

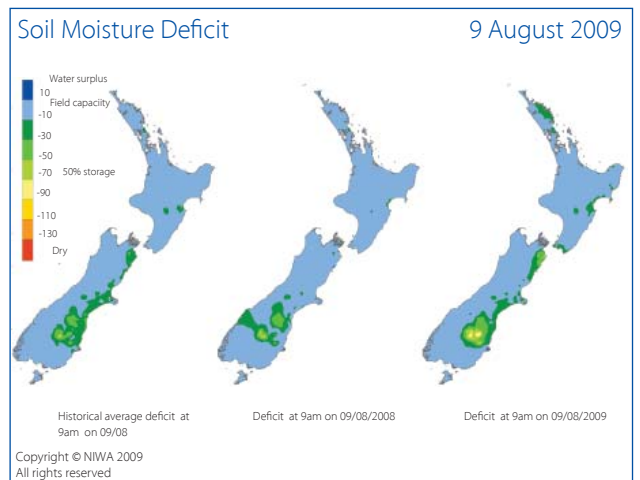
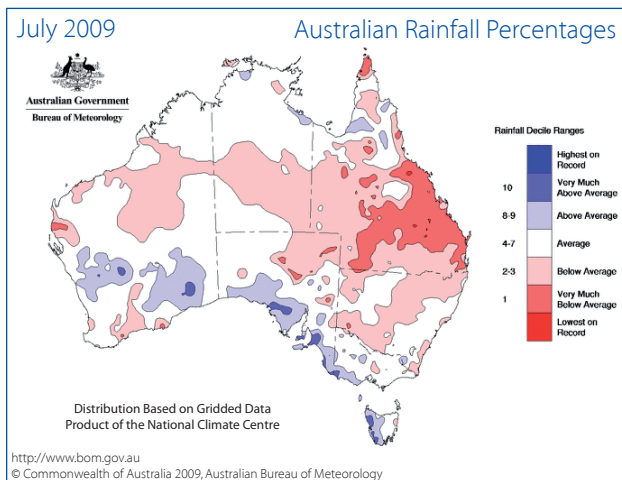


Australia & New Zealand Agribusiness Review

August 2009

Rabobank Group
Food & Agribusiness Research and Advisory (FAR)
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Seasonal Outlook

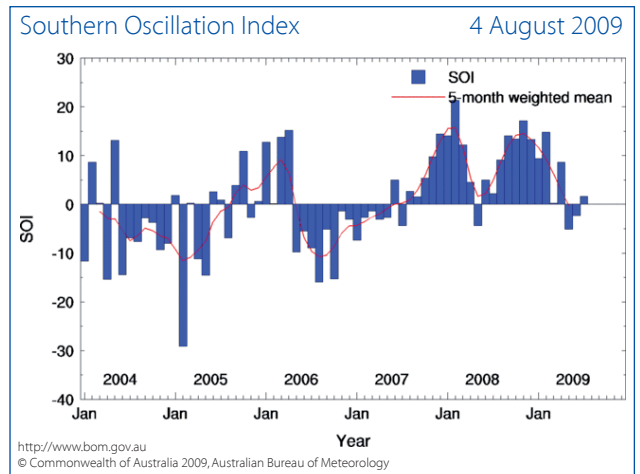


Australia

- The Bureau of Meteorology (BOM) has issued (4 August) its three month rainfall outlook, along with an update on the El Niño Southern Oscillation Index.
- The chance of receiving below median rainfall across the majority of the east coast wheat belt is around 55-65%. This suggests there is an increasing probability that these regions may not receive the required follow-up spring rains to finish the crop. Conversely, across the Western Australian wheat belt, the chance of exceeding median rainfall is around 55-65%. This suggests upside potential to yield prospects in the region.
- Atmospheric indicators are increasingly showing patterns typical of a developing El Niño event. The Southern Oscillation Index (SOI) is currently near zero with a 30 day value (4 August) of +0.5. The SOI has fallen rapidly over the past two weeks, from a strongly positive value of +12 on 19 July.
- While the risk of an El Niño event has clearly risen, and typically results in below average rainfall and above average temperatures in south eastern Australia, it does not necessarily mean that wheat growing regions will not receive the required follow-up spring rainfall.

New Zealand

- Winter temperatures have remained below average for much of New Zealand during July, although have been



closer to average than during May and June. The West Coast and Southland received around 50% more rain than usual during July, but eastern parts of the South Island, lower North Island and Taranaki received less than half their normal rainfall level. Soil moisture levels are at capacity for most of New Zealand and in line with historical averages.

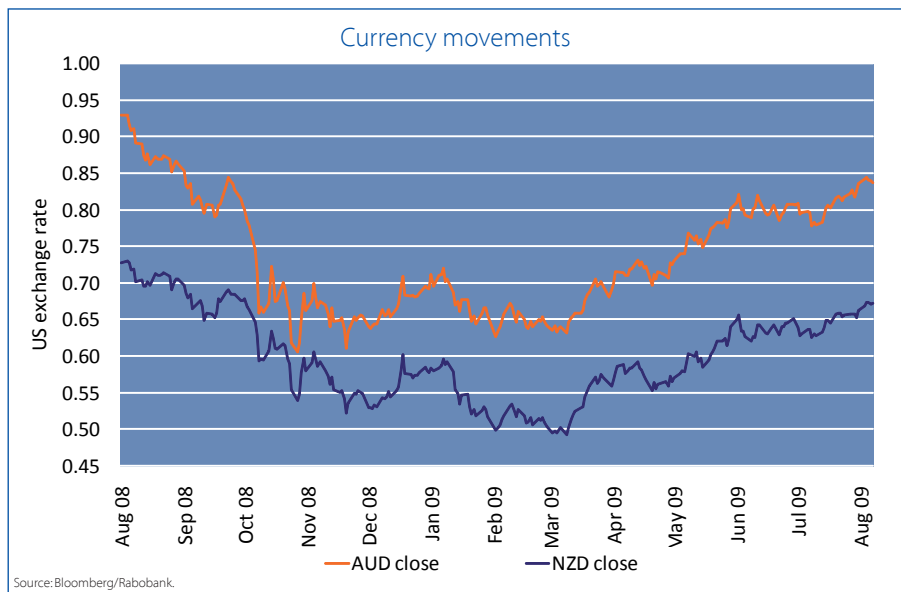
- Looking through to Spring, NIWA's outlook to October is for El Niño-like conditions to emerge with more westerly winds. Temperatures, rainfall and soil moisture are expected to be close to normal levels throughout New Zealand.

*Please see last page for important information

Currency/economy

Currency USD = Close (bid)			
	Current (07/08/09)	Last week	Last year
AUD	0.8372	0.8359	0.9110
NZD	0.6721	0.6618	0.7181

Source: Bloomberg/Rabobank.



Source: Bloomberg/Rabobank.

Australia

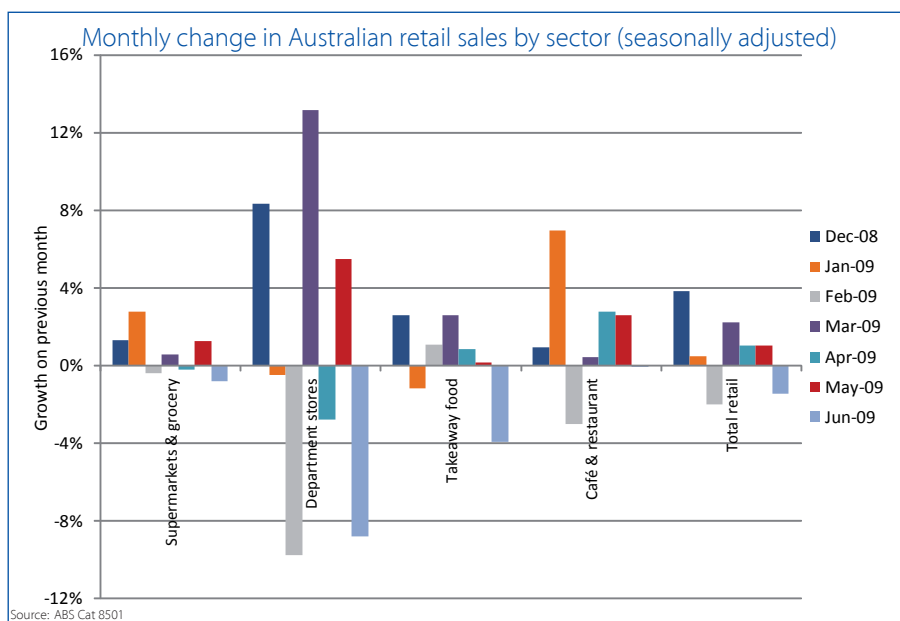
- The Australian economy continues to surprise on the upside. The ABS labour force survey showed that employment in Australia unexpectedly increased in July, bucking market expectations. The unemployment rate held steady at 5.8% in July, although the rate has not yet peaked and will continue rise into 2010.
- The National Australia Bank monthly business confidence survey rose again in July, with the headline figure rising to 10 from 4. This improvement was the result of an improving global economic picture, stronger Australian dollar (AUD), robust consumer spending, and improved access to capital.
- The Reserve Bank of Australia (RBA), at its 4 August meeting, left the official cash rate (OCR) steady at 3%, as expected. More importantly, however, a change to the wording of the official statement removed the implied easing bias that had been in place since the last rate cut in April. While a rate hike is not expected until mid-2010, once started, the increase in rates is likely to be steady as policy returns to a more neutral setting.
- The RBA released its quarterly Statement on Monetary Policy on 7 August. The tone was upbeat, but broadly consistent with the sentiments of the official statement. As expected, the statement delivered upgrades to the GDP and inflation forecasts. The statement, however, indicated that consumer spending and business investment will weaken, although the RBA's feedback from companies hints that firms are reconsidering earlier decisions to postpone investment spending.
- The AUD has shown surprising resilience at levels above USD0.80. A potential slowing in Chinese commodity import growth and improving US economic sentiment should pressure the AUD lower against the USD by year's end. Ranges from 1 July to 10 August on the AUD were as follows: vs USD,

low 0.7700, high 0.8470; vs NZD, low 1.2328, high 1.2693; vs JPY, low 70.73, high 82.00.

New Zealand

- The New Zealand economy continues to be battered by weak consumer demand, rising unemployment and an elevated exchange rate. The high New Zealand dollar (NZD) is contributing to tighter domestic monetary conditions and is at risk of hampering a prospective export-led recovery that could emerge with the imminent pick-up in global demand. Nevertheless, a recovery in the New Zealand economy is still expected toward year's end, although the return to growth will be patchy.
- At its last meeting, the Reserve Bank of New Zealand left the OCR unchanged at 2.5%. Governor Bollard reiterated that the OCR would remain "at or below" current levels until the end of 2010.
- Employment contracted 0.4%q/q in Q209, marking a prolonged period of deterioration in the New Zealand labour market. Employment now has contracted for six straight quarters, pushing the jobless rate from 3.8% in Q108 (when the recession began) to 6% in Q209. With the participation rate expected to remain high, unemployment will rise further in coming months.
- Retail sales values in New Zealand are likely to contract in June (released 14 August), after jumping a strong 0.8% in May, the largest increase since November 2007. New Zealand retailers suffered a setback in June, with electronic card transactions slumping 1.2% m/m, the biggest monthly drop since late 2007.
- The NZD continues to surprise on the upside against major currencies. Ranges on the NZD were as follows: vs. USD low 0.6192, high 0.6821; vs. JPY low 56.88, high 65.90; vs. EUR low 0.4439, high 0.4787 high.

Food retail



Australia

- Australian retail sales fell away significantly in June, to be down 1.4% on May in seasonally adjusted terms. Consumers appear to have put the brakes on spending as the government stimulus packages waned.
- While sales fell across almost all retail channels, expenditure on food was generally impacted less. Café and restaurant sales held their ground, while supermarket and grocery sales slipped only marginally, with only takeaway food hit hard.
- Coming months continue to shape up as a testing time for retailers, as the employment situation deteriorates, stimulus packages fade and consumers address the need to increase savings rates.
- In late July Woolworths released its full year results for the year ending June 2009. The retailer reported a solid performance in its Australian Food and Liquor division, underlying the resilient nature of expenditure on staples, the trend to eating at home, the flow on benefit of government stimulus packages and improvements in store formats and its 'Everyday Rewards' program.
- Comparable food and liquor sales for the fourth quarter rose 7.9% above previous year levels, above the annual comparable sales growth of 7.4%.
- July also brought the release of CPI data for the June quarter in Australia. Food prices fell 0.9% on previous quarter levels (reducing the year-on-year price increase to 4.8%). This was the first significant decline in food prices we have seen in two years, a period which has seen the price of food rise by around 12% in Australia.

- Price relief came from a combination of climatic, seasonal and market forces. Favourable weather conditions and the seasonal supply peak saw fruit and vegetable prices fall 7.2%. The recent reduction in local grain prices has also been important in reducing the ingredient costs of bread and cereals and slashing the feed bills of farmers raising pigs and poultry. Dairy prices were pushed down by declining global returns to cheese and the removal of the AUD 11 cent milk levy.
- Some of the drivers at play in recent months are expected to continue to dampen food pricing in coming months. These include the flow-on impacts of the reductions in the cost of grains and the dampening impact of weak export demand – joined by the deflationary impacts of the recent rise in the Australian dollar.

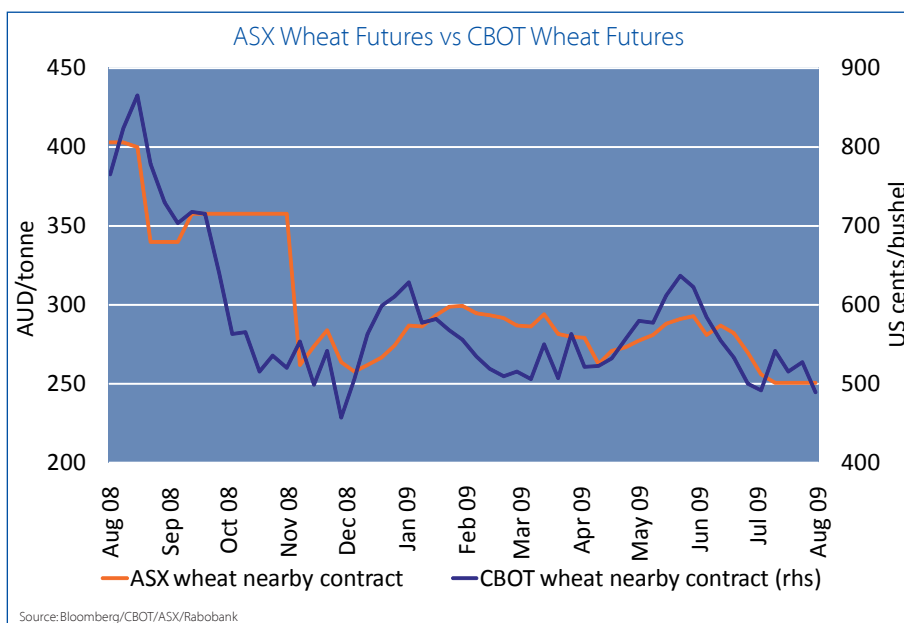
New Zealand

- Food prices increased 2.8% from May to June – the largest monthly increase since GST was introduced in 1989. The increase was led by fruit and vegetables (up 15%). The meat, poultry, fish category increased 2.1%, led by beef, ham and fish. The annual food price was pushed back up to 8.4% to June 2009 after falling over the past six months from peaks in late 2008 above 10%.
- Retail sales to May showed a good increase, up 0.8%, led by supermarket and grocery sales up 2.2% on a seasonally adjusted basis. Food related sales also demonstrated evidence of improved economic conditions with takeaway food retailing up 5.6%, other food retailing lifting by 2.3% and café and restaurant sales increased 4.7%. These categories have now seen higher month-on-month sales recorded for the past three consecutive periods.

Grains and oilseeds

Chicago Board of Trade Wheat Futures (nearby contract)			ASX Wheat (nearby contract)	
	USc/bushel		AUD/tonne	
Current (07/08/09)	Last month (10/07/09)	Last Year (08/08/08)	Current (07/08/09)	Last month (10/07/09)
489.50	491.75	765.25	251.00	256.50

Source: Bloomberg/CBOT/ASX/Rabobank.



Source: Bloomberg/CBOT/ASX/Rabobank

Global

- World grain prices have been volatile in July with CBOT nearby wheat futures contract prices ranging between USD4.83/bushel and USD5.50/bushel.
- Grain markets are currently supply driven, and with the northern hemisphere harvest gathering pace, it is providing a timely opportunity to look closer at new crop prices and the year ahead.
- At this stage wheat stocks are forecast to build in the 2009/10 season for a second consecutive year and prevent any substantial price rally in world wheat prices.
- However, late season rainfall in northern Europe threatens to compound existing quality concerns. Production uncertainties are also present in Canada, the Black Sea region and the southern hemisphere; this will keep market participants watching supply characteristics over the next few months.
- During the next few months wheat price movements will also be influenced by regulatory decisions in the US regarding the Commodity Futures Trading Commission and the potential for restrictions on speculator and index fund participation in agricultural futures markets.
- World Agricultural Supply and Demand Estimates released this week will set price direction of the grains and oilseeds market for the coming months, potential revisions to production forecasts will be the major focus.

Australia

- The Australian Competition and Consumer Commission (ACCC) has requested the nation's three major grain export terminal operators resubmit their plans; the aim is to provide all wheat exporters with fair and non-discriminatory access to port terminal facilities.
- The strength in the AUD, and harvest still three months away, has meant activity in the local grain market has been quiet. At current wheat price levels, and whilst the supply forecast appears favourable, it is possible that farmers in southern Queensland and northern NSW may switch to summer crops such as cotton in the 2009/10 season.
- With markets for both grains and oilseeds waiting for clearer supply direction globally and locally, prices are expected to move sideways over the next couple months. Rainfall in Australian wheat regions during this period will be vital for wheat production, as soil moisture levels have fallen recently.

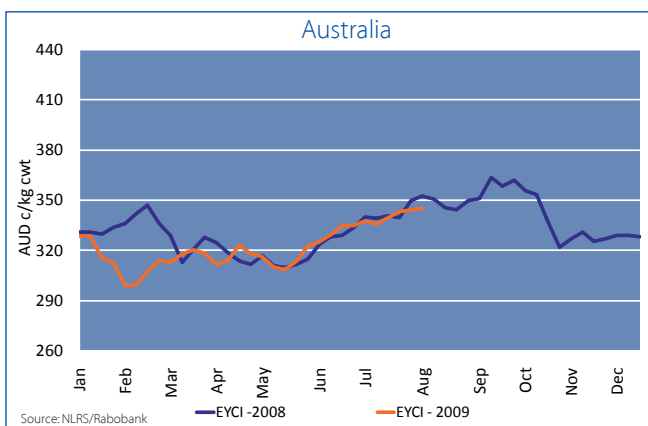
Beef

AUD prices (c/kg cwt)			
	Current (07/08/09)	Last week	Last year
Eastern Young Cattle Indicator (EYCI)	345	344	353

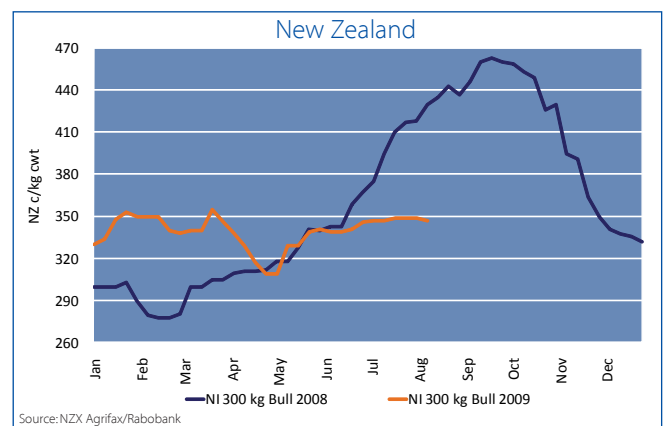
Source: NLR5/Rabobank

NZD prices (c/kg cwt)			
	Current (10/08/09)	Last week	Last year
North Island Bull 300kg	347	349	430
South Island Bull 300kg	324	321	329

Source: NZX Agrifax/Rabobank



Source: NLR5/Rabobank



Source: NZX Agrifax/Rabobank

Global

- The US cattle herd has fallen for its third consecutive year, dropping to 101.8 million head, its lowest July level since 1973. The decline has been due to a range of factors, including dry weather conditions in some key cattle regions of the country, high feedgrain prices, the impact of the economic crisis on beef demand as well as competition for land from other activities and an aging rancher population. The decline in the US cattle herd is expected to lead to a decline in beef production over the medium term, which is positive for Australia and New Zealand. The US is Australia's second largest, and New Zealand's largest, beef export market and a major competitor in Japan and Korea.
- US imported manufacturing beef markets initially lifted over the past month before easing in early August. The biggest decline was seen in imported cow beef prices, which fell USD 4 cents/lb with the announcement that the CWT dairy cow buyout would take a further 87,000 cows over the coming month. Imported lean beef prices are now more than 25% lower than the same period last year when record prices were evident.

Australia

- The seasonal rise in cattle prices has continued, with winter resulting in a tightening of supply. However, the rising Australian dollar and subdued demand in key beef markets is limiting rises, with young cattle prices at the beginning

of August at AUD3.43/kg cwt, 3% lower than the same time in 2008 and 7% below the five year average. Prices should continue to increase seasonally throughout the month of August.

- Australian cattle on feed numbers for the June quarter rose by 8% compared to the same time in 2008 to 743,543 head. The increase has been driven by higher numbers of cattle on feed for the domestic market, with export cattle numbers declining on last year's levels.

New Zealand

- Farm gate beef prices have been largely flat over the past month and any improvement in market returns was more than eroded by the stronger currency. North Island bull beef prices finished the month flat after lifting a little during the month, while South Island prices were up 2.5% (but remain below the North Island).
- June beef exports were flat in comparison to June 2008, however value was NZD10 million (5%) lower for the same month. Exports to North America, Taiwan and Korea increased, however volumes to Japan, Indonesia and the EU fell as markets were relatively unfavourable compared to mid 2008.
- Meat and Wool New Zealand announced its estimates for 30 June 2009 stock numbers with the beef cattle herd shrinking a further 1.7% to remain just above four million head (4.07 million). The biggest fall was evident in the North Island as a result of dry conditions and a lack of cattle feed.

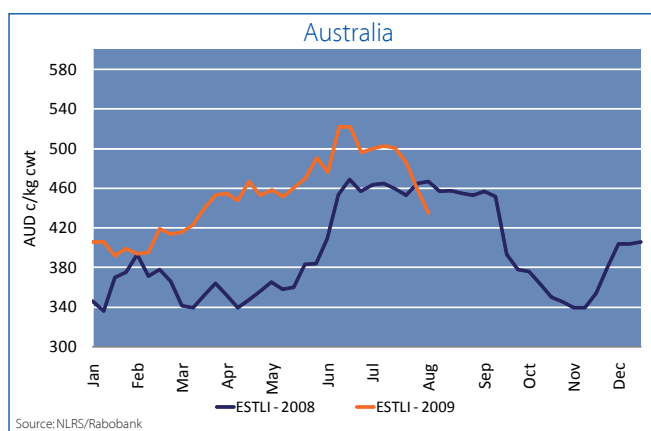
Lamb

AUD prices (c/kg cwt)			
	Current (07/08/09)	Last week	Last year
Eastern States Trade Lamb Indicator	435	459	467

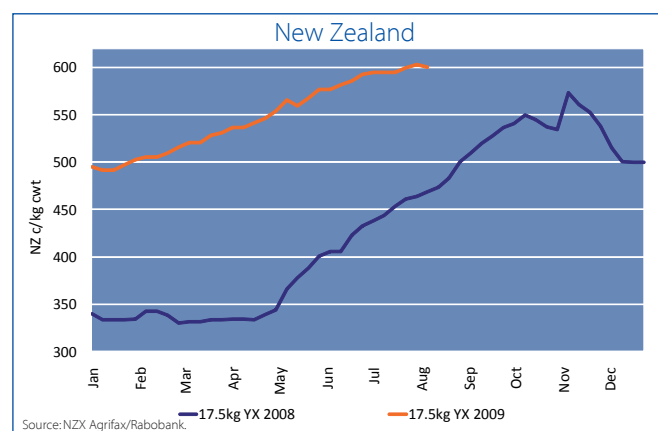
Source: NLRS/Rabobank

NZD prices (c/kg cwt)			
	Current (10/08/09)	Last week	Last year
NI 17.5kg YX	591	600	454
SI 17.5kg YX	600	603	468

Source: NZX Agrifax/Rabobank



Source: NLRS/Rabobank



Source: NZX Agrifax/Rabobank

Australia

- Lamb slaughter for the calendar year to June reached 10.4 million head, 4% above 2008, as a combination of dry weather early in the year and high prices on offer saw increased numbers of lambs enter the market. In contrast, sheep slaughter has fallen by 11% on last year, as some farmers look to try and rebuild their flocks, resulting in an overall decline in slaughter numbers.
- The seasonal winter peak for lamb prices appears to have passed, with the Eastern States Trade Lamb Indicator falling to AUD4.35/kg cwt in the first week of August, around steady with the same time in 2008. Sheep prices continued to remain strong, averaging AUD2.92/kg cwt for the first week of August, a rise of nearly 50% on 2008 levels.
- Live export wether prices have almost doubled over the past year, reaching AUD111/head at the end of July. The high prices have reportedly resulted in Middle Eastern buyers looking to Africa instead of Australia to source live sheep for the Hajj festival period, a time of high sheepmeat consumption.
- The US sheep flock has fallen for the fourth year running, down by 3% to 7.05 million head as of July. The continued decline in numbers is expected to result in falling sheepmeat production in 2009 and 2010, offsetting some of the impact of the downturn in demand for premium meats such as lamb in the US market. The US market is Australia's largest export market for lamb, taking around a quarter of all Australian exports in 2008.

New Zealand

- Farm gate lamb prices eased 1% in the North Island over the past week but lifted 1% in the South. Prices remained around 30% higher than the same period last year as the season winds down. NZX Agrifax estimates around 1 million lambs to be processed over the last two months of the season with total slaughter finishing at 22 million (17% below last season).
- Sheepmeat exports for the month of June were 17% lower than in June 2008, however total value increased by 4%. A higher proportion of boneless product shipped (22%) during the month was a notable change from the previous year (20%).
- Meat and Wool New Zealand announced its estimates for 30 June 2009 stock numbers with the sheep flock shrinking by a further 2.8% to 33.1 million (the lowest level since 1951-52). Expansion of the dairy herd and the 2008 North Island drought were the driving factors. Scanning results and early lambing indications point towards a 2.1% increase in the lamb crop for the 2009 spring – depending on weather conditions.
- TNS data to mid-June indicates improved UK lamb consumption with volume 5% higher over a three month period. While the cheaper cuts continue to be popular, consumers are now absorbing slight price increases without impacting overall purchases.

Dairy

World dairy prices									
	USD/tonne			AUD/tonne			NZD/tonne		
	06/08/09	last month	last year	06/08/09	last month	last year	06/08/09	last month	last year
Butter	1,975	1,925	4,050	2,341	2,471	4,320	2,941	3,070	5,557
SMP	2,025	1,975	3,600	2,400	2,535	3,840	3,016	3,149	4,940
WMP	2,100	2,025	4,350	2,489	2,599	4,640	3,127	3,229	5,969
Cheddar	2,700	2,700	5,000	3,200	3,466	5,334	4,021	4,306	6,860

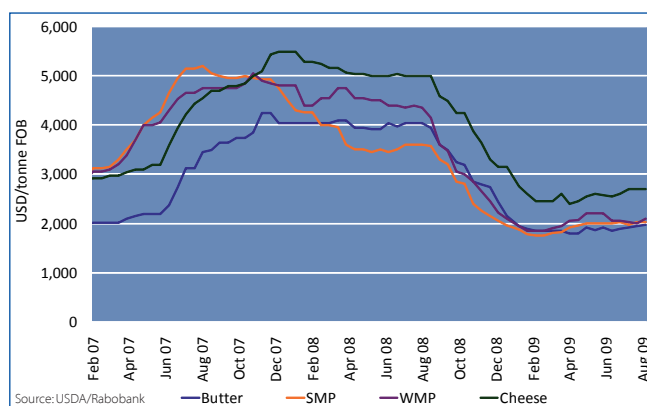
Source: USDA/Rabobank

Global

- Global dairy prices have shown some signs of modest improvement in the last month. USDA surveys reported a 3-4% rise in the price of butter and powders in the four weeks to 6 August, with cheddar holding level. Fonterra's auction on 4 August suggested a far more substantial increase in WMP prices (of 25% for the month). The magnitude of this increase caught many by surprise, and how closely it reflects broader market pricing across the dairy complex will only be evident in coming weeks.
- Some of the recent increase evident in dairy commodity prices is attributable to the depreciation of the USD itself. Based on USDA pricing data, last month's prices actually declined in local currency terms for exporters in New Zealand, Australia, Brazil and just stayed level in Euro terms. Suppliers are hoping for more convincing evidence of a market recovery.
- Supply is certainly starting to fall in many key export regions, with recent data releases showing output falling in the US, Australia and Brazil as H1 09 drew to a close. While such declines (outside of Brazil) have been modest to date, they are expected to accelerate in coming months as farmers respond to ongoing equity erosion and, in the US, the latest CWT round removes another 87,000 cows from the sector.
- The demand environment appears to have improved somewhat in recent months, with retail prices falling in most regions, improved trade credit markets and a better than expected run of economic data. Anecdotal evidence suggests that buyers are at least now willing to buy forward in significant quantities, if still at modest price levels.
- However, supply and demand side adjustments are still in their infancy, with stocks still accumulating in government and corporate hands in several regions; the chances of a quick price recovery in the near term thus appear remote.
- Regulators in many regions are certainly not waiting for the market to save their farm base. In the past four weeks: the EU significantly extended its intervention buying period; the US announced a temporary increase in internal dairy support prices of 15-16% (until end October); and Argentina announced an increase in milk price subsidies (though these remain small).
- In general terms such schemes will only marginally reduce short term pain felt on farm in these regions (which remains acute) and to some extent delay the timing, and reduce the speed, of an eventual recovery in global markets.

Australia

- A sharp rise in the AUD more than offset the increase in USD dairy prices evident in the month to 6 August, with spot prices down 4-8% in local currency terms. This pushed export prices



Production growth in key exporting regions

	Latest month	Last 3 months
EU 27	0.5% (May)	0.4%
US	-0.2% (Jun)	0.1%
Argentina	0.7% (May)	4.8%
Australia	-2.9% (Jun)	-0.1%
NZ	-8% for the two months to July 2009*	

*NZ produces only minimal quantities of milk in June and July.

on a trade weighted basis to below the levels prevailing when opening milk prices were set for the current season.

- Data now available for June show a 3% reduction in Australian milk production (compared to the same month of the previous year) as cows were dried off early in the face of low milk prices and relatively high feed costs. Further reductions are expected through coming months as the impact of herd culling becomes apparent.

New Zealand

- Despite ongoing pressure from a higher NZD, Fonterra reconfirmed its forecast payout of NZD4.55/kgMS in late July. A reduction of NZD 10 cents in the commodity milk price component was offset by an expected improvement in value-added returns.
- New Zealand dairy exports continued their strong run during June with volumes 48% and 60% ahead of June 2008 and 2007 respectively. Powder exports were particularly strong, with shipments of butter and casein also well up. New Zealand exports for the first half of 2009 were 30% (274,000 tonnes) higher than 2008, reflecting the recovery of production from drought and the liquidation of inventories carried through from H2 2008.

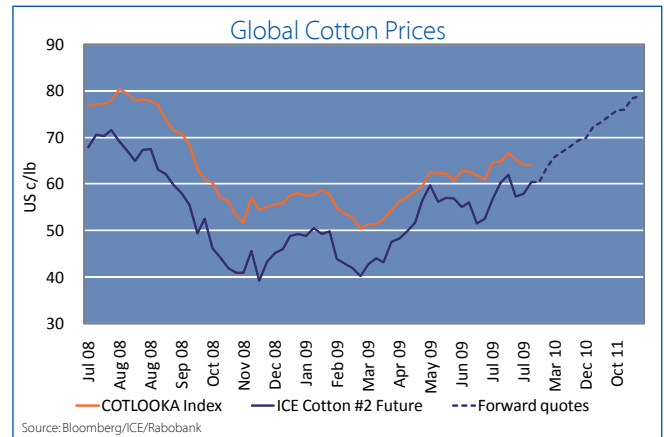
Cotton

Monthly average cotton prices (US c/lb)			
	Current (07/08/09)	Last week	Last year
Cotlook A Index	64.05	64.05	79.50
NY Futures (Dec 08)	60.53	57.93	67.25

Source: Bloomberg/ICE/Rabobank

Australia

- International cotton prices have recovered to more promising levels in the view that global consumption may be stronger than initial market expectations, and export sales have improved over the last few weeks.
- However, it is expected that prices may not rise much further from current levels in the near term, as supply and demand seems reasonably balanced at this stage for the 2009/10 season.

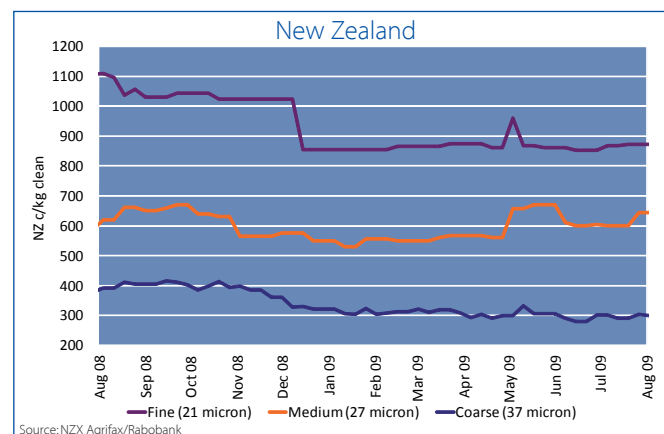
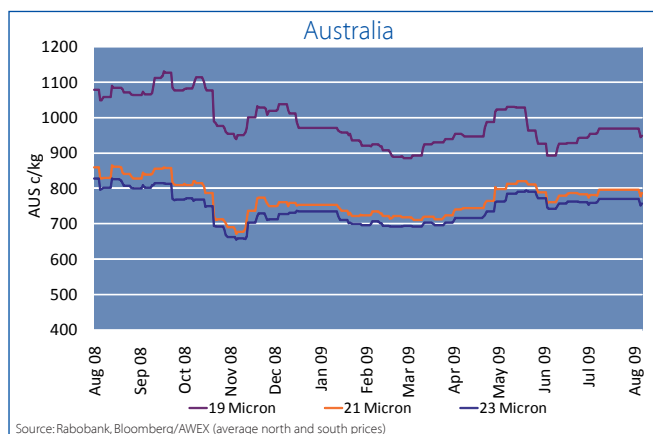


Wool

	Eastern Market Indicator (AUD c/kg clean)			New Zealand (NZD c/kg clean)			
	Current (06/08/09)	Last week	Last year	Current (10/08/09)	Last week	Last year	
Fine (19 micron)	949	969	1050	Fine (21 micron)	872	872	1098
Medium (21 micron)	788	797	828	Medium (27 micron)	635	644	620
Broad/coarse (23 micron)	758	771	799	Broad/coarse (37 micron)	298	300	390

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

Source: NZX Agrifax/Rabobank



Australia

- Australian Wool Exchange wool sales resumed in the first week of August after the annual three week mid-year break. The stronger AUD placed pressure on the prices in the first sale.
- AUD prices fell slightly but USD prices hit a nine month high. The market is seeing some signs that buyer activity has

increased on the back of some positive economic data in the US.

- The beginning of the 2009/10 wool selling season has also seen a welcome return of some solid buying for Europe, however, China and India have continued to be the dominant international buyers.

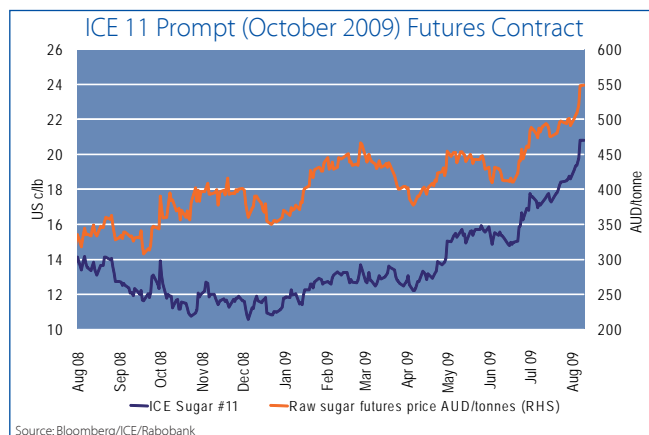
Sugar

ICE 11 Prompt (raw sugar futures price October 2009)					
US c/lb			AUD/tonne		
Current (10/08/09)	Last week	Last year	Current (10/08/09)	Last week	Last year
20.81	19.14	13.37	549	501	333

Source: Bloomberg/ICE/Rabobank

Australia

- ICE No. 11 raw sugar futures prices (basis October) have surged upwards in the month, breaking through the US20c/lb mark on 10 August. Prices are now near double the levels from the start of the year and at levels not seen since 1981. Prices have been pushed higher by weather related factors, particularly in India, and their impact on sugar output in the 2009/10 season.
- In addition to the ongoing concern that a poor Indian monsoon could reduce next season's sugar output (and thus boost the country's import requirement for 2010), there is now increasing speculation that a wet crushing season in Brazil's centre/south could impact on the volume of cane crushed and the volume of sugar produced in the current 2009/10 campaign.
- We anticipate the "bull" run for sugar is by no means complete even if prices consolidate in the short term around US20c/lb. Weather developments in India and in centre/south Brazil will be central to market sentiment.
- It is impossible to say to what extent the latest market movements represent the full pricing-in of unfavourable



weather patterns in both countries; however, under current circumstances news of any further deterioration in weather projections would be almost certain to push the market higher. Conversely, the recent strength in the dollar, if it continues, is likely to place some downward pressure on sugar and other commodity prices.

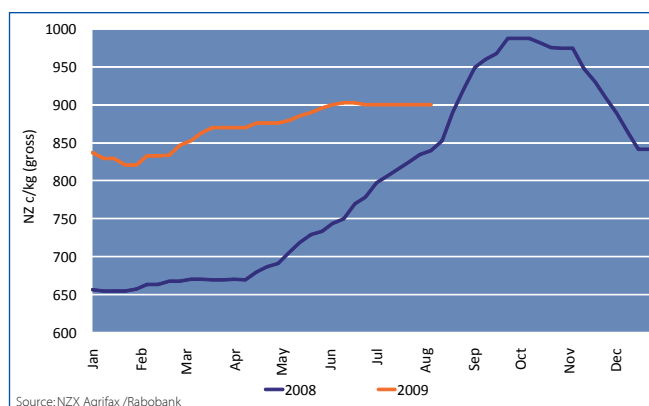
Venison

NZ c/kg gross	NZ c/kg gross		
	Current (10/08/09)	Last week	Last year
NI Stag 60kg	850	850	825
SI Stag 60kg	900	890	840

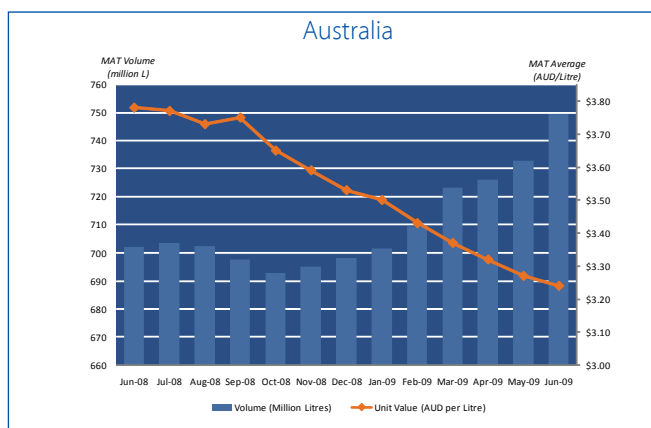
Source: NZX Agrifax/Rabobank

New Zealand

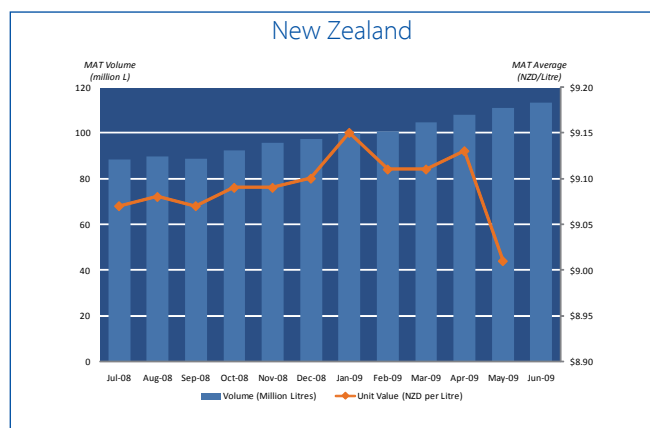
- Venison prices have now been broadly unchanged since mid-May – during a period when a seasonal lift is usually evident. Markets remain tentative prior to the main chilled season and when combined with a strengthening NZD, prices are likely to remain relatively lacklustre.
- Export volumes fell 29% during June, year on year, with export value 34% lower. June was the third consecutive month that value has fallen broadly in line with volume reductions indicating static pricing in NZD terms.
- Export destinations were less concentrated during June with the top three destinations accounting for less than 50% of total volume. While Germany continues to be the leading destination (24%), Sweden (11%) and Switzerland (10%) have overtaken France and Austria for the month of June.



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

- Domestic wine sales remained steady in June, but were 7.6% lower compared with June last year. Domestically produced white wine sales increased slightly in June, although this was offset by reds. That said, red wines sales are up 1.8% year on year.
- Total Australian export shipments increased 29.9% in June, following a 12.6% increase in May. The AUD value of exports increased 17.3% in June, compared to a decrease of 8.7% in May. On a moving annual total (MAT) basis, the AUD value of shipments fell for a 17th consecutive period.
- In June, the UK overtook from the US as the leading export destination in value terms. The UK now accounts for 33.1% of value, with the US accounting for 26.9% of value. In volume terms, the UK is the leading export destination with 41.3% of volume.
- Volumes decreased for pricing points AUD5.00-7.49 and

AUD7.50-9.99 by 12.9% and 36.0%. The less than AUD2.50, AUD2.50-4.99 and greater than AUD10 price points increased volumes by 75.9%, 11.6% and 37.1%. With the exception of the spike in the greater than USD10 category, the increase in volumes occurred at the lower price points, particularly the less than AUD2.50.

- The increase in volume at lower price points in June has been an ongoing phenomenon and is the result of excess inventory being sold off at the lower price points, and a reduction in the retail price in order to stimulate volume growth.
- While weakness in the economies of key export markets has pressured sales, the trend toward lower price points can only continue to place pressure on returns to growers. With significant discounting now common place at the consumer end, even with a pending recovery in global growth, marketers will have a difficult task pressuring unit values higher with global wine stocks at high levels. It will be difficult to reverse the trend to lower price points, to recover margins.

Horticulture

Australia

- Prices for vegetables (-6.9%) and fruit (-7.6%) fell in the June quarter, because both sectors have experienced peak growing seasons and favourable weather patterns.
- While some indicators pointing toward further weakness in prices ahead, due to improved seasonal conditions and subdued demand, this may be short lived as supply side constraints bite. Water allocations for producers in the Murray Darling Basin system will remain tight with the current outlook for the 2009/10 water year still poor; similar to that of the previous two years. The amount of water flowing into the stricken Murray River in the March quarter was the lowest in the 117 years that records have been kept.

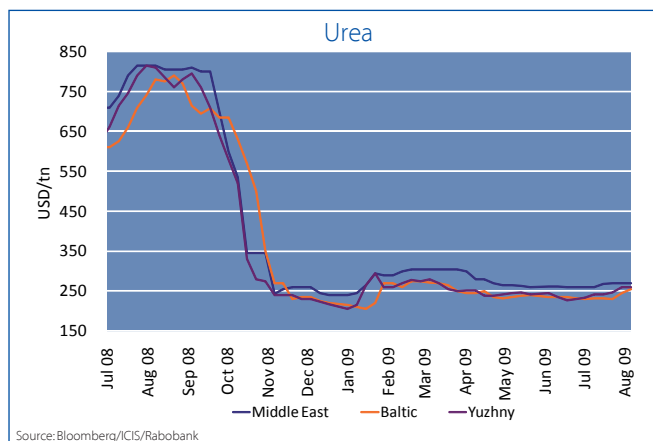
New Zealand

- In New Zealand, horticultural production has been impacted by the cold weather, which has hampered growing conditions. In part, this has pressured prices higher; fruit and vegetables increased 15.0% in June, following decreases of 2.6% and 2.0% in May and April. That said, higher fruit and vegetable prices are common during the winter months with the fruit and vegetable index now at levels comparable with August 2008.
- Vegetable prices increased 23.2%, while fruit prices increased 3.9% in June 2009. The most significant upward individual contributions came from higher prices for lettuce and tomatoes (up 66.7%). The most significant individual downward contribution came from lower prices for oranges (down 15.3%).
- For the year to June 2009, prices for the fruit and vegetables subgroup increased 12.7%. The most significant contributions came from higher prices for tomatoes and bananas. The most significant downward contribution came from lower prices for potatoes (down 7.2%).

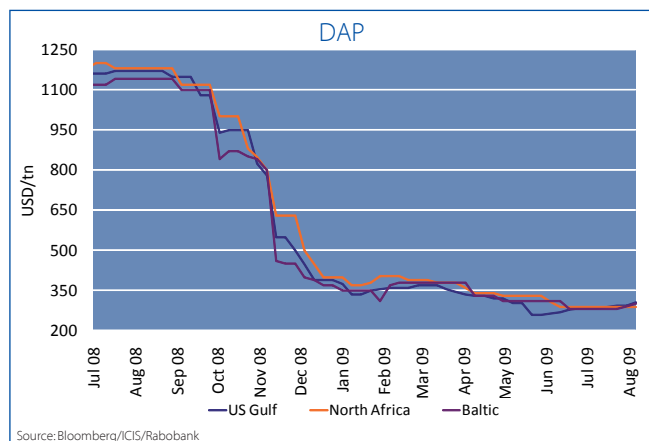
Fertiliser

All shown as USD/tonne	Current (06/08/09)	Last month	Last year
Urea (Middle East)	270	260	815
DAP (North Africa)	290	290	1180

Source: Bloomberg/ICIS/Rabobank



Source: Bloomberg/ICIS/Rabobank



Source: Bloomberg/ICIS/Rabobank

- International urea prices rose in July and early August, with renewed buying from Brazil and India. However, it is expected that prices may soften if urea production continues in September/October at current capacity utilisation. In view of this, market participants will be watching for cutbacks in production from high cost regions like Ukraine to prevent any major falls from current price levels.
- International DAP prices may be pushed higher by reasonably large orders from Indian and Pakistan buyers. There is also

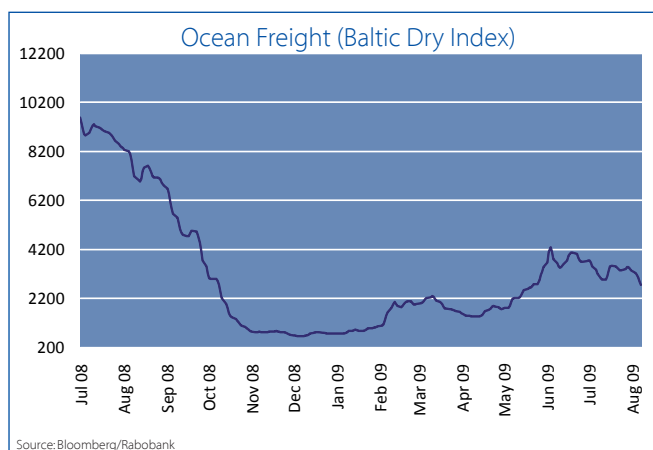
the prospect that Latin America will be back buying in its traditionally high demand period of Q3, bringing further competition to the market.

- There have been major developments in the world potash market with India agreeing to buy Muriate of Potash (MOP) at a discount of 26% below its previous purchase price. This price fall has seen other suppliers of potash follow, and the market now looks like pricing at more attractive levels for buyers.

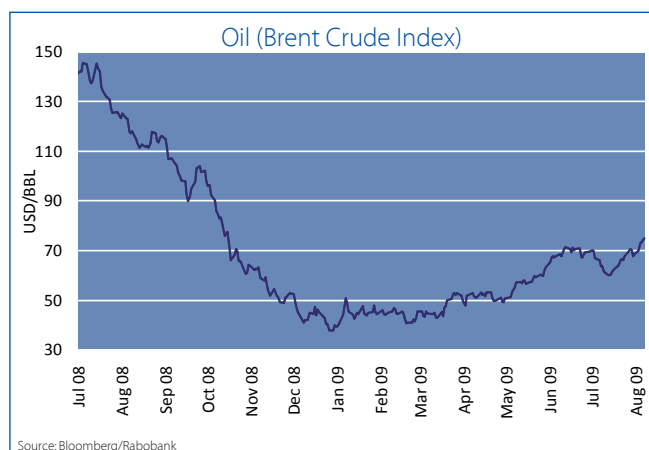
Other costs

	Current (07/08/09)	Last week	Last year
Baltic Dry Index	2272	3350	7521
Brent Crude (USD/bbl)	75.07	68.57	1117.22

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 twenty-five of the world's most traded bulk cargo routes. The index was set at a starting level of 1000 points in 1985.

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