaffected but further weakness in commodity prices may start to impact fertiliser demand.
- Looking forward, across the fertiliser complex, demand in key markets has slowed as buyers seasonally reduce purchases. Therefore fertiliser prices have likely reached peaks in the current cycle; but tight fundamentals should underpin fertiliser prices through November - December.

Other costs

Ocean freight index and oil prices

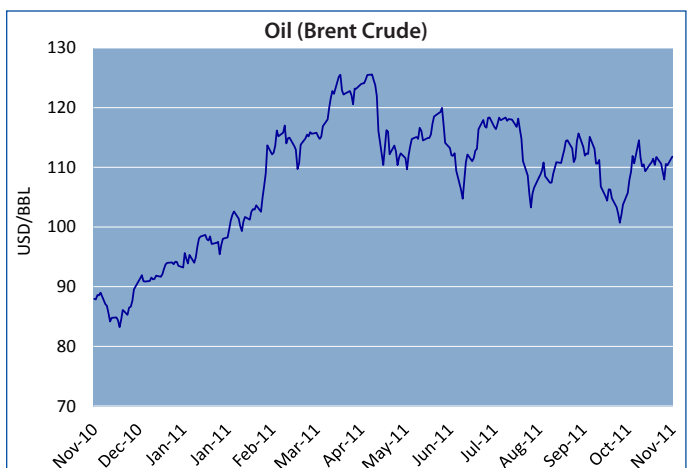
	Current (08-Nov-11)	Last month	Last year
Baltic Dry Index* (ocean freight)	1784	2000	2482
Brent Crude Oil (USD/bbl)	112	104	88

Source: Bloomberg/Rabobank



Source: Bloomberg/Rabobank

*The Baltic Dry Index (BDI) is an index which averages the cost of shipping (for bulk-dry vessels) on 25 of the world's most traded bulk cargo routes. The index was set at a starting level of 1000 points in 1985.



Source: Bloomberg/Rabobank

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Rabobank Australia and Rabobank New Zealand are a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 110 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness.

Rabobank operates in 46 countries, servicing the needs of more than nine million clients worldwide through a network of more than 1,600 offices and branches. Rabobank Australia and Rabobank New Zealand are among their countries' leading rural lenders and are significant providers of business and corporate banking and financial services to the Australian and New Zealand food and agribusiness sector. Rabobank has 83 branches throughout Australia and New Zealand in all major agricultural regions.

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