



Rabobank

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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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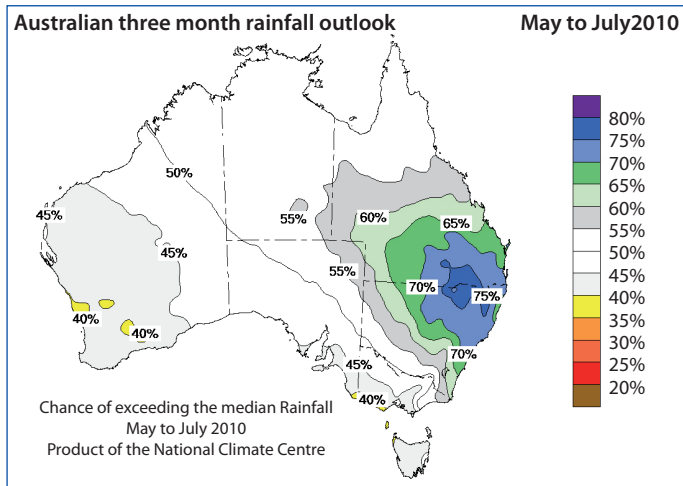
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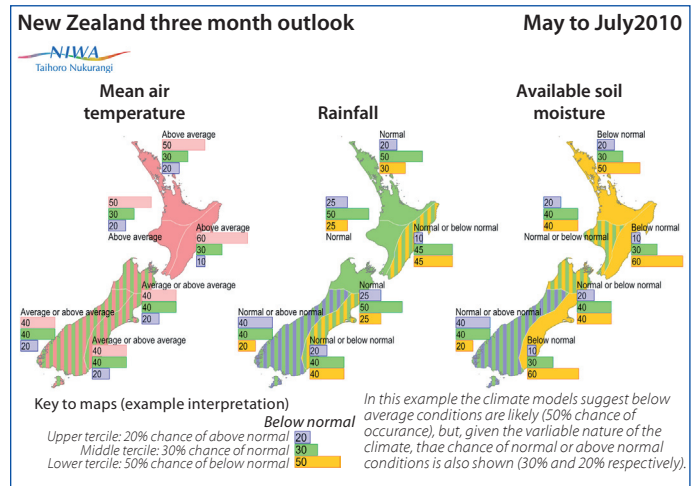
Report highlights

- April was unusually warm with above average temperatures across much of Australia; water storage levels in the Murray-Darling Basin remain at low levels though. Below average rainfall in April in New Zealand means that many areas in the North Island, and Canterbury and Marlborough in the South Island, are facing significant soil moisture deficits. The El Niño event across the Pacific is showing signs of continued weakening.
- The global economic recovery continues, with the International Monetary Fund revising up its global growth forecasts to 4.2% for 2010, and to 4.3% for 2011. The outlook for the US economy is generally positive, although sovereign debt issues are weighing heavily in Europe. The Australian economy continues to strengthen, with the official cash rate (OCR) being lifted by a further 25 basis points in May. In New Zealand the recovery is gaining strength with growth and unemployment results surprising on the upside, increasing expectations for rises in the OCR from mid-year.
- The Australian and New Zealand dollars continue to trade at elevated levels. Sovereign debt woes in Europe could cause a small retreat in both currencies, with new tax proposals in Australia a further factor in the near term.
- Global grain prices are expected to remain steady over coming months, with a few small positive signs arresting the trend of falling prices. Good seasonal conditions along Australia's east coast continue to raise expectations for the domestic crop. Rabobank's wheat production forecast sits at 21.8 million tonnes, with the timing of rainfall the main factor that could influence this outlook.
- Manufacturing beef prices in the US continue to rise, although reduced supply and relatively high currencies have prevented Australia and New Zealand exporters from capitalising fully. Cattle prices in both countries are ahead their position a year ago. Solid demand and restricted supply continue to support elevated prices for sheepmeat in Australia and New Zealand.
- Global dairy prices have remained firm over the past month, although softened very slightly at the most recent auction. This is a product of strong buying demand and falling milk production. The indications in Australia and New Zealand are that the opening price for the 2010/11 season will be up or equal to current prices, lifting confidence in the sector.
- Oil prices have firmed over the last month, and have been sitting well above the USD80/barrel mark.



Australia

- Most of the country experienced a significantly warmer-than-usual April, with minimum temperatures the second highest on record for April. Maximum temperatures were less extreme but still well above normal.
- Rainfall was also above normal over much of the country, particularly the interior and was close to or below average in many southern areas.
- The New South Wales Minister for Primary Industries announced at the end of April that almost one third of the state has moved out of drought, bringing the area of New South Wales officially in drought down to 7.3%, the lowest level in nine years.
- The Bureau of Meteorology's (BOM) national rainfall outlook for the coming three month period indicates a moderate to strong increase in the chance of a wetter-than-normal season over parts of north and eastern New South Wales and southern Queensland. In contrast, parts of Western Australia and Victoria may receive below-average rainfall. For most of the country, average falls are about as equally likely as below average falls.
- The BOM's national outlook for mean maximum temperatures during this period shows a moderate to strong likelihood of a warmer season across most of the tropics, Western Australia and parts of south eastern Australia. In contrast, cooler than average daytime temperatures are likely in southeast Queensland.

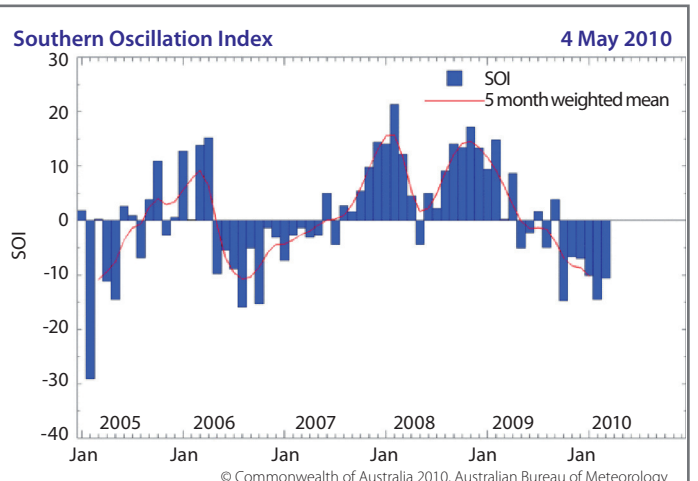


New Zealand

- As a result of well-below-normal April rainfall, Auckland, Waikato, Bay of Plenty, South Taranaki, South Canterbury and Otago join Northland to be declared drought areas. Even with substantial rainfall at the end of April, significant soil moisture deficits remain in many areas of the North Island, Marlborough and Canterbury. In contrast, northwest winds over the South Island brought extremely high rainfall in the southwest of the South Island, with some areas experiencing more than double their normal rainfall.
- April was exceptionally warm for much of the South Island, Wairapa, eastern Northland and eastern Auckland, with temperatures more than 1.2°C above average. April temperatures for the remainder of the North Island were near average; the national average was 14.2°C (+0.8°C above the long-term April average).
- Temperatures over the next three months are likely to be above average in the North Island and either average or above average in the South Island, however, typical winter cold snaps will still occur.
- Close to normal seasonal rainfalls are likely in many places, however, the eastern regions of both Islands are likely to experience normal or below normal rainfalls.
- Most of the country should see normal or below normal soil moisture levels with extreme deficits to continue in areas already affected by low soil moisture. Near normal or above normal soil moisture levels are likely in the west and south of the South Island.

El Niño

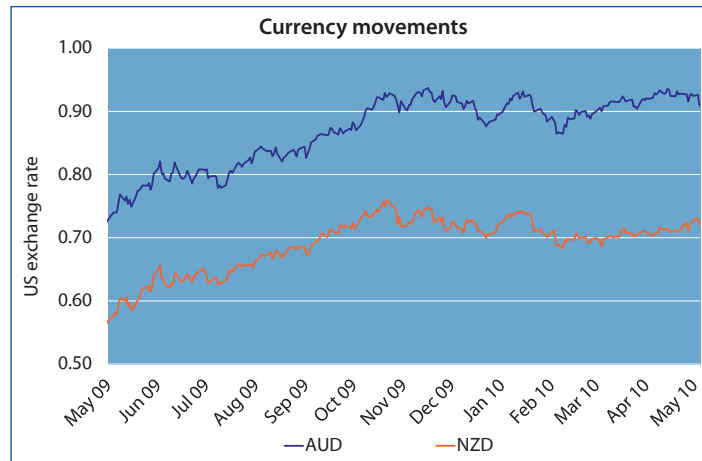
- During April the El Niño event across the Pacific Basin continued to decline, with most leading climate models showing that further cooling over coming months is likely, with a return to a neutral (near-average Pacific temperatures) pattern by the southern winter.
- The majority of El Niño-Southern Oscillation indicators have now fallen below El Niño thresholds, aside from some remaining warmth in the western Pacific. The cooling of the tropical Pacific Ocean, which began late last year, has resulted in trade winds and tropical cloudiness returning to normal. The Southern Oscillation Index has risen steadily since the beginning of February, venturing into positive territory in recent weeks.



Currency USD

	Current (04/05/10)	Last month	Last year
AUD	0.9089	0.9214	0.7400
NZD	0.7202	0.7032	0.5761

Source: Bloomberg/Rabobank



Source: Bloomberg/Rabobank

Global

- A sombre tone has engulfed global markets, with the ongoing fiscal crisis in Greece outweighing a relatively positive US Q1 GDP result and upbeat forecasts from the International Monetary Fund's (IMF) latest World Economic Outlook. The IMF revised up global growth slightly to 4.2% for 2010, with 4.3% growth expected for 2011. US Q1 2010 GDP expanded in-line with market expectations, although the US Federal Reserve noted in its most recent statement that high unemployment and long-term joblessness are limiting factors on the speed of the US recovery.
- It's all happening in Europe – UK elections, Euro area sovereign debt concerns persist and volcanic ash grounds airlines. While the final bailout package for Greece is nearing completion, Standard & Poor's recent decision to also downgrade ratings for Spain and Portugal sent further ripples through financial markets. It is possible that Greek debt could be the tip of an iceberg, with longer-term debt sustainability issues continuing to surface over the course of the year, which will disturb market appetite for risk.

Australia

- The Reserve Bank of Australia (RBA), raised the official cash rate (OCR) to 4.5%, the sixth 25 basis point increase in seven meetings. The accompanying statement indicated that the RBA believes interest rates for most borrowers have been returned to "average levels". The tone of the statement suggests further increases are data dependent. Rabobank expects a further 50 basis points of hikes in 2010, implied by the slightly more hawkish statement. Rabobank expects the RBA will take a breather at its next meeting, but maintains the call that the OCR will hit 5% by the end of 2010.
- The Australian Budget is due 11 May. With a dramatically improved economic landscape compared with the conditions faced in the 2009 Budget, the key focus of budget policy will likely shift

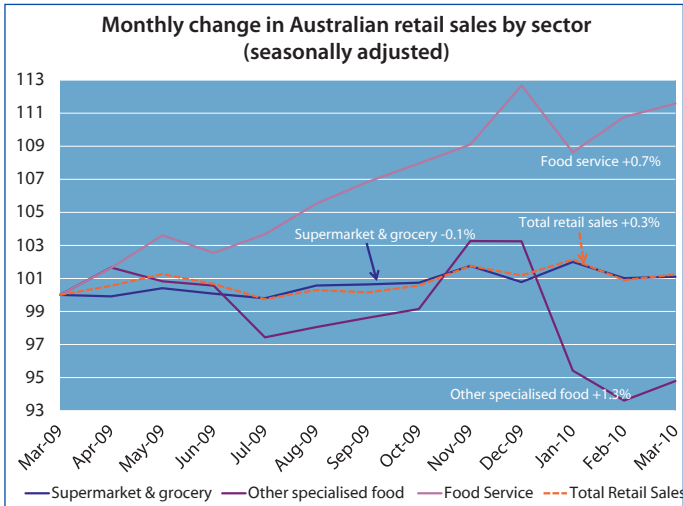
to debt reduction and the returning to a surplus position. The controversial mining tax is likely to be just one step in the process of the Government's attempt to manage potential imbalances that will arise from the once-in-a-generation terms of trade boom.

- The Australian dollar (AUD) is responding to usual forces of a heightened level of risk aversion and expectations for China growth in 2H 2010. China has again raised its reserve requirement ratio, which has been viewed a negative for commodity demand and the AUD. Nevertheless, the AUD is expected to stay within the range of USD0.88-0.92 in the near term.

New Zealand

- The Reserve Bank of New Zealand (RBNZ), as expected, left the OCR on hold at 2.5%, but signalled that an interest rate hike could be just around the corner. A shift in the language was evident: "we expect to be removing policy stimulus over the coming months", as the timing of RBNZ action moves from being further out to more immediate. Rabobank expects that the next move will be a 25 basis point hike mid-year, with this tightening cycle likely to be modest in nature. Rabobank expects the OCR to sit between 3.25% and 3.75% by the end of 2010, and 4.75% by end-2011.
- Overall, economic data has been positive, with better-than-expected GDP growth in Q4 2009, which will likely lead to a higher starting point for growth in 2010. The unemployment rate for the March quarter surprised most by coming in at 6.0% (seasonally adjusted), a drop of over 1 percentage point. The improvement in the terms of trade as global demand normalises will continue to boost economy-wide incomes in coming months. This support from exports has been highlighted in the recent trade balance data. The New Zealand dollar will continue to be supported at current levels - around the USD0.70 mark.

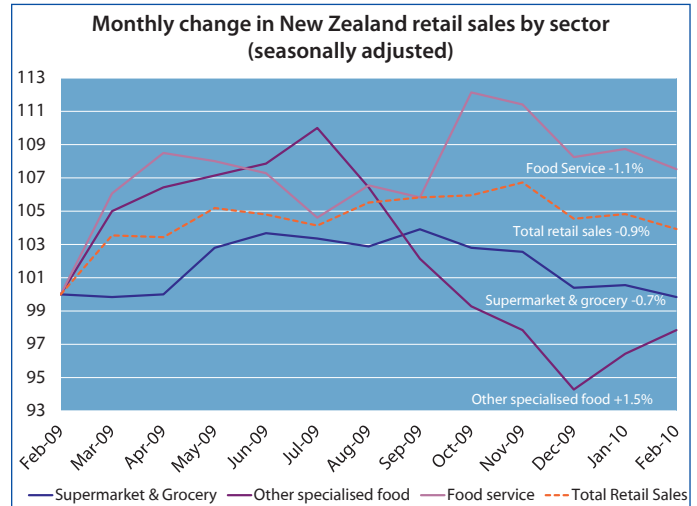
Food retail



Source: ABS Cat 8501 - % reference represents month-on-month change for most recent period

Australia

- Seasonally adjusted Australian retail trade turnover increased by 0.3% in March 2010 on the prior month. Retail sales remained flat in trend terms, reflecting both the prior impact of government fiscal stimulus and recent successive rises in the official cash rate (OCR). Seasonally adjusted total food retail turnover increased in line with broader retail sales, while food service increased a further 0.7% on the prior month, led by cafe and restaurant sales.
- Consumer price estimates for Q1 2010 released by the ABS show national average food prices in Australia grew 1.1% on the prior quarter, or slightly above the headline CPI rate of 0.9%. Fruit and vegetable prices remained volatile, while milk and dairy prices remained flat and are yet to respond to recent upward movements in global markets.
- On an annualised basis, the rate of food price inflation continued its decline to 0.7% for the 12 months to March 2010 as the lumpiness of the Federal Government's 2008-09 fiscal stimulus package continues to show through in official statistics. Over the period, food prices initially retreated from elevated levels but are now again above the peak level reached in March 2009 on the back of the stimulus package.
- Food and liquor retail sales growth in Q1 2010 as reported by the major retailers was wholly volume driven and somewhat subdued by the prior impact of the Federal Government fiscal stimulus package. Coles reported third quarter comparable sales growth in its food and liquor division of 3.9% relative to the prior corresponding period, with price deflation of around 1% for the quarter. Woolworths reported third quarter comparable sales growth of 1.6% on the prior corresponding period in its Australian food and liquor division, with zero price inflation during the quarter.
- Consumer confidence measured in April 2010 remained at historically high levels despite five rises in the OCR in the six months to April (Westpac-Melbourne Institute, 2010). The rise



Source: NZ Statistics, Rabobank - % reference represents month-on-month change for most recent period

in the OCR made effective on 4 May 2010 is expected to have a greater incremental impact on consumer confidence. Standard variable home loan rates have begun to breach 7% p.a., a level that has been a historical threshold for consumer confidence, at a time when household indebtedness remains at historically high levels.

New Zealand

- Retail trade turnover released by Statistics New Zealand for February continue to show unpredictability in the retail sector. Total retail spending for the month declined 0.9% compared to January, after a small rise at the start of the year.
- Overall growth in retail spending over the last 12 month period has moved in line with inflation. From Q1 2009 to Q1 2010, CPI increased 2%. Total retail spending for the six month period September 2009 to February 2010 rose only 0.8%, on the previous six month spending to March 2009.
- This continued stagnation in retail spending growth is expected to ease as the job market improves. In its quarterly employment survey New Zealand Statistics reported that in the year to March job losses have stabilised.
- The consumer price index (CPI) released for the Q1 2010 rose 0.4% compared with Q4 2009. Food prices rose 1% over the quarter with the main contribution from higher grocery food prices. In the month to March, meat prices rose 1.3%, dairy products rose 1.1% and fruit and vegetables declined 1.9% (not seasonally adjusted).
- Seasonally adjusted consumer spending in grocery and supermarkets declined in 0.7% in February. By contrast, Australian retailer Woolworths, reported its New Zealand supermarket sales through retail outlets Countdown, Woolworths and Foodtown rose 4.1% in Q1 2010. This buoyant spending reported by the grocery giant either indicates it is securing market share from the New Zealand-owned Foodstuffs, or more likely, consumers are being more careful and reducing their convenience store spend at the local dairy. This sector is estimated to receive 25% of New Zealanders grocery spend each month.

Grains and oilseeds

ASX wheat prices

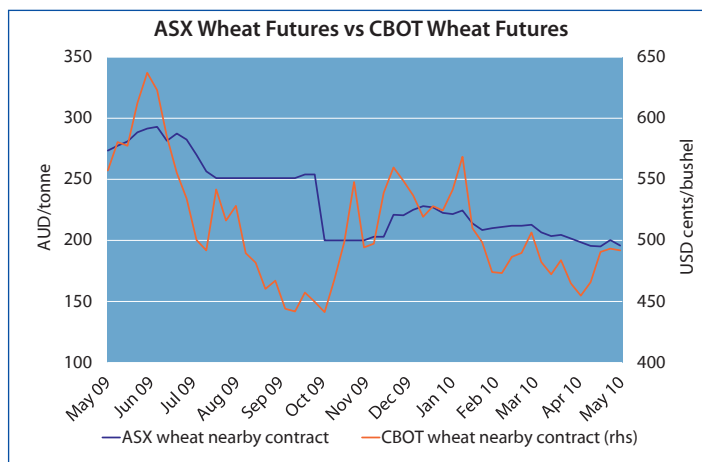
	Current (04/05/10)	Last month	Last year
AUD/tonne	196	199	274

Source: Bloomberg/ASX/Rabobank

Chicago Board of Trade Wheat Futures (nearby contract)

	Current (30/04/10)	Last month	Last year
USD c/bushel	492	455	557

Source: Bloomberg/CBOT/Rabobank



Source: Bloomberg/CBOT/ASX/Rabobank

Global

- Rabobank maintains a neutral outlook for global wheat prices. Global benchmark wheat prices are expected to remain range bound between USD4.5 to USD5.5 per bushel, with bearish fundamentals constraining upside potential and recent strength in the corn market is likely to underpin wheat prices in 2010/11.
- The CBOT nearby wheat futures did though gain over 12% in April with the rally appearing to be more about short covering non-commercial money flows than fundamentals.
- One notable development in global markets is that premium spreads between Minneapolis and Kansas wheat relative to Chicago have started strengthening with expectations of tighter hard and spring wheat balance sheets in 2010/11 relative to the Soft Red Winter (SRW) balance sheet. The SRW balance sheet is being heavily weighed on by increasing stocks.
- Another positive for rising wheat prices, especially in the EU and Black Sea region, has been tightening export availability during April as a number of Russian exporters have been unable to procure sufficient supplies from growers to meet current export commitments.

Australia

- The winter cropping season is off to a solid start. Rainfall in March and April has covered most cropping regions and in many areas sowing is well underway, particularly in the northern cropping districts. However, this enthusiasm to one of the best starts in two decades has been tempered somewhat by a more downbeat three-month outlook for rainfall in some key cropping regions by the Australian Bureau of Meteorology (BOM). While the BOM forecast shows a moderate to strong shift in the odds favouring a wetter-than-normal season over north and eastern New South Wales and southern Queensland, Western Australia, South

Australia and Victoria are likely to receive below-average rainfall.

- Although it is early days for the season and the timing of rainfall events is more important per se, the BOM outlook is a negative for yield expectations in Western Australia.
- Rabobank's forecast of wheat production in 2010/11 remains at 21.8 million tonnes. This represents a balance between positive conditions at the start of the season and a mixed outlook for rainfall across cropping regions.
- There is a clear trend back to rotations this year, with legumes, cotton and canola forming a greater proportion of farmers' cropping programs at the expense of wheat and barley.
- The market for Australian grain exports remains tough. Exports in February this year have fallen behind those of February 2009. That said, domestic consumption has improved, and so overall use is up slightly on the same time the previous year. As a result, Rabobank has revised down grain exports from around 15 million tonnes to just below 14 million tonnes for this marketing year.
- A strong start to the winter cropping season has increased Australian canola planting expectations for 2010/11. Rabobank now forecasts rapeseed production at just above 2 million tonnes, which is slightly more than last year's 1.9 million tonne harvest.
- Much improved seasonal conditions in New South Wales and increased areas in Western Australia are significant contributors to this upward revision.
- Areas dedicated to genetically modified (GM) modified canola varieties will make up 10-15% of this year's crop. With Western Australia undertaking the commercialisation of GM canola this year, the share of GM canola in the Australian crop will be higher and a significant contributor to the growth in total area.
- Contract price offerings for canola in 2010/11 are currently in the range of AUD415-425/tonne.

Beef

Australian beef prices

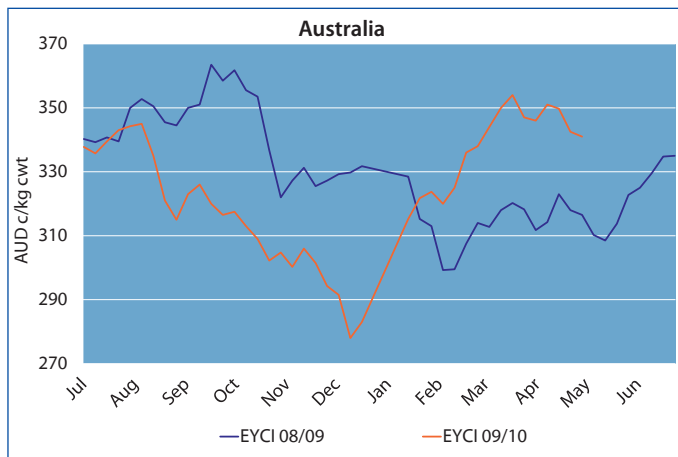
All shown as AUD c/kg cwt	Current (30/04/10)	Last month	Last year
Eastern Young Cattle Indicator (EYCI)	341	346	317

Source: NLR5/Rabobank

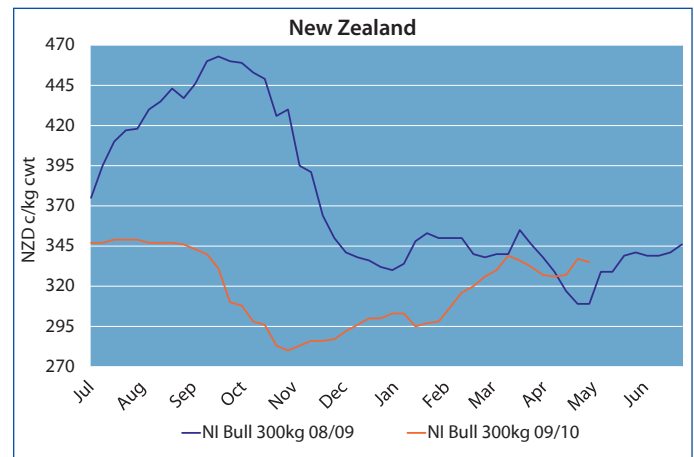
New Zealand beef prices

All shown as NZD c/kg cwt	Current (03/05/10)	Last month	Last year
North Island Bull 300kg	335	327	309
South Island Bull 300kg	309	312	296

Source: NZX Agrifax/Rabobank



Source: NLR5/Rabobank



Source: NZX Agrifax/Rabobank

Global

- US lean manufacturing beef prices continue to rise, lifting a further USD 10-14 cents/lb (6-9%) during April. Imported prices remain on a par with US domestic product prices. Reduced availability of fed cattle and lower slaughter weights are key contributing factors that are expected to support prices over the coming months, despite an increase in cow slaughter.
- A drop in imported lean beef availability is also a key factor. During Q1 2010 Australian exports to the US were more than 40% lower, while New Zealand exports also fell by 15%. An unattractive US dollar exchange rate has not provided Australasian exporters with enthusiasm for the US market during the early part of 2010.
- Japan and Korea have confirmed cases of foot and mouth disease (FMD) in both their cattle and pig populations. This is the first case of FMD in Japan since 2000 and in Korea since 2002. So far the outbreak has had little impact on beef consumption in the Korean and Japanese markets.
- As part of a plan to settle a dispute over US cotton subsidies, the US government has proposed to recognise Santa Catarina state in Brazil as FMD free, which would open the market to meat imports from that state. Santa Catarina is the only state in Brazil to have FMD free without vaccination status. Prior to the proposal being approved a risk assessment must be carried out, with a timeline for completion unclear. Santa Catarina is not a major producer of beef, with only 3.5 million head of cattle (out of a national herd

of around 180 million head). However, if the proposal were to be passed this would be a major policy shift towards Brazil by the US, moving from a national to a state-based recognition of FMD status.

Australia

- Cattle prices eased very slightly in April, with the EYCI ending the month at AUD3.46/kg cwt, down from its peak of AUD3.51/kg cwt early in the month. This is still 8% above the same time last year. Prices have improved on the back of a tightening of supply in the United States and increased buyer interest out of Russia. As well as some improvement in demand in Russia, a reduction in imports from South American countries, such as Argentina and Brazil, has assisted.

New Zealand

- Farm gate prices saw little movement during April, with some increases in the North Island the only change in the market. Beef prices are currently around 2-8% ahead of the same period in 2009.
- While US lean beef prices are 40% higher than last year, the NZD/USD exchange rate is also around 25% higher, which is offsetting the potential benefit flowing through to farm gate prices. Nevertheless, stronger market returns would provide room for an improvement in local beef prices over the coming months, particularly as livestock availability tightens.

Lamb

Australian lamb prices

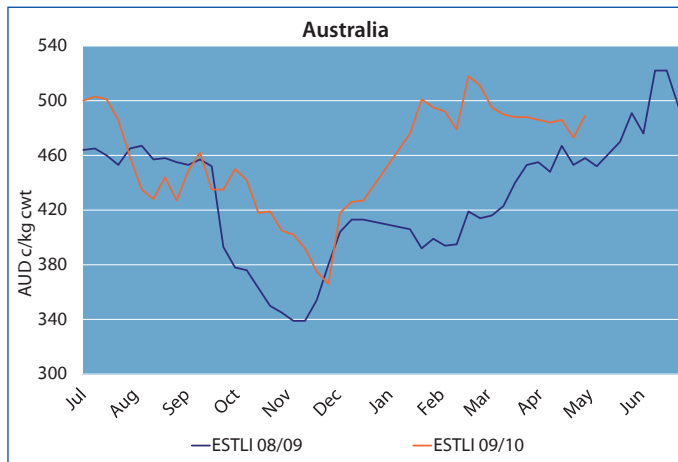
All shown as AUD c/kg cwt	Current (30/04/10)	Last month	Last year
Eastern States Trade Lamb Indicator (ESTLI)	489	495	453

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	474	461	553
South Island 17.5kg YX	452	418	554

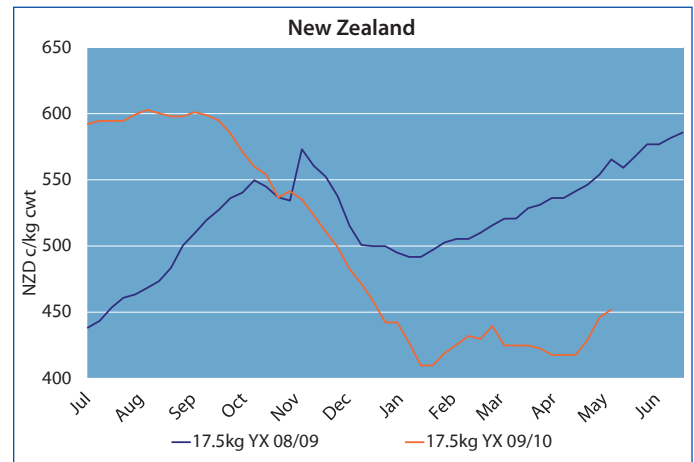
Source: NZX Agrifax/Rabobank



Source: NLR/S/Rabobank

Australia

- Solid demand in both local and export markets, combined with continued restrictions on supply, is supporting prices for lambs in April at well above last year's levels. The Eastern States trade lamb indicator ended the month at AUD4.89/kg cwt. While this is down slightly on the peaks of early 2010, it is still 8% above the same time last year.
- Exports of both lamb and mutton for the year ending April remain well down on the same time in 2009, with sales of mutton particularly hit hard by the decline in Australian sheep supply for processing. Mutton exports have plunged from 57,000 tonnes last year to just over 38,000 tonnes, with lamb exports also declining by about 20% to 45,000 tonnes.
- The US government is once again including sheepmeat in its purchase program. This involves the government buying a range of food products to use in Federal food and nutrition programs, with the aim of supporting prices for local producers. Both sheepmeat and beef are included in this year's program, with a target of USD2 million for lamb purchases and USD40 million for beef. Given that prices for both have increased rapidly in the US over recent weeks, there has been some criticism of the inclusion of these products. The US is Australia's largest export market for lamb, taking over 38,000 tonnes in 2009.



Source: NZX Agrifax/Rabobank

New Zealand

- Farm gate lamb prices crept up 3-8% during April, but at less than NZD5.00/kg cwt remain 14-18% below last year. As offshore prices are at high levels the difference is attributable to weaker destination currencies with the New Zealand dollar 20% higher against the British pound and 18% against the Euro, New Zealand's largest lamb export markets.
- March export volume fell 1.3% from the previous year; however, total export value was 2% lower. This continued the trend evident during Q1 2010 with export volume 1% lower, but value falling 5.5%. The proportion of product sent boneless during this period also fell slightly compared to 2009.
- Export volumes have reflected slaughter rates trailing last season by around 2% for lamb and by a much larger margin for mutton. The gap between this season and 2009 continued to accelerate during April, particularly in the South Island.
- European lamb reference prices have held firm during early 2010 and increased during April in line with rising seasonal demand. Latest European data show that the total flock continued to decline by 2% through 2009, although this was at a slower rate than the 6% decline in 2008.

Dairy

World dairy prices

	USD/tonne			AUD/tonne			NZD/tonne		
	29/04/2010	Last month	Last year	29/04/2010	Last month	Last year	29/04/2010	Last month	Last year
Butter	3,800	3,800	1,925	4,108	4,147	2,650	5,298	5,383	3,401
SMP	3,550	2,950	2,000	3,837	3,219	2,753	4,949	4,179	3,534
WMP	3,800	3,300	2,200	4,108	3,601	3,028	5,297	4,675	3,887
Cheddar	3,975	3,850	2,550	4,297	4,201	3,510	5,542	5,454	4,505

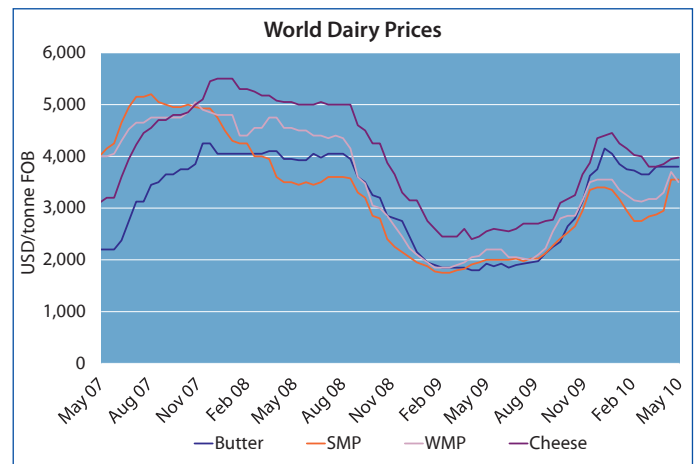
Source: USDA/Rabobank

Global

- Pricing in international dairy markets remained extremely firm in USD terms through early May. The weighted average price of products auctioned on the globalDairyTrade (gDT) platform fell just 1.5% in the four weeks to 4 May, while USDA price surveys provided further evidence of tight market conditions.
- Market pricing continued to receive support from a combination of improved buying and falling milk production, with prominent near term downside risks failing to materialise in recent weeks.
- General economic conditions continue to improve, with the IMF in mid April revising upwards its forecasts for global GDP growth to 4.2% (from 3.9% in January). However, the recovery remains very much a two speed affair: progressing tepidly in most of the OECD but solidly in developing countries.
- Economic fortunes seem to be reflected in dairy demand, with at best pedestrian growth reported in sales of most product lines in the US, EU and Japan, juxtaposed against strong buying from developing Asia, the Middle East and North Africa.
- Fears that Chinese imports might soften as 2010 progressed have so far proved unfounded, with March powder imports setting a new record of 41,000 tonnes, despite rising product costs and earlier government concerns over incoming product flows. Indian buyers have also been active in the market, as they seek to cover seasonal shortages for the second year running.
- Given the patchy nature of the recovery in global demand, price support is almost certainly coming from falling milk production, following a sustained period of low milk prices and adverse weather in some regions.
- The Southern Hemisphere milk production season is winding down faster than usual. In the Northern hemisphere, the EU season appears to have started poorly, and while US milk production edged above previous year levels in March, profitability declines in April temper expectations for the season.
- Market lags bring the prospect of continued near term market tightness in international dairy trade, despite the inevitable impacts of such high market pricing on demand and supply down the track.

Australia

- Early indications suggest that the gap between current and prior year milk production continues to narrow in Australia as farmers respond to the improved returns provided by rising milk prices,



Source: USDA/Rabobank

Production growth in key exporting regions

	Latest month	Last 3 months
EU 27	-1.3% (Feb)	-1.4%
US	0.6% (Mar)	-0.1%
Argentina	-11.0% (Mar)	-11.3%
Australia	-3.9% (Feb)	-8.0%
New Zealand	0.3% for 11 months to Apr 2010*	

*Rabobank estimate

- low feed costs and the best irrigation water availability in years.
- Firm export pricing and a stable Australian dollar during April continue to point towards the likelihood of a high opening milk price for the 2010/11 season – contributing to a rising sense of optimism on farm.

New Zealand

- Seasonal production continued to wind down during April, particularly quickly for those in many North Island regions impacted by dry conditions. However, milk flows also began to trail last year in the far south even prior to the flooding seen late in the month. Full season production is likely to only narrowly match that of the 2008/09 season at best, despite the increased cow numbers nationally.
- Despite lower production farmers have been buoyed by Fonterra lifting the expected 2009/10 milk payout by NZD40 cents/kgMS last month. The guidance provided that milk prices would likely remain at a similar level for 2010/11 was greeted with even more enthusiasm.

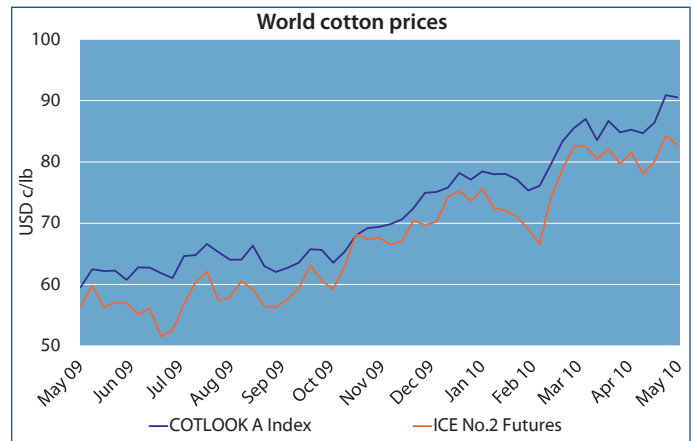
Cotton

World cotton prices

All shown as USD c/lb	Current (30/04/10)	Last month	Last year
Cotlook A Index	90.55	85.25	59.60
ICE No.2 NY Futures (nearby contract)	82.76	81.50	56.52

Source: Bloomberg/ICE/Rabobank

- The international cotton market garnered some upward momentum in April with ICE No.2 nearby cotton futures prices reaching a high in the second half of the month as traders were actively buying in a technically tight market.
- US raw cotton exports in the 2009/10 marketing year are likely to be down 10% from the previous year due to lower production, and with the early April announcement of export restrictions for raw cotton from India, there has been increased pressure on traders and mill buyers to source available supplies.
- However, with cotton planting underway in the major northern hemisphere producing regions for the 2010/11 cotton crop year in generally favourable seasonal conditions, along with renewed concerns about outside markets influences, such as the debt crisis in Europe, the international cotton price has likely reached a short-term high.
- Although nearby cotton futures prices started to retreat at the end of April, the bullish outlook for international cotton prices



Source: Bloomberg/ICE/Rabobank

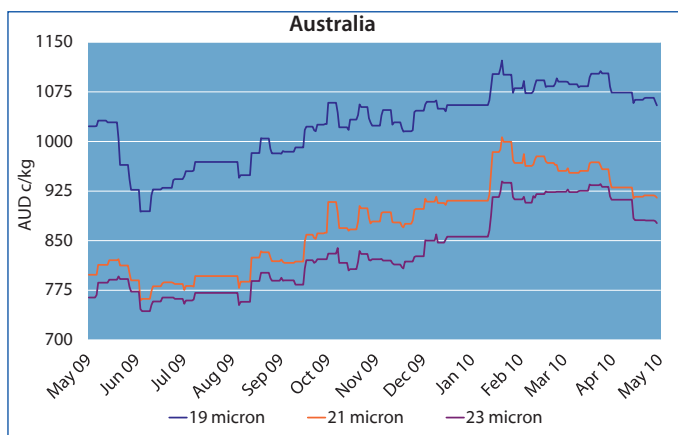
to stay close to the current elevated level remains. This outlook is supported by the tight world stock conditions (year-on-year) which are likely to continue throughout the 2010/11 international crop year.

Wool

Australian wool prices (eastern)

All shown as AUD c/kg clean	Current (29/04/10)	Last month	Last year
Fine (19 micron)	1055	1074	1018
Medium (21 micron)	915	931	805
Broad/coarse (23 micron)	877	912	763

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



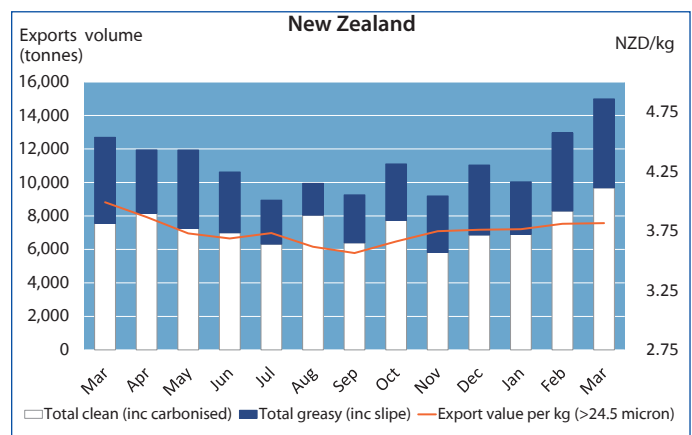
Source: Rabobank, Bloomberg/AWEX (average north and south prices)

- Australian wool prices slipped further to the downside in early April before finding some stability with increased buyer activity.
- Wool prices in international terms remain high by historical standards, leaving the wool vulnerable to adverse economic news.
- Despite the adverse news around the European debt crisis, the tight supply outlook for wool globally and the forecast for wool demand to increase year-on-year in 2010 will provide continued

New Zealand wool prices

Average FOB export value (NZD/kg)	Current (March 2010)	Last month	Last year
Fine – less than 24.5 micron	9.71	8.59	9.08
Broad/coarse 24.5+ micron	3.81	3.81	3.99

Source: Statistics New Zealand/Rabobank



Source: NZX Agrifax/Rabobank

- support to wool prices across most categories near current levels.
- With the final stages of the wool selling season for 2009/10 drawing closer, wool offerings at auctions will likely start falling from current weekly levels. However, this is expected to coincide with reasonably sound demand, leading to a tightening in the market and providing additional support to the domestic market over the next few months.

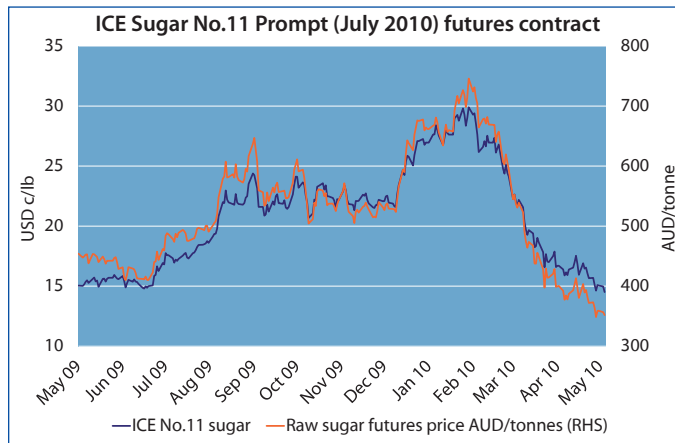
Sugar

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

	Current (04/05/10)	Last month	Last year
USD c/lb	14.51	16.40	15.02
Converted to AUD/tonne	351.95	392.40	447.48

Source: Bloomberg/ICE/Rabobank

- World sugar prices, as indicated by the ICE No. 11 nearby futures contract, continued to fall during April as market participants appear more comfortable with available supplies. That said, the ICE No. 11 forward futures curve is now showing the nearby futures price trading at a discount to 2011 and 2012 forward futures contracts; 2011 and 2012 forward contracts have been relatively steady while the nearby futures contract has been falling.
- The 2010/11 sugarcane harvest in Brazil has started strongly with dry weather and increased mill capacity leading to 19.3 million tonnes of cane crushed in the centre/south region during the first half of April. This harvest pace is over 50% faster than the same period in the 2009/10 season.
- With much of Brazil's 2010/11 projected sugar production already fixed by way of forward contracts (executed when prices were at higher levels), the physical cash market in Brazil has weakened considerably in recent months due to the collapse in world prices.
- India's sugar supply for the 2009/10 season continues to surprise the international sugar market to the upside with the latest industry figures showing sugar production in India by mid April at 17.6 million tonnes (white value), up from 14.1 million tonnes in the



Source: Bloomberg/ICE/Rabobank

same period in the 2008/09 season.

- For the Australian sugar sector the collapse in world sugar prices and the continued strength in the Australian dollar has meant that domestic prices are now back levels of a year ago. Nevertheless, domestic prices are still reasonably high by historical standards and are likely to remain that way for the remainder of 2010.

Venison

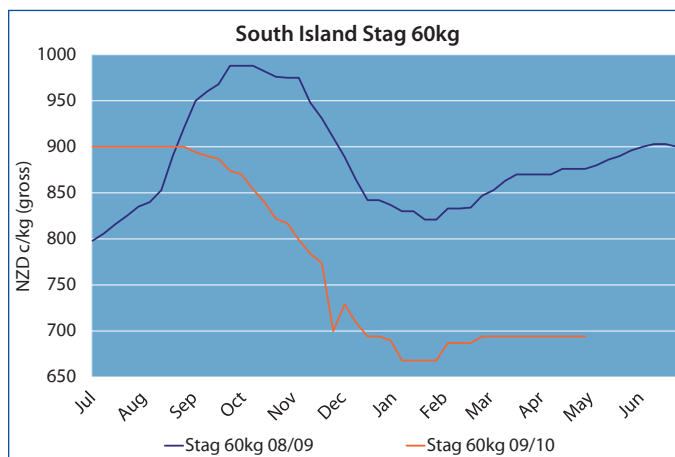
New Zealand venison prices

All shown as NZD c/kg gross	Current (03/05/10)	Last month	Last year
North Island Stag 60kg	665	645	840
South Island Stag 60kg	694	694	876

Source: NZX Agrifax/Rabobank

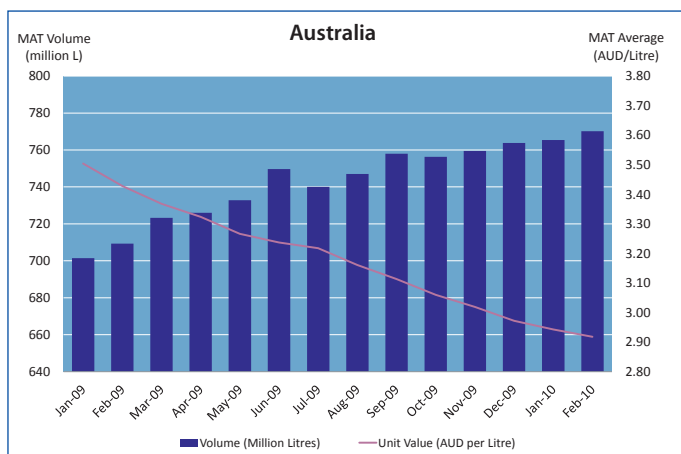
New Zealand

- Venison prices held flat during April, with little sign of the seasonal increase that is usually becoming evident by this time. The weaker Euro is playing a key role with the New Zealand dollar 18% stronger than during April 2009.
- The currency impact is further evident with March export value falling 21% while volumes were only 6% lower (at 1,700 tonnes) than the previous March and offshore prices have largely held firm.
- Over Q1 2010 export volume has fallen by 45% compared to 2009 which reflects the reduced herd and lower availability with further tightening in supply expected during the course of 2010 as slaughter rates fall. This situation will be exacerbated if herd rebuilding gathers momentum over the coming season. FOB export value across all products has averaged around NZD12/kg, a level last seen two years ago.

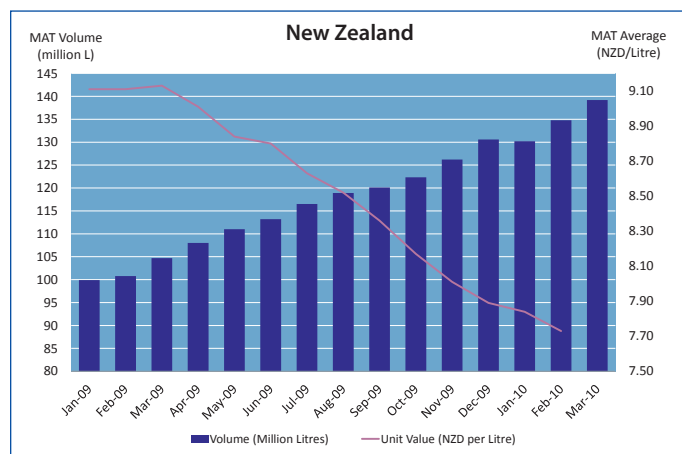


Source: NZX Agrifax/Rabobank

Wine



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



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 February 2010 increased 8.5% to 770.2 million litres (ML), while the monthly average unit value declined 4.4% to AUD2.60 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.
- Domestic wine prices across Australia as reported by the ABS increased 0.3% in Q1 2010. On an annualised basis, wine prices declined in real terms registering an increase of 1.0% in the 12 months to March 2010 relative to the headline CPI rate of 2.9%. This now means that domestic wine prices have not increased in real terms over any 12 month period since September 2004.
- On 2 May 2010 the Federal Government announced its proposed changes in response to the wide-reaching Henry Review of the Australian taxation system. The Review made recommendations to introduce a volumetric tax and standardise alcohol excise taxes across the various beverage categories, a system that would dramatically increase the average price of basic and popular premium wines. Given the difficult trading conditions currently being experienced in the Australian wine industry, the government elected not to introduce any reforms in the upcoming May Federal Budget. This does not, however, preclude any such changes being implemented in coming years.
- Expectations remain for the 2010 wine grape harvest to fall at least 10% below the 1.72 million tonne crop reported in 2009. Unseasonably hot weather, irrigation rationing and wineries encouraging growers to reduce contracted production are believed to have contributed to lower yields.

New Zealand

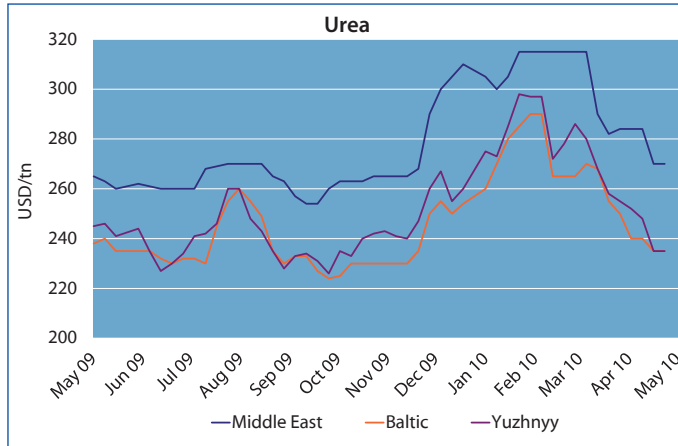
- March 2010 New Zealand wine export sales increased 38.9% on the prior corresponding period to a new record monthly shipment volume of 15.7 million litres. The strong monthly result grew shipments in the 12 months to March 2010 by 3.3% on the prior 12 month period to 139.2 ML, however detracting from the result was the record high proportion of bulk wine shipments that reached 36.9% of total monthly shipments.
- The increase in bulk wine shipments in March continues to point towards the need for wineries to clear inventory in order to facilitate the 2010 harvest, with limited investment in winery capacity having occurred over the past 12 months. Proportional exports of 2009 vintage Sauvignon Blanc appear to be running ahead of the 2008 vintage at a similar stage, albeit at a significantly discounted price. 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 average value of exports in February 2010 fell to NZD7.73 per litre (FOB) reflecting the growth in bulk wine shipments and challenging global trading conditions characterised by soft consumer discretionary spending and an elevated New Zealand dollar. While export volume growth was strong over the period, the moving annual total value of exports remained constant in February for the third consecutive month at NZD1.02 billion.
- The 2010 wine grape harvest is at a close and industry estimates remain for production to fall around 5% short of the 285,000 tonne intake recorded in the preceding two years. This is welcome news in an industry dealing with elevated inventory levels, and quality is believed to be good across the major varieties and regions which bodes well for marketing efforts. While uncontracted fruit sold at unsustainably low prices, the smaller harvest is already believed to be placing some upward pressure on bulk wine prices for Marlborough Sauvignon Blanc wine.

Fertiliser

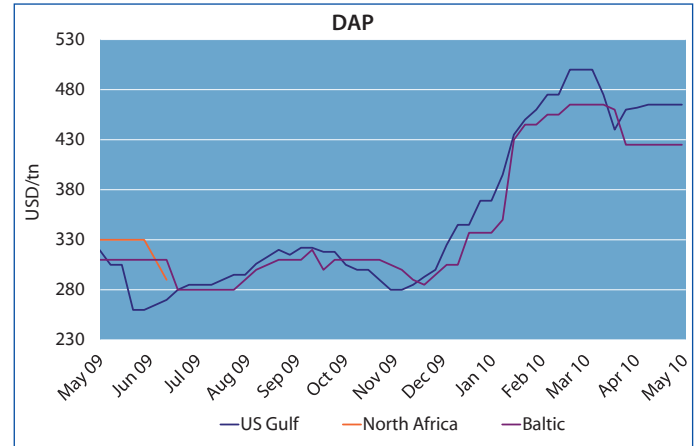
Fertiliser prices

All shown as USD/tonne	Current (29/04/10)	Last month	Last year
Urea (Middle East)	270	282	265
DAP (US Gulf)	465	460	320

Source: Bloomberg/ICIS/Rabobank



Source: Bloomberg/ICIS/Rabobank



Source: Bloomberg/ICIS/Rabobank

- International urea prices have fallen considerably during March and April with buyer activity and competition relatively low. However, in late April renewed interest from large importers, such as Latin America, provided some stability to urea prices.
- International DAP prices have remained relatively stable throughout April with lower priced Chinese exports keeping other regional export prices, such as the US Gulf, from bouncing back to February levels.
- For Australia and New Zealand, further price relief is expected as new product is ordered in the short-term. The lower world prices

in the short-term and strong currencies are assisting imports when significant volumes are being ordered.

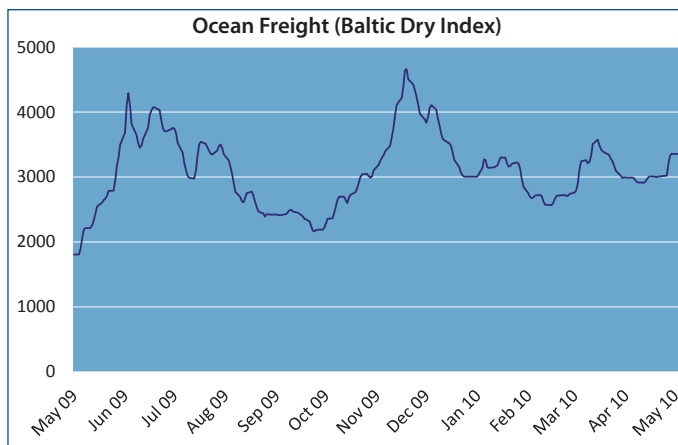
- Depending on seasonal conditions in Australia and New Zealand during the next few months, it is expected that a turning point in overall fertiliser demand in Australia and New Zealand will be reached in 2010. Early projections indicate an increase in year-on-year demand for fertiliser in most regions. Although an increase is projected, overall demand in Australia and New Zealand is still likely to be below historical averages.

Other costs

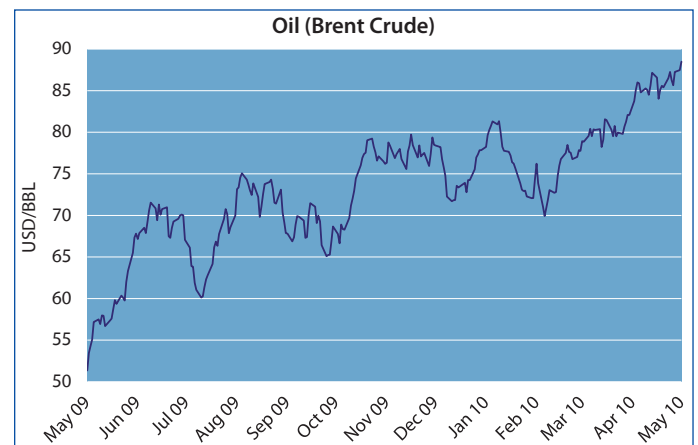
Ocean freight index and oil prices

	Current (04/05/10)	Last month	Last year
Baltic Dry Index* (ocean freight)	3552	2991	1806
Brent Crude Oil (USD/bbl)	88.49	83.75	51.35

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.

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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