



Rabobank

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Agribusiness Review

Australia and New Zealand

Rabobank Group

Food & Agribusiness Research and Advisory (FAR)

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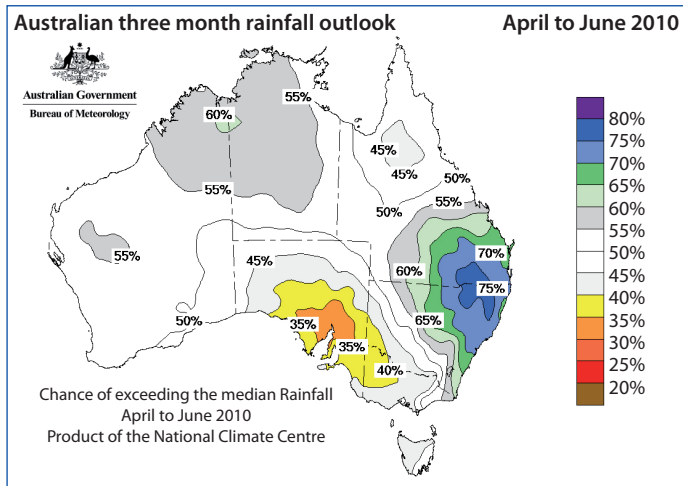
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Report highlights

- March saw near average rainfall and temperatures across much of Australia, albeit water storage levels in the Murray Darling Basin remain at levels similar to this time last year. In New Zealand, conditions remain dry in the north and east of the North Island, leading to ongoing soil moisture deficits. The El Niño is showing signs of weakening, with neutral conditions predicted by winter.
- The global economic recovery is continuing, with better US jobs data which is positive for consumption ahead. The outlook for the Australian economy continues to improve, with upward revisions to GDP and inflation forecasts. As a result, the official cash rate rose again by 25 basis points in April. In New Zealand the recovery remains fragile, with signs of slowing momentum in the housing sector and a weak labour market, lowering expectations for rises in the official cash rate.
- The Australian and New Zealand dollars continue to reflect the growth differences between the two countries. Rabobank still expect both currencies to weaken against the US dollar in the second half of the year, although they will remain at elevated levels.
- Global grain stocks continue to place downward pressure on world grain prices, with stocks expected to build again in the coming season. Improved seasonal conditions along the Australian east coast have raised expectations for the domestic crop. Rabobank has raised its wheat production forecast to 21.8 million tonnes, although rains over the next couple of months remain critical to this outlook.
- Young cattle prices have held up in Australia and New Zealand, with Australian prices at their highest level since the global economic downturn began. However, rising US exports into the Japanese market continue to increase competition for Australian beef.
- Global dairy prices surprised on the upside in recent weeks, due to ongoing improvements in the global economy, a weak end to the New Zealand production season and a slow start to the EU season. As a result, optimism is building for the 2010/11 season, particularly in Australia with soft feed grain prices and improved irrigation water availability.
- Oil prices remain elevated due to continued positive sentiment around the global economic recovery, with prices around USD34/barrel above this time a year ago.



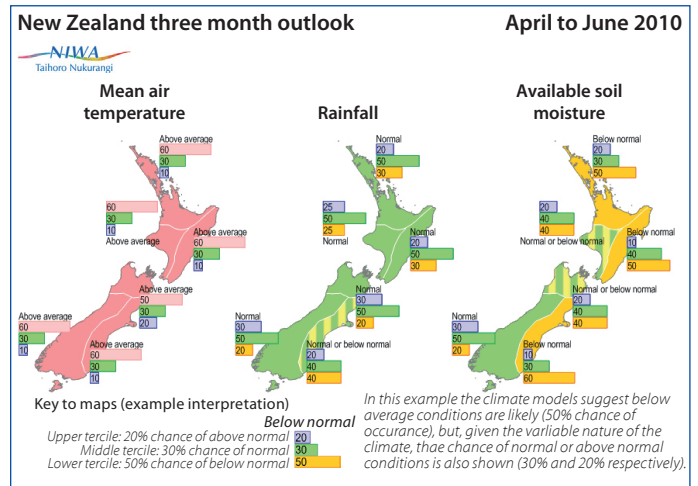
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Australia

- March national average rainfall and temperature were both near normal, including some acute variations, both positive and negative, especially for rainfall.
- Recent heavy rain across the east coast of Australia resulted in, according to some, the best start to the season in 25 years. Floods filled storage levels of some of the smaller dams along the east coast; however, the overall Murray Darling Basin water storage levels in mid-March were similar to or slightly above the same time last year.
- Looking to the three months to June, parts of eastern and southern Queensland, together with eastern New South Wales are likely to experience above average rainfall, while South Australia and adjacent western parts of both Victoria and New South Wales expect a drier-than-average season. The chance of exceeding average rainfall for the remainder of the country is between 40 and 60% - with above average falls as likely as below average falls.
- The national outlook for temperatures for the June quarter shows a likelihood of above average temperatures across most of the tropics and Western Australia and cooler-than-average daytime temperatures around the New South Wales-Queensland border. Across the remainder of the country the chances are between 40 and 60%, meaning that a warmer or cooler-than-normal season are equally as likely.

El Niño

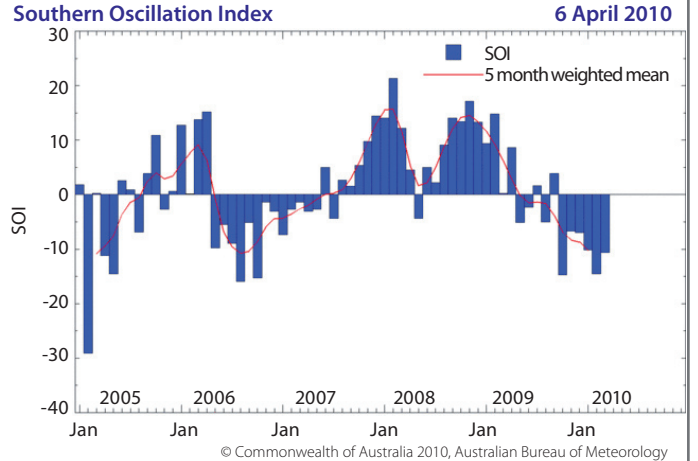
- The El Niño continues in the Tropical Pacific, but is showing signs of weakening, and most experts predict neutral conditions by winter. But while the El Niño has peaked, it is expected to continue to influence worldwide climatic patterns up to mid-year before dying out.
- The Southern Oscillation Index (SOI) rose during March, ending the month at around -10. While consistently negative values at this time of year are not considered a major concern, if the SOI does not return to more positive values during autumn it could be an indication of a drier winter/spring to come.



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New Zealand

- The north and east of the North Island, and parts of Canterbury and Otago experienced an extremely dry month, with Auckland experiencing a record dry March. It was also dry over the remainder of the North Island and Nelson, but Fiordland and parts of Southland received around 120% of their normal rainfall. As a result, severe soil moisture deficits continue in Northland, Auckland, South Canterbury and Otago and dry soils have developed in Waikato, Coromandel, Bay of Plenty, Taupo and parts of Gisborne and Hawke's Bay.
- March temperatures were mixed with Nelson, Otago, South Canterbury, and the Lakes District experiencing a warmer-than-average month and the West Coast, and from Raglan to Waiouru experiencing a cooler-than-normal month. Elsewhere, temperatures were near average.
- For the three months to June, mean temperatures are likely to be above the long-term average in most parts of the country; however, cold snaps will still occur as we move into winter. Despite the recent dryness, near normal seasonal rainfalls are likely in most places.
- Below normal soil moisture levels and stream flows are likely for the April–June period in the north and east of the North Island, and very likely in the east of the South Island. Most other regions should expect near normal soil moisture levels.

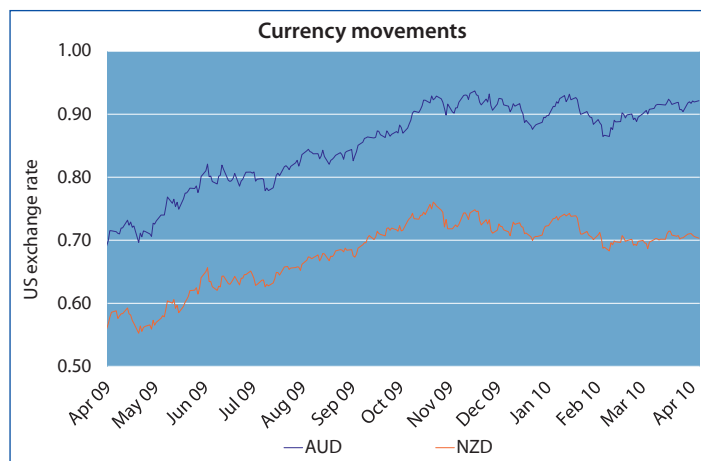


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Currency USD

	Current (05/04/10)	Last month	Last year
AUD	0.9214	0.9077	0.7136
NZD	0.7032	0.6969	0.5881

Source: Bloomberg/Rabobank



Source: Bloomberg/Rabobank

Global

- In general, this month's economic data has reinforced that the recovery is continuing to broaden beyond the manufacturing sector. Most encouraging were improvements to the US labour market. US payrolls data showed 162,000 jobs were added in March, the largest job-gain in three years. In the Euro area, recent data have continued to highlight the divergence between upbeat forward-looking indicators (business confidence, bank lending) and the relatively subdued backward-looking activity data (retail sales, industrial orders).
- For Japan, April signals the start of a new fiscal year and is also likely to mark the start of a slower growth-patch as the effect of earlier government-backed consumption incentives run their course. However, it is not all bad news; exports still have room for further expansion this year given recent improvements in the US and a robust growth outlook for China.

Australia

- Retail sales and building approvals undoubtedly have displayed a softer tone. Retail sales fell by 1.4% in February, wiping away January gains and going against the market consensus for a 0.3% increase. Rabobank had expected a softening in consumption in the 1H 2010, but this is likely to gather momentum once again later in the year. Private credit growth is recovering, lifting 0.4% in February. This did not extend to business credit, which has not yet turned positive on a month-on-month basis.
- Rabobank has revised up GDP and inflation forecasts – the Australian economy is expected to expand at 3.1% in 2010 and 3.7% in 2011. Underlying inflation is now expected to bottom at the higher-end of the Reserve Bank of Australia's (RBA) target range, with it poised to pick-up speed again in the 2H 2011. Unemployment is now expected to slip below 5% and the official

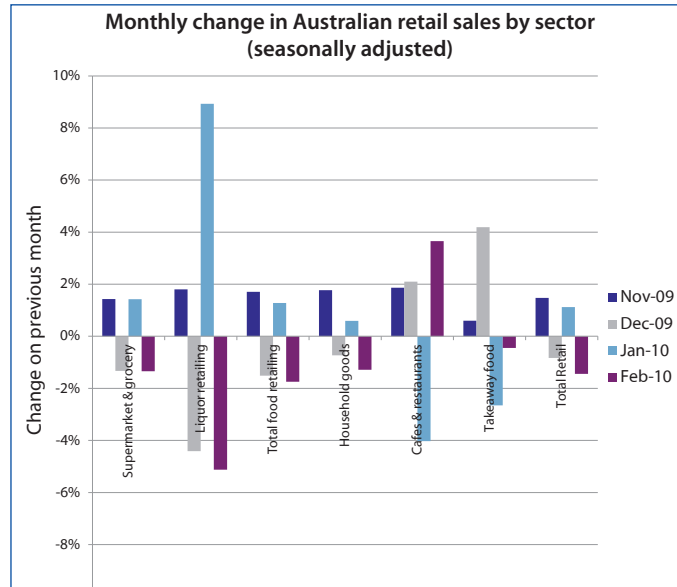
cash rate (OCR) is estimated to hit 6% by the end of 2011.

- Recent Australian dollar (AUD) strength has been underpinned by the fifth lift in the OCR in seven months - the OCR is now sitting at 4.25% - and strong increases in contract prices for iron ore and coal. Rabobank still expect some correction in the AUD this year, particularly if consumption growth slows and US dollar fundamentals strengthen.

New Zealand

- In light of recent signs of slowing momentum in the New Zealand housing sector and a weak labour market, Rabobank has revised its expectation to the level of OCR tightening that will be undertaken in 2010. While the RBNZ is still expected to hike by 25 basis points in June, we now anticipate that the OCR will reach 3.75% by year's end (lower than the 4.25% anticipated at the start of the year).
- The New Zealand economy did expand at a solid pace in the December quarter 2009 – GDP was 0.8% higher quarter-on-quarter to be 0.4% higher than a year earlier. This was a dramatic improvement on the -1.4% year-on-year contraction recorded in the September quarter. Rabobank expects this strong result to continue in the March quarter, with consumption and residential investment trending back towards a more solid footing. Business investment is likely to stage a gradual recovery in the 2H 2010. Rabobank forecast GDP to expand by 2.7% in 2010 and 3.3% in 2011.
- New Zealand dollar (NZD) continues to track sideways in US dollar terms at around NZD/USD 0.70. However, against the Australian dollar it has weakened markedly to be back above AUD/NZD 1.30 mark. This highlighting the relative strength in the Australian economy. As markets pare back OCR tightening expectations this year, the NZD should weaken against the USD and slip convincingly below the USD0.70 mark.

Food retail



Source: ABS Cat 8501

Australia

- Retail trade estimates for February 2010 released by the Australian Bureau of Statistics exhibit a continued decline in the rate of trend growth in retail sales, reflecting in part the flow of government fiscal stimulus through the consumer economy. Seasonally-adjusted total retail trade turnover decreased by 1.4% on the prior month and has displayed increased variability in recent months.
- Total food retail turnover; encompassing grocery and liquor retailers, declined at the slightly higher rate of 1.7% on the prior month in seasonally-adjusted terms. Food service; encompassing cafés, takeaway and restaurant retailers, by contrast returned to growth, with an increase of 1.8% on the prior month. Café and restaurant sales registered a 3.7% increase on the prior month, the largest rise of all retail spending categories. This result concurs with the elevated consumer confidence levels surveyed by the Westpac-Melbourne Institute.
- At a state level, Queensland has exhibited the most apparent shift away from consumer spending on dining out towards more at-home meal preparation. Queensland is the only state or territory where seasonally adjusted café, restaurant and takeaway trade turnover remains below January 2008 levels. By contrast, growth in Queensland food retail trade turnover is second only to Tasmania over the same period. In terms of growth in total food trade turnover i.e. both food retail and food service, South Australia has lagged the other states, particularly over the last 12 months.

New Zealand

- The soft labour market, with unemployment at 7.3% (December quarter 2009), continued to impact retail spending. Latest retail sales data showed seasonally-adjusted retail turnover increasing a marginal 0.3%. January 2010 sales improved on December spending, but remains below levels experienced in the middle of last year.
- However, an increase in job advertisements are encouraging signs for a lift in the New Zealand labour market. This should support retail sales this year.
- January 2010 supermarket and grocery store spending generated the first improvement since September 2009, up 0.2% from December 2009 on an annual basis. Although there was an overall improvement of 1.5%, monthly spend was down NZD39 million on mid-2009.
- Food pricing in February 2010, not seasonally-adjusted, declined 1.3%. Annual food prices increased 0.7%, the smallest annual rise since April 2005. Having stabilised, food prices are 10% higher than two years ago. Supermarket retail spending has only increased 6% over this two-year period.
- Prices of fruit and vegetables (not seasonally-adjusted) increased 4.8% in January. Meat, poultry and fish categories fell 2.4%, influenced by the reduction in prime beef prices (down 17%) and pork prices (down 5%). Dairy product prices increased, reflecting world dairy price movements.

Grains and oilseeds

ASX wheat prices

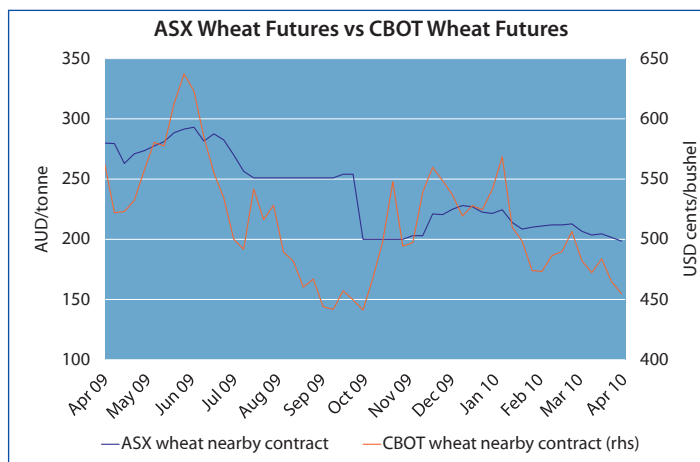
	Current (02/04/10)	Last month	Last year
AUD/tonne	198	207	280

Source: Bloomberg/ASX/Rabobank

Chicago Board of Trade Wheat Futures (nearby contract)

	Current (02/04/10)	Last month	Last year
USD c/bushel	455	482	564

Source: Bloomberg/CBOT/Rabobank



Source: Bloomberg/CBOT/ASX/Rabobank

Global

- The US Department of Agriculture (USDA) Prospective Planting report, released on 31 March, is the most anticipated report of the year giving the first read on expectations for 2010/11 grains production. Little in the report served to bolster the spirits of an otherwise forlorn grain market. Wheat had clearly the most bearish price fundamentals, with stocks expected to build again in 2010/11.
- Rabobank forecast wheat prices to remain suppressed for the remainder of 2010, with a major crop disaster the only possible driver for a sustained improvement at this stage. While we recognise that some regions are not experiencing ideal growing conditions, and the El Niño continues to linger, this does not appear to be a significant enough risk to production to warrant higher prices at this stage.
- Look for outside market influences as the most likely causes of higher wheat prices this year. Improved corn and soybean fundamentals, a weaker US dollar and a rally from speculators, will be potential contributors. For example, any serious weather issues during the Northern Hemisphere growing season could spark a short rally, and as witnessed in 2009 this could lift Chicago wheat prices by as much a USD1/bushel.

Australia

- Australian East Coast winter cropping prospects look outstanding, with Queensland and northern New South Wales experiencing one of the best starts in more than 20 years. According to the Australian Bureau of Meteorology, the national outlook for autumn rainfall (April to June), shows odds generally close to or better than 50% across much of the country, except in South Australia and a

small part of Victoria. It is early days, particularly in parts of South Australia and Western Australia, who are yet to receive soaking rains. However, conditions in many regions are expected to see planted areas back near historic levels.

- Due to improved conditions, Rabobank has increased its estimates for Australian winter crop production, including wheat. Australian wheat production is now expected to reach 21.8 million tonnes in 2010/11, with areas slightly below that of last year as some producers will invariably switch to pulses and cotton.
- Wheat exports are still ticking along, with year-to-date shipments to January around 16% above the same period as a year earlier. There have been some reported shipping cancellations on the East Coast reflecting the weak market conditions for lower quality wheat. As a result, Rabobank expect Australian wheat exports to come in below 15 million tonnes this year.
- Australian canola production is likely to reach near 1.9 million tonnes in 2009/10, which is close to the previous year's harvest of 1.88 million tonnes. This was well above earlier-year expectations due to yields in Victoria and South Australia surprising on the upside. In 2010/11, Rabobank expect the Australian area to fall marginally, as a result of reduced plantings in the lower rainfall areas of Western Australia, South Australia and Northern Victoria. This trend away from canola is hardly surprising, with recent gross margin estimates placing the margin for canola at the lowest across all rainfall districts, relative to that of other grains and legumes. With such a large South American soybean crop on the way and global canola stocks building, it remains difficult to imagine a sustainable rally in Australian canola prices until at least mid-2011.

Beef

Australian beef prices

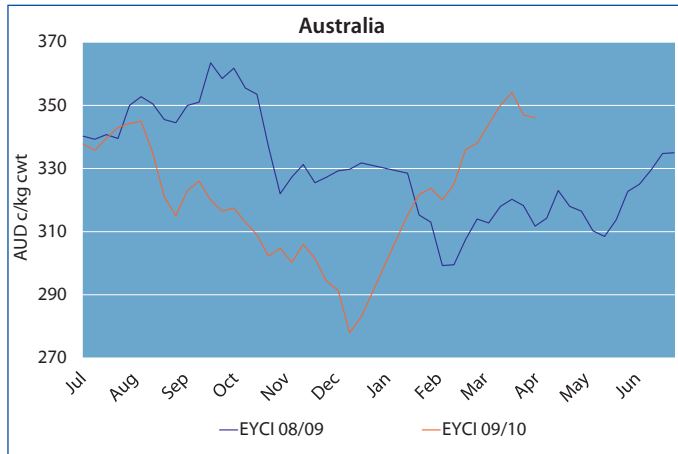
All shown as AUD c/kg cwt	Current (05/04/10)	Last month	Last year
Eastern Young Cattle Indicator (EYCI)	346	344	312

Source: NLR5/Rabobank

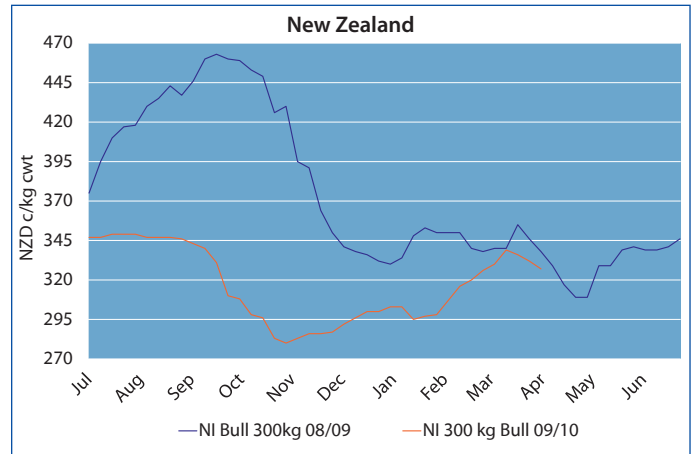
New Zealand beef prices

All shown as NZD c/kg cwt	Current (05/04/10)	Last month	Last year
North Island Bull 300kg	327	330	338
South Island Bull 300kg	312	326	317

Source: NZX Agrifax/Rabobank



Source: NLR5/Rabobank



Source: NZX Agrifax/Rabobank

Global

- Argentina has introduced suggested retail prices for a range of popular beef cuts, with government agents monitoring compliance. The government is also reportedly restricting beef and offal exports, through the regulation of export licenses. These measures have been implemented in order to provide low-cost beef for Argentinean consumers - a government policy which has been impacting cattle producers in the country for over five years.

Australia

- Cattle prices continued to rise through most of March, supported by good rainfall in a number of cattle producing regions. Prices for young cattle peaked at AUD3.54/kg cwt late in the month, the highest levels since before the global economic downturn began to impact in October 2008. Prices are expected to see a seasonal decline over the upcoming month, before rising again through to winter.
- US beef exports to Japan have continued to rise in 2010 compared to 2009, with the low value of the US dollar against the yen making it relatively attractive for Japanese buyers. As of the end of March, USDA figures show exports from the US to Japan reached just under 12,000 tonnes, a 21% rise on the same time last year. This is still well below pre-BSE levels of 2003, when the US sent an average of more than 20,000 tonnes of beef a month to Japan, with volumes being impacted by the 20-month and under age

restrictions applied by the Japanese government. The rise in sales from the US to Japan is providing increased competition for Australian beef - Japan is Australia's largest beef export market.

New Zealand

- Market beef prices have held up well over the month, even in light of the expectation of increased volume as the traditional cow slaughter occurs. Since early March an additional 15% of cows have been processed, bringing estimated cow throughput to 40% of forecast season to date. Prime beef and bull numbers being processed remain consistent as processors reach full capacity. April will start with close to 70% of bull and 60% of prime kill completed for the year.
- Cattle farm gate pricing has continued to rise, with cow and bull prices increasing a further 7% throughout March, bringing prices up to levels last seen in September 2009. A slight softening is expected in April as processors are at capacity and the New Zealand dollar remains above USD0.70.
- Product shortages in the US continue to keep pricing at solid levels, although the full benefit is influenced by the strong New Zealand dollar. Beef exports to North America picked up in February, increasing 29% month-on-month, and 2% year-on-year. Reduced US and Australian slaughter is expected to keep exports improving into April.

Lamb

Australian lamb prices

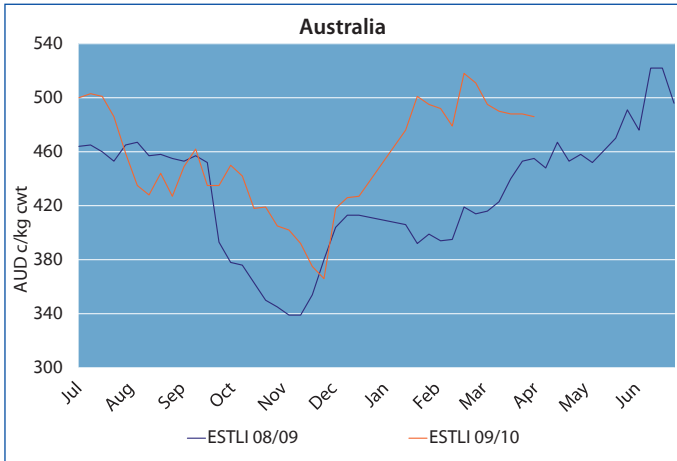
All shown as AUD c/kg cwt	Current (05/04/10)	Last month	Last year
Eastern States Trade Lamb Indicator (ESTLI)	486	495	455

Source: NLR/S/Rabobank

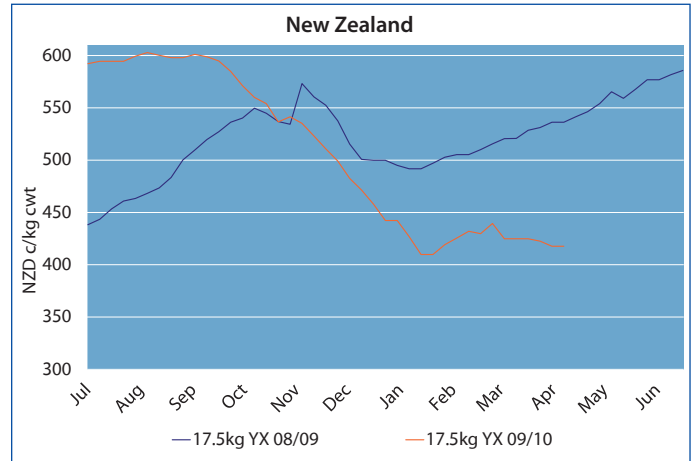
New Zealand lamb prices

All shown as NZD c/kg cwt	Current (05/04/10)	Last month	Last year
North Island 17.5kg YX	461	464	553
South Island 17.5kg YX	418	425	536

Source: NZX Agrifax/Rabobank



Source: NLR/S/Rabobank



Source: NZX Agrifax/Rabobank

Australia

- Lamb prices have experienced a seasonal easing over the past month, with the Eastern States Trade Lamb Indicator ending March at AUD4.88/kg cwt. Despite the decline, prices remain 8% above the same period last year. While lamb prices have eased, mutton prices have surged to record levels in March. Restricted availability of sheep, and competition from producers to rebuild flocks, have been major factors behind the rise.
- Skin prices have seen a significant recovery over the past year, after plunging in the wake of the global economic downturn, with prices almost doubling during this time. As at the end of March 1"-2" skins from 20.1-24kg lambs reached AUD11.75 each, compared to AUD6.25 at the same time last year. These prices are similar to pre-downturn levels of early 2008.
- Australian sheepmeat exports for the calendar year to March have fallen sharply compared to the same time in 2009, impacted by restrictions on supply and the high value of the Australian dollar. Lamb exports have declined by 20% to 32,690 tonnes, with mutton exports down 24% to 30,629 tonnes. Sales declined for both categories to almost all countries; one of the few exceptions was Dubai, which saw a rise for both mutton and lamb sales.

New Zealand

- New Zealand sheepmeat farmers are not seeing the full benefit of the solid market due to the high New Zealand dollar. The slow

economic recovery in Europe, and limited GDP growth in the United Kingdom (UK), continue to affect the strength of the New Zealand dollar, with little change forecast until mid-year. However, supply limitations are strengthening market returns so current farmgate prices are expected for the remainder of the season.

- While not getting all the market gain, farmgate prices across New Zealand have improved on predictions. Meat & Wool New Zealand's mid-season 2009/10 report, forecast a seasonal average of NZD72/head. The South Island average season-to-date is NZD78/head. Estimations are 65% of predicted kill has been completed regionally to April. The North Island average is NZD82/head with 55% of predicted kill complete.
- February exports rose 20% on January shipments. Total exports in February reached 46,000 tonnes the largest volume this season (down 2% from February 2009).
- Europe remains our key sheepmeat market. The UK received 11,500 tonnes (25%), a further 16,000 tonnes (35%) went to EU markets. Emerging Asian markets (China, Hong Kong, Taiwan and Malaysia) continue to increase, reaching 10% of February shipments (4,500 tonnes). North American sales reached 6,000 tonnes (13%) as reductions in Australian sheep numbers tighten supply in the market. Reduced supply from Australia, is also opening up their traditional markets in the Middle East, with further improvements in volumes of 6% seen in February (2,700 tonnes).

Dairy

World dairy prices

	USD/tonne			AUD/tonne			NZD/tonne		
	01/04/2010	Last month	Last year	01/04/2010	Last month	Last year	01/04/2010	Last month	Last year
Butter	3,800	3,650	1,800	4,147	4,046	2,559	5,383	5,289	3,169
SMP	2,950	2,838	1,910	3,219	3,145	2,716	4,179	4,112	3,363
WMP	3,300	3,175	2,050	3,601	3,520	2,915	4,675	4,601	3,609
Cheddar	3,850	3,800	2,400	4,201	4,212	3,412	5,454	5,506	4,225

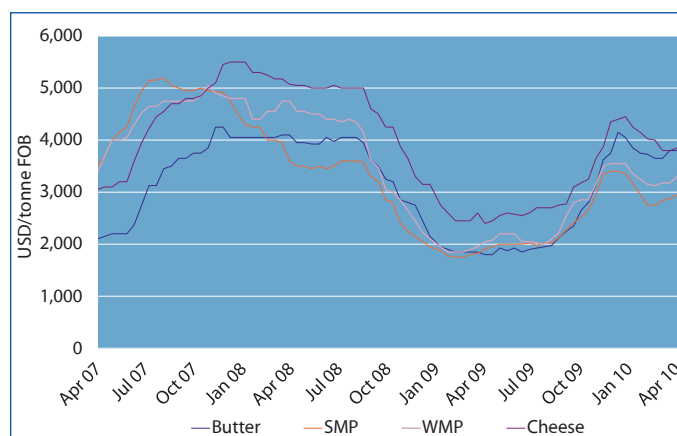
Source: USDA/Rabobank

Global

- USDA surveys suggested that the US dollar price of dairy commodities rose 1%-4% in international trade through March (FOB Oceania). Yet the globalDairyTrade (gDT) auction results of 6 April delivered a 20%+ rise in the price of WMP, SMP and AMF over prior month levels – delivering a major surprise to the market.
- Many in the industry had expected the auction to deliver somewhat firmer pricing, based upon: ongoing improvements in the world economy; the announcement last week that Algeria would conduct another tender; evidence that dry conditions will bring a weak tail to the New Zealand production season; a weak start to the EU season; and the simple fact that prices had risen in general trade in the four weeks since the last auction.
- Anyone predicting a 20%+ jump in pricing was harder to find! Strong pockets of improvement in the world market were countered, at least partly, by a patchy economic recovery in the US, EU and Japan, already expensive dairy pricing in retail and ingredient markets and evidence Chinese imports had slowed from January highs.
- Nonetheless, we have long been highlighting that this market has become more volatile, so by definition we shouldn't be surprised by occasional unexpected shifts.
- Buyers are obviously willing to pay more to cover their requirements now; however, it is uncertain whether they will need to pay quite so much once the Northern Hemisphere spring kicks in. Further down the track, with dairy prices now racing way ahead of grain and vegetable oil prices, milk/feed ratios will be extremely attractive in many regions if these commodity prices translate to farm gate milk prices.

Australia

- The increase in pricing evident in the gDT results more than offset a small rise in the value of the Australian dollar during March, and will ensure substantial gains in export prices in local currency terms assuming the broader market follows suit.
- While all signs of a firmer market will be welcomed, Australian exporters will have less than usual to sell in the closing months of the season than was the case 12 months ago. Milk production continues to fall, export volumes fell 25% short of the (inflated) volumes shipped in February 2009, and much of the rest of the season's production is reported to have now contracted.



Source: USDA/Rabobank

Production growth in key exporting regions

	Latest month	Last 3 months
EU 27	-1.1% (Jan)	-1.2%
US	0.1% (Feb)	-0.4%
Argentina	-11.4% (Jan)	-5.7%
Australia	-3.9% (Feb)	-8.0%
New Zealand	1.1% for ten months to March 2010*	

*Rabobank estimate

- However industry optimism is building for the 2010/11 season, given the prospect of a firm opening price for milk, soft prices for feed grains and the best prospects for irrigation water availability in years.

New Zealand

- In New Zealand, a small rise in the value of the New Zealand dollar in the last month will be more than offset by the jump in pricing evident in the latest gDT auction.
- Unfortunately, though not coincidentally, for New Zealand farmers, they too will have less than usual to sell at current price levels due to a weak tail to the season. Seasonal conditions have pulled the end of the season forward for North Island suppliers, as soils dried out in March. South Island producers have continued to fare better, with drier East Coast conditions offset by the availability of irrigation water, and favourable conditions.

Cotton

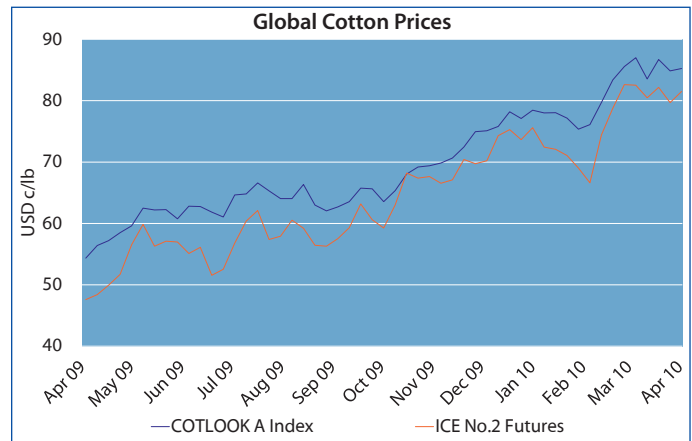
World cotton prices

All shown as USD c/lb	Current (02/04/10)	Last month	Last year
Cotlook A Index	85.25	87.00	54.35
ICE No.2 NY Futures (nearby contract)	81.50	82.53	47.60

Source: Bloomberg/ICE/Rabobank

Global

- The ICE No. 2 cotton nearby futures prices traded in a range of USD0.78/lb to USD0.84/lb during March with the tighter outlook for cotton stocks during 2010 keeping upward pressure on prices.
- An improving global economy continues to underpin cotton demand at higher levels than was experienced in 2008/09. Global cotton demand is expected to be up 5% year-on-year in 2009/10.
- Although it is expected that higher cotton prices will lead to increased plantings of cotton globally in the 2010/11 crop year, with the USDA's 31 March 'Prospective Planting' report showing the area to cotton in the US increasing 15% in 2010, it is likely that the pressure on closing stocks at current demand expectations will support prices throughout the remainder of the year.
- The Australian cotton area is likely to increase in 2010/11; however, the increase in plantings in Australia will be dependent on the amount of rainfall leading up to the spring planting period. Given



Source: Bloomberg/ICE/Rabobank

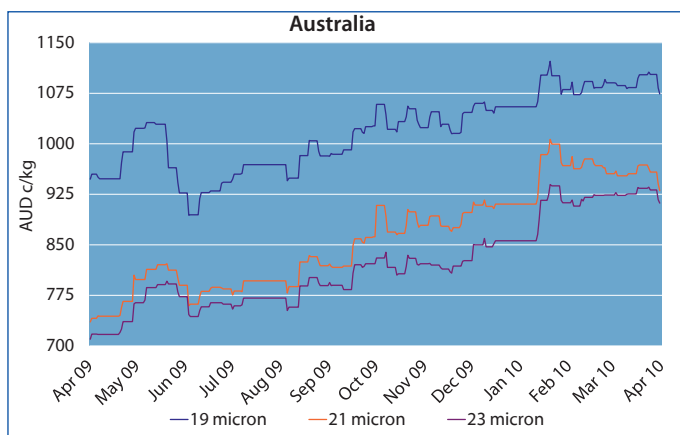
the seasonal conditions at the start of 2010 in many growing regions, especially dryland cotton regions, it is likely that cotton area will increase by over 15% year-on-year.

Wool

Australian wool prices (eastern)

	Current (31/03/10)	Last month	Last year
Fine (19 micron)	1074	1087	951
Medium (21 micron)	931	953	745
Broad/coarse (23 micron)	912	924	717

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



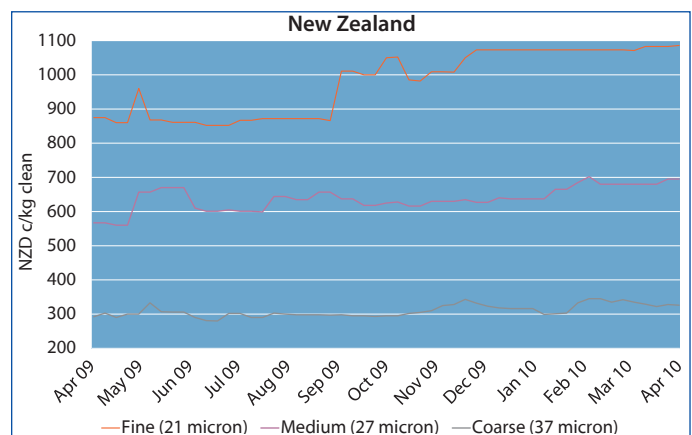
Source: Rabobank, Bloomberg/AWEX (average north and south prices)

- After wool prices showed some momentum during March, prices retreated towards the end of the month to early January 2010 levels.
- Although the weaker US dollar has remained burdensome for domestic wool prices, the weaker Euro against the Australian dollar has proved to be the toughest for exporters. With the AUD/EUR reaching 0.68 for the first time, the wool price in Euro dollars is at levels not seen since early 2008 when wool prices were benefiting from the general commodities boom.

New Zealand wool prices

	Current (05/04/10)	Last month	Last year
Fine (19 micron)	1086	1071	875
Medium (27 micron)	695	680	567
Broad/coarse (37 micron)	326	335	292

Source: NZX Agrifax/Rabobank



Source: NZX Agrifax/Rabobank

- However, it is likely domestic wool prices will start to flatten out again with more upside potential to prices as the year progresses. An improving global economy continues to underpin fibre demand supporting the need to fill manufacturing supply lines.
- In Australia, a reasonable lead up to the winter season with strong pasture growth is likely to support higher wool yields in 2010 for most areas. This will also result in reduced feed costs and a more positive outlook for wool producers.

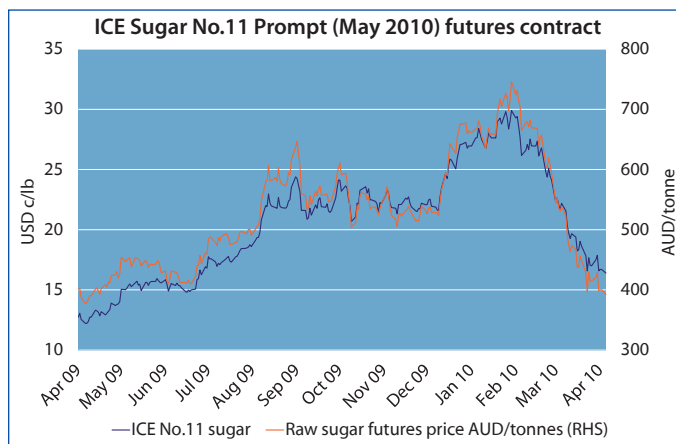
Sugar

ICE Sugar No.11 Prompt (raw sugar futures price May 2010)

	Current (05/04/10)	Last month	Last year
USD c/lb	16.40	22.19	12.22
Converted to AUD/tonne	392.40	538.95	377.37

Source: Bloomberg/ICE/Rabobank

- Since 1 February 2010 world sugar prices, as indicated by the ICE No.11 raw sugar futures nearby contract, have fallen by around 45%.
- The major reason for the dramatic price fall has been upward revisions of estimates of Indian and Brazilian sugar output.
- The latest Indian government estimate for 2009/10 sugar production is 17 million tonnes which is up from early 2010 forecasts of around 15 million tonnes. In addition, the area under cane in India is likely to increase by 20% in 2010/11.
- For Brazil, preliminary projections for the 2010/11 crop from UNICA expect sugar production to increase 19% from the 2009/10 crop. This increase in overall sugar production is the result of an increase in cane milled for sugar as well as an expected increase in total recoverable sugars per tonne of cane.
- The upward revisions to supply from these two major sugar producing countries has coupled with adequate short-term stocks for some major import regions due to seasonal factors. It appears that current world sugar prices have factored in the larger harvests in India and Brazil and if perfect conditions do not prevail there will be an upside risk to prices.



Source: Bloomberg/ICE/Rabobank

- Adding to the upside to prices is the possibility of further supply shocks in countries such as China, Thailand and Vietnam due to dry weather, and the expectation that importers running down their seasonally-boosted stocks will come back to the market in the second quarter of 2010.

Venison

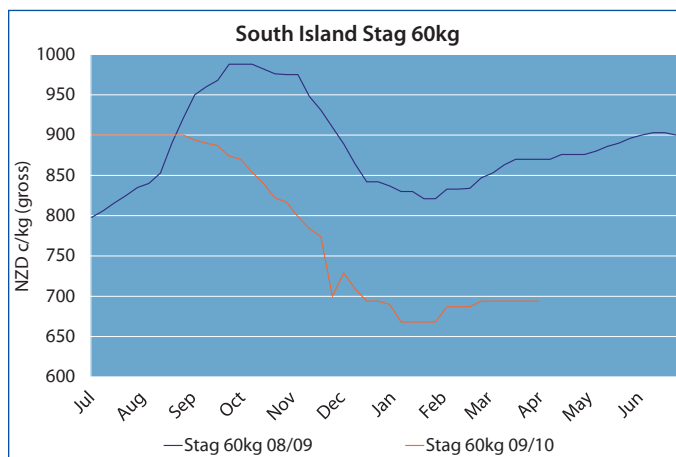
New Zealand venison prices

All shown as NZD c/kg gross	Current (05/04/10)	Last month	Last year
North Island Stag 60kg	645	645	815
South Island Stag 60kg	694	694	870

Source: NZX Agrifax/Rabobank

New Zealand

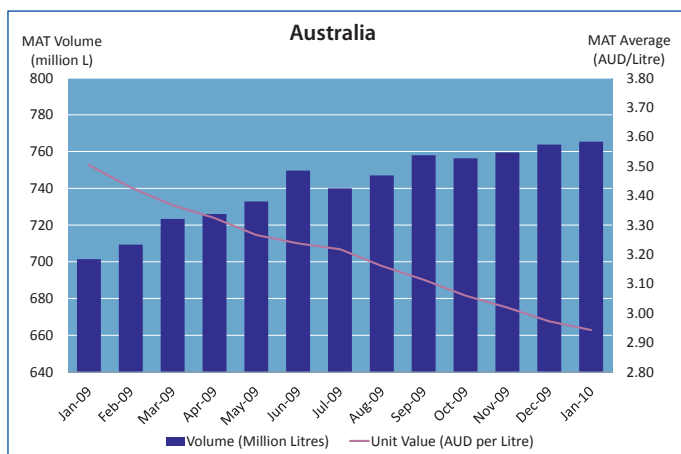
- South Island farm gate prices for venison continued their improvement over the March period by 1.7%, staying steady at NZD6.94/kg for a 60kg animal, while North Island prices settled at NZD6.45/kg in mid-February and stayed there. Procurement pressure is holding schedule prices. Compared to March 2009, this is a decline of 20%, when prices were NZD1.65/kg higher.
- Chilled markets generated 25% of February's export revenue, but the volume shipped has fallen to 13% of total exports. Demand in the chilled market is still feeling some impact of the global recession in the high-end food service market, but most of this year's decline in volume has been seen in frozen volumes. Since October 2009, frozen shipments are down 40% on the same period in 2008/09, reflecting the reduction in forecast kill of 20% for the 2009/10 season.
- Velvet exports in February dropped to the lowest level since



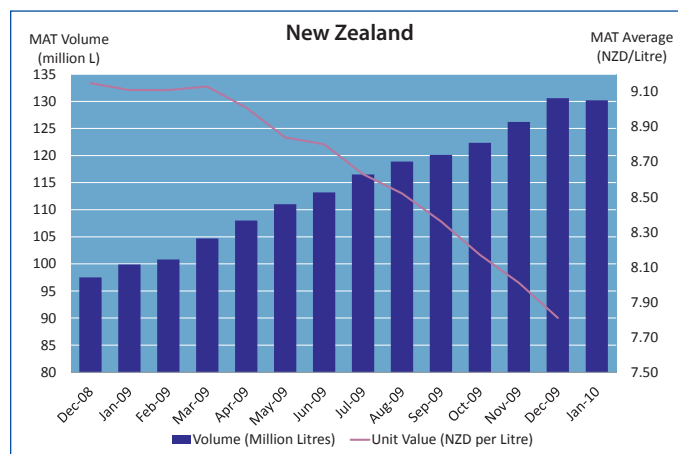
Source: NZX Agrifax/Rabobank

October 2009, and less than a third of the volume shipped in March last year. The market continues to be dominated by Korea, as China has dropped its imports by two thirds year-on-year.

Wine



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



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

Australia

- Australian wine export sales volumes in the 12 months to January 2010 increased 8.9% to 765.4 million litres (ML), while the monthly average unit value declined 14.9% to AUD2.71 per litre (AWBC, 2010). Average export values continue to come under pressure from fragile consumer spending in key export markets, elevated levels of bulk wine exports, and a strong Australian dollar.
- In 2009, China surpassed New Zealand to become Australia's fourth largest wine export market worth AUD46.6 million (FOB). The US represented Australia's largest wine export destination by value worth AUD691.0 million (FOB), while the UK market consumed the greatest volume of Australian wine exports at 260.7ML. Australian exporters have suffered steady price declines in both markets for some time now, however unlike the UK, the US market still continues to exhibit volume growth as a result.
- Expectations remain for a significantly lighter wine grape harvest in 2010 compared to the 1.72 million tonnes reported in 2009. Unseasonably hot weather, irrigation rationing and wineries encouraging growers to reduce contracted production are believed to have contributed to lower yields. While water availability has gradually improved in the current season, major irrigation systems are still operating well below capacity and will require consecutive favourable seasons to provide the security of supply and stable water market pricing experienced prior to the drought in southeast Australia.
- A wide variety of vineyard assets are presently listed for sale and turnover in 2009-10 has mostly been limited to strategic vineyard acquisitions by wineries. A significant proportion of processing capacity has also been deemed to be surplus to company requirements and major companies are operating some facilities at well below capacity in 2010, and in extreme cases, have closed facilities altogether.

New Zealand

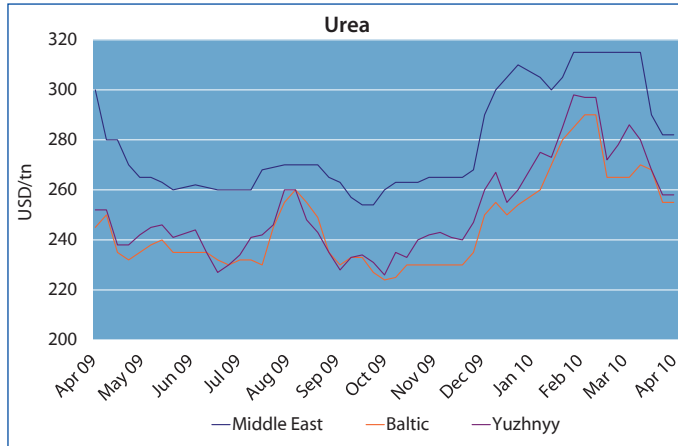
- New Zealand wine export sales in February increased 56.8% on the prior corresponding period to 12.7ML. The strong monthly result helped shipments to resume annual growth in the 12 months to February, increasing by 3.5% on the prior 12 month period to 134.8ML. The steady decline in the proportion of bulk wine exports observed in prior months reversed dramatically in February to reach a near record high of 35.4% to total shipments.
- The increase in bulk wine shipments in February suggests that industry inventory levels are still bulging and the upcoming 2010 harvest intake demands that wineries offload prior season stock to free-up storage space. Proportional sales of 2009 vintage Sauvignon Blanc appear to be running ahead of the 2008 vintage at a similar stage, albeit at a significant discount. The higher average quality of the 2009 vintage is expected to aid wine companies as they continue to manage down inventory levels in an increasingly competitive market place.
- The value of exports in the 12 months to January 2010 grew 11.5% on the prior corresponding period to NZD1.02 billion. The average value of exports fell to NZD7.84 per litre (FOB) during the period, as tightening in global consumer discretionary spending coupled with recent strength in the value of the New Zealand dollar has made maintaining export unit values increasingly difficult for New Zealand wine producers trying to grow sales volumes in global markets. Given the increase in bulk wine exports in February, average export values are expected to continue to fall in coming months.
- The New Zealand Winegrowers Association has firmed up its crop estimates for the 2010 vintage and suggests that the upcoming wine grape harvest will not exceed the 285,000 tonne intake recorded in the preceding two years. This is welcome news in an industry currently dealing with elevated inventory levels, and is to a large extent a function of affirmative yield management strategies implemented in a coordinated manner across the industry.

Fertiliser

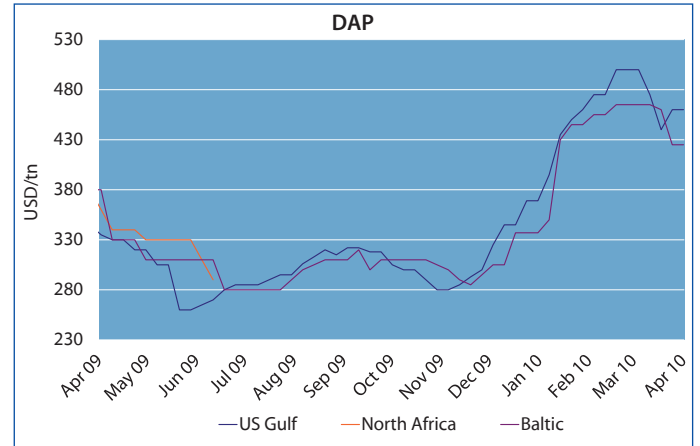
Fertiliser prices

All shown as USD/tonne	Current (01/04/10)	Last month	Last year
Urea (Middle East)	282	315	280
DAP (US Gulf)	460	500	330

Source: Bloomberg/ICIS/Rabobank



Source: Bloomberg/ICIS/Rabobank



Source: Bloomberg/ICIS/Rabobank

- International fertiliser prices for urea and DAP fell during March with unexpected delays in demand due to cold weather in parts of the northern hemisphere, dry weather in parts of Asia and the wait for changes to the Indian fertiliser subsidy structure. This deferral in demand has led to increased available supplies and placed downward pressure on prices.
- On top of these factors, prices for major demand crops, such as wheat and corn, remained subdued which has meant end-demand for fertilisers from farmers was at risk at the elevated

fertiliser price levels due to tighter cropping margins.

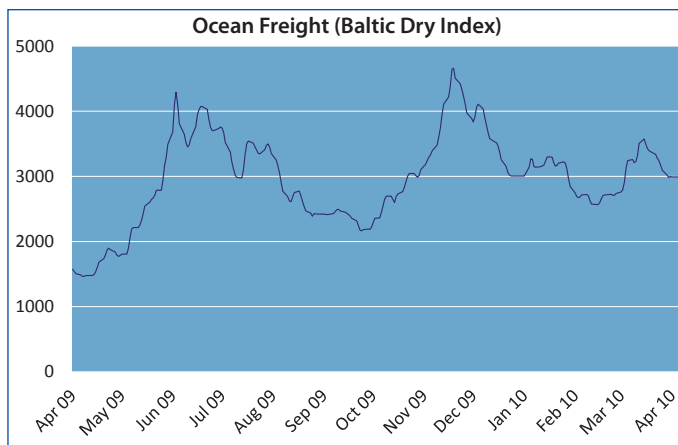
- It is expected that international urea and DAP prices will remain at these lower levels for the next month before upside risk to prices appears in May/June when retail chains begin to again re-stock in time for the next wave of major crop applications.
- There is also relief for Australian and New Zealand farmers in the potash market, with prices more closely aligned to international benchmark prices which are down by around 45% year-on-year.

Other costs

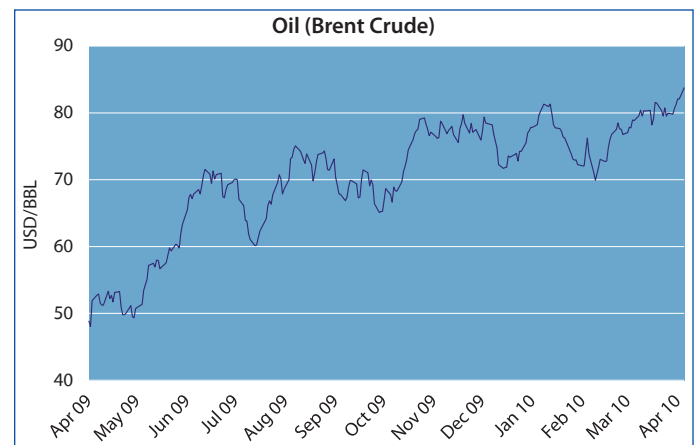
Ocean freight index and oil prices

	Current (05/04/10)	Last month	Last year
Baltic Dry Index* (ocean freight)	2991	3242	1486
Brent Crude Oil (USD/bbl)	83.75	78.86	52.73

Source: Bloomberg/Rabobank



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.

About the Rabobank Group

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.

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