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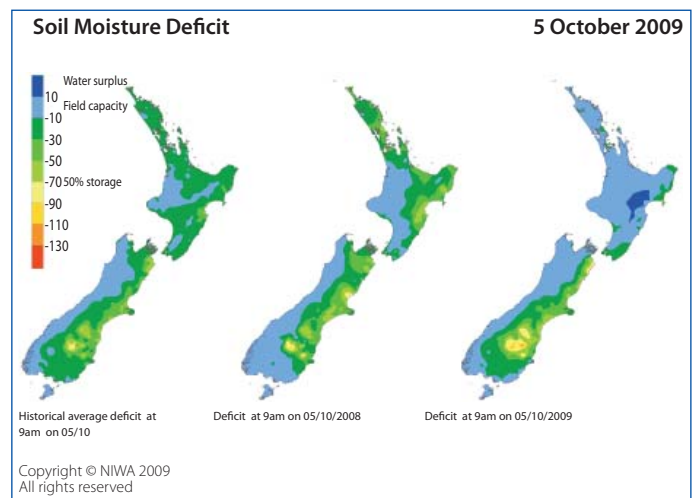
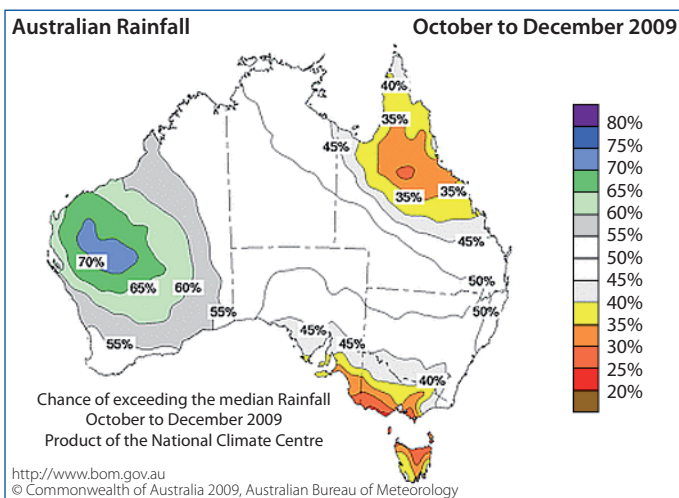
# Australia & New Zealand Agribusiness Review

October 2009

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

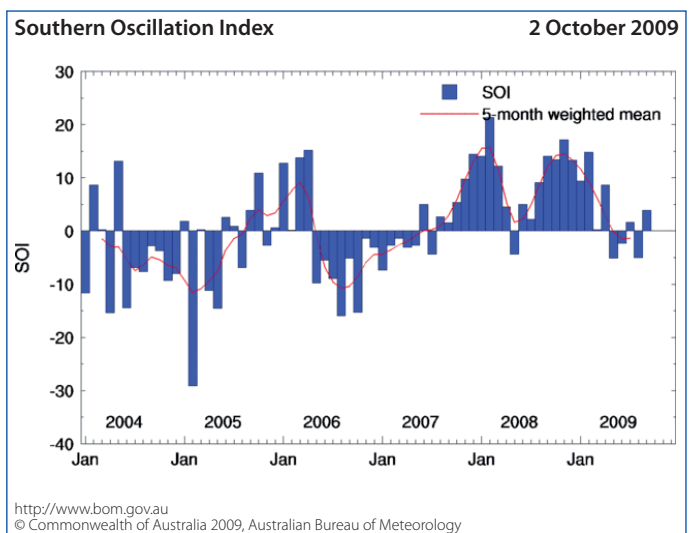


### Australia

- Warmer-than-normal conditions were experienced in most regions of Australia in September, with the maximum temperatures being one to two degrees above the long-term average.
- Although rainfall over much of Australia was close to average in September, there were parts of southern New South Wales, Queensland and north Western Australia that received considerably lower rainfall than average.
- The dry conditions in New South Wales and southern Queensland were to blame for the abnormal dust storms experienced on the east coast of Australia during September.
- The national outlook for rainfall during late spring/early summer (October to December) shows moderate-to-strong shifts in the odds favouring a drier-than-normal finish to the year across much of eastern Australia. Conversely, the outlook suggests an increased likelihood of a wetter-than-normal final quarter in western and central Western Australia.
- The Bureau of Meteorology temperature outlook for Australia in the last quarter of 2009 indicates that most of the country will receive temperatures well above the long-term average.

### New Zealand

- The New Zealand spring got off to a sunny start in September with average temperatures and relatively dry conditions for most of



the South Island and wet in the North Island, especially Northland, Bay of Plenty, Hawkes Bay and Taranaki. Soil moisture levels are at capacity and near normal for most of the country, except inland Otago where it is drier than normal.

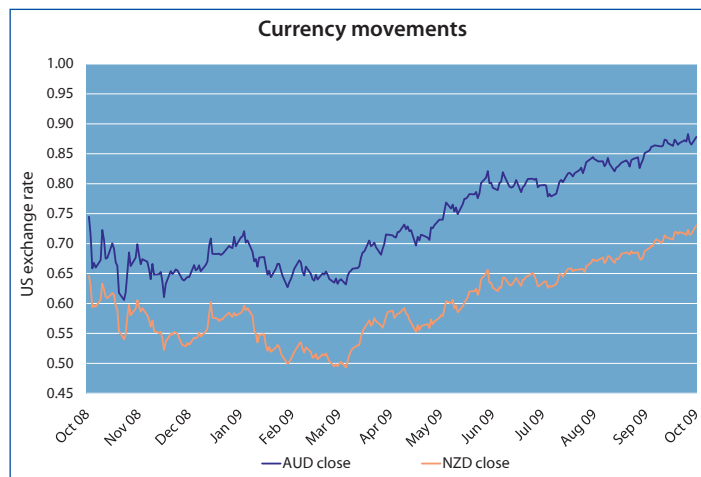
- NIWA's outlook to December is for weak El Niño conditions, which are not expected to have a significant impact. Average temperatures, rainfall and soil moisture levels are likely for most of New Zealand.

## Currency/economy

Currency USD = close (bid)

	Current (05/10/09)	Last month	Last year
AUD	0.8779	0.8507	0.7447
NZD	0.7305	0.6874	0.6462

Source: Bloomberg/Rabobank



Source: Bloomberg/Rabobank

### Global

- The global growth momentum appears to have been broken in September with incoming economic data from the US and euro area weaker than expected.
- The US ISM Manufacturing Survey edged lower in September, after three months of positive gains. A move towards US labour market stability also took a step back, with US data showing job losses, a fall in working hours, and a rise in unemployment muted by a fall in the participation rate. In Europe, September PMI reports for the euro area and the UK were disappointing, as were German retail sales.
- In Japan, industrial activity and business surveys suggest that the recovery will continue in the second half of this year. However, concern about persistent deflation intensified in August – particularly with a strengthening Yen – giving rise to a potential deferral of consumption in coming months.
- In China, the pace of industrial activity has cooled from the early-year boom, however, manufacturing PMIs have stayed well above the 50 point threshold, indicating the solid momentum has continued at an above-trend pace for the September quarter.

### Australia

- The Australian economy continues to surprise on the upside, with stronger-than-expected retail sales underpinned by strong discretionary spending.
- On the downside, the trade deficit was larger-than-expected in August, due to an unexpected fall in exports. Both rural and non-rural exports were weaker, serving as a reminder that the backdrop of a recovery in global growth is still fragile.
- Despite official forecasts from the Treasury and the RBA that the jobless rate could eventually reach as high as 8.5%, the unemployment rate for September unexpectedly fell 0.1

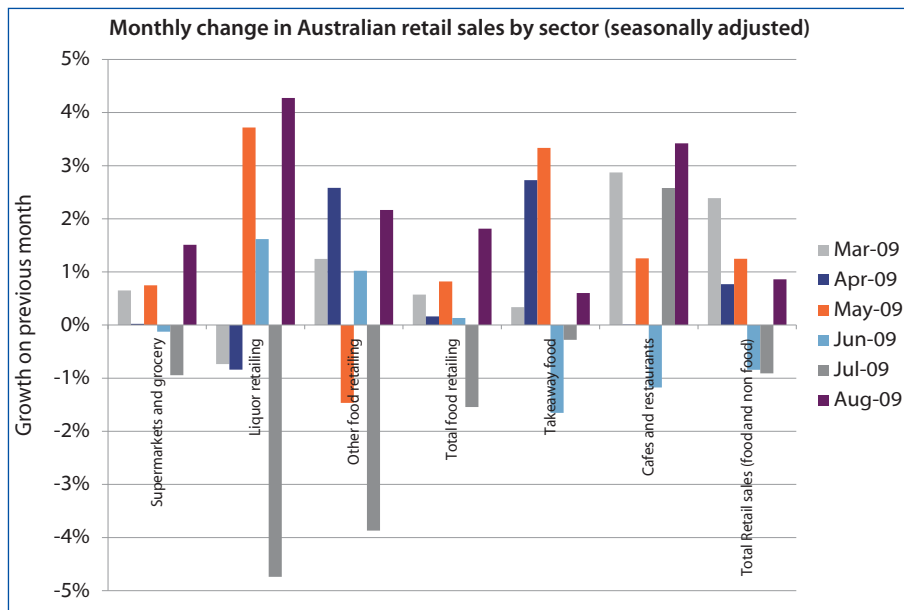
percentage points, from 5.8% to 5.7% - the result of an increase in full-time employment, as well as a rise in the participation rate.

- The Reserve Bank of Australia (RBA) increased the official cash rate by 25 basis points in October. The RBA states that economic conditions in Australia have been stronger than expected and measures of confidence have recovered. Therefore, the basis for such a low interest rate setting has now passed.
- The AUD has come a long way this year, now trading at around USD0.88, and is expected to remain robust, tied to Chinese growth. However, the softer tone in commodity prices should cap any sharp upward movements from here over the next month or so.

### New Zealand

- With the recession over, at least technically, business more upbeat, and the rise in confidence positive for employment, the economy should continue to expand in coming quarters.
- The New Zealand economy expanded in the June quarter for the first time since the end of 2007, marking the end of a prolonged recession.
- Positive signals for the New Zealand economy continue with the National Bank of New Zealand Business Confidence Survey jumping 14.9 points in September to settle at 49.1, its highest reading since 1999. Most recently the release of the NZIER Quarterly Survey of Business Opinion also showed a marked improvement in Q309 sentiment, with the headline reading surging to 36 from the previous -25. While this reinforces firms' expectations that the economy will improve, growing confidence now must translate into new investment and increased hiring.
- The NZD has reasserted itself on the back of the better-than-expected economic data. In general, the NZD is benefiting from a broader rally in risk assets, which should moderate through the remainder of the year.

## Food retail



### Australia

- Australian food sales have rebounded. After falling, against trend, in July, retail food expenditure rose 1.8% in August in seasonally adjusted terms – re-establishing the modest growth trend evident since March.
- While food sales were up across all major channels, growth was led by a strong improvement in sales via café and restaurants – up over 2% for the second month running – bringing hope that consumers are returning to eating out as the worst of the economic downturn passes. Sales growth in the café and restaurant channel has outperformed that of takeaway food in each of the last three months.
- Sales also expanded strongly in the supermarket and grocery channel.
- The improvement in the food retail sector will be welcomed by Foodworks, as it starts the process of converting the 45 former Coles and Bi-Lo stores it acquired from Wesfarmers. The first of these was converted and formally rebadged in late September in Keysborough, Melbourne. Foodworks plans to convert one store a week, targeting completion of the process by Easter 2010.
- Meanwhile, as part of continued efforts to implement pro-competition structural reform across the Australian food retail sector, in September Woolworths announced it had agreed with the Australian Competition and Consumer Commission (ACCC) to make a number of modifications to its supermarket leases, removing clauses identified as restrictive provisions.

### New Zealand

- The New Zealand food sector continues to provide the most consistent retail sales increases over the past 12 months. While there was little change in supermarket and grocery store sales for the month of July (down 0.3%), over the past 12 months retail sales have increased 7-10% in the supermarket, grocery stores, takeaway foods and fresh product categories. Café and restaurant sales are broadly static, compared to 12 months ago.
- Food prices eased 0.9% from July to August 2009, lowering the annual increase to 4.6% - the first time annual food price increases have dropped below 5% since January 2008.
- Fruit and vegetables led the decreases, with chicken also showing one of the biggest downward movements for August. The meat, poultry and fish category has shown some of the strongest increases, lifting 9% over the past 12 months. Meanwhile, dairy prices (which peaked earlier) decreased 3% in the year to August, with cheese down 13.5% compared to August 2008.
- Progressive Enterprises announced its widely anticipated move to one New Zealand store brand during September. The company currently operates Woolworths, Foodtown and Countdown stores throughout the country and will move to rebranding all its stores to Countdown as part of its NZD one billion planned store investment program over the next five years. The Woolworths and Foodtown brands, which have been part of the New Zealand grocery market for more than 50 years, will disappear.

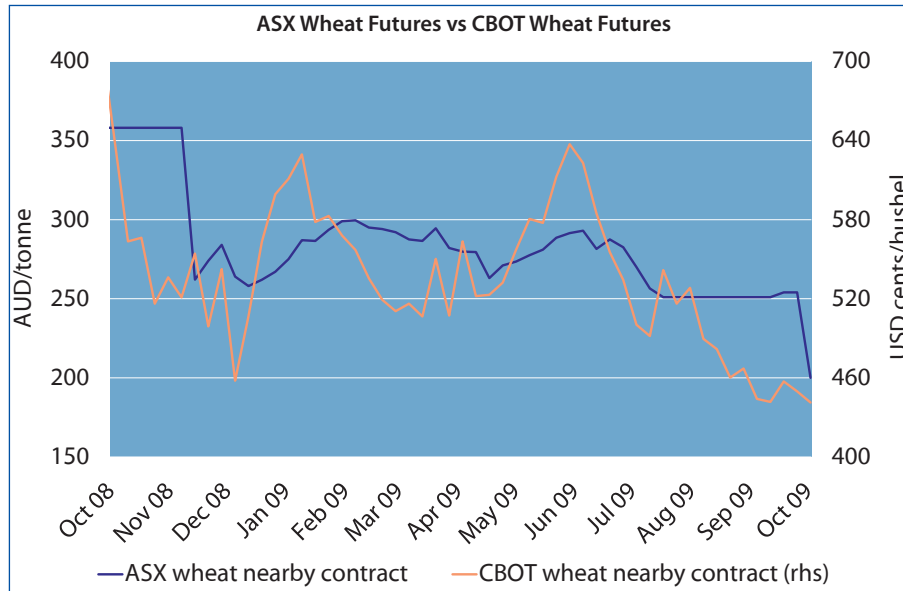
## Grains and oilseeds

ASX wheat prices			
	Current (02/10/09)	Last month	Last year
AUD/tonne	200	251	358

Source: Bloomberg/ASX/Rabobank

Chicago Board of Trade Wheat Futures (nearby contract)			
	Current (02/10/09)	Last month	Last year
USD c/bushel	441.25	444.00	640.25

Source: Bloomberg/CBOT/Rabobank



Source: Bloomberg/CBOT/ASX/Rabobank

### Global

- The bearish fundamentals for the wheat market remain as ample supplies globally weigh on the short-term wheat price outlook.
- Although international wheat prices are down by over 30% since their mid-year highs, current prices are still above the 10 year average, finding support around USD4.40/bushel.
- The global wheat market is now focusing more on demand developments and with good crops in historically large importing regions like Iran and North Africa, wheat exports have been slow.
- The Black Sea region wheat and barley suppliers have been very focussed on export opportunities. It is expected, however, that Black Sea exporters have marketed a reasonable percentage of their grain and greater export opportunities for others will start to emerge in the short-term.
- The latest information from the United States Department of Agriculture (USDA) reflects supportive fundamentals for corn due to lower-than-expected corn inventories. The higher domestic use of US corn for ethanol and more stable feed demand were the reasons behind the lower inventories. Ethanol margins are now at more promising levels and the improved biofuel demand will help limit downside price potential for international corn markets.
- World soybean stocks were revised higher in the latest USDA report, although are still at historically low levels. Although this news prevented any price rally, the tight supplies are expected to underpin soybean prices until the end of the first quarter in 2010. Beyond March 2010 it is expected that significant increases in South American production will place downward pressure on soybean prices.

### Australia

- The ACCC announced the approval of grain port access arrangements for CBH, Graincorp and Ausbulk (ABB Grain) on 29 September. The grain port access arrangements have been approved for an initial period of two years.
- The Wheat Export Authority has registered 23 wheat exporters for the 2009/10 season; this is the same number of wheat exporters as the 2008/09 season.
- With harvest fast approaching Australia's crop production levels are still uncertain. Good weather in the southern regions is counterbalancing the dry and hot weather in the northern regions.
- Domestically grain prices have fallen and it is expected that sales decisions from producers for the upcoming grains harvest will be delayed, more so than in recent years. Growers will wait until they are more certain of the size of their production and price outlook. The stronger Australian dollar is not providing any joy to growers in relation to grain export prices and Australia's relative price competitiveness to other exporters.

# Beef

## Australian beef prices

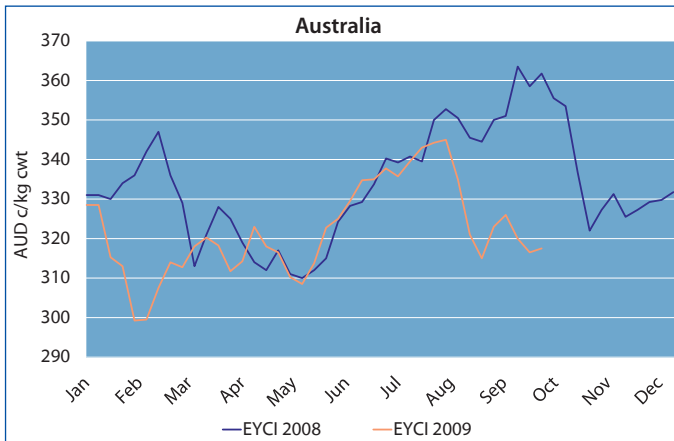
All shown as AUD c/kg cwt	Current (02/10/09)	Last month	Last year
Eastern Young Cattle Indicator (EYCI)	317	323	362

Source: NLRS/Rabobank

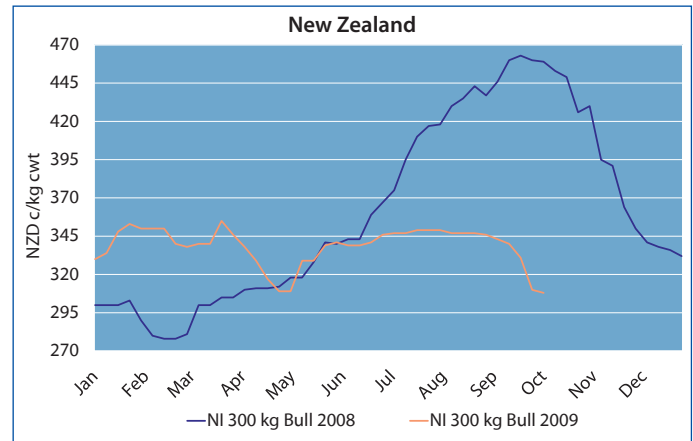
## New Zealand beef prices

All shown as NZD c/kg cwt	Current (05/10/09)	Last month	Last year
North Island Bull 300kg	308	343	459
South Island Bull 300kg	284	315	413

Source: NZX Agrifax/Rabobank



Source: NLRS/Rabobank



Source: NZX Agrifax/Rabobank

## Global

- After lifting slightly during September, by early October US imported manufacturing beef markets eased back to the price levels of four weeks ago. US domestic manufacturing beef prices fell around 3% during the same period, which combined with lacklustre demand has placed downward pressure on imported beef prices. Volumes traded from Australia and New Zealand remain low as stronger currencies (weaker US dollar) are not conducive to attractive export returns.
- On 1 October the CWT dairy cow buyout programme in the US announced a further purchasing round with bids requested by mid-October. The programme has removed 175,000 cows from the dairy herd during 2009 and early estimates indicate that up to 80,000 additional head may be purchased in this round. These cows would be processed by mid-December. While the timing will coincide with the processing of beef cows over autumn, it is likely to at least partially offset the expected reduction in beef cattle slaughter and is not expected to significantly impact markets.

## Australia

- Australian young cattle prices had managed to hold relatively steady with 2008 levels for much of this year, however since August prices have steadily declined. The Eastern Young Cattle Indicator fell to AUD3.17/kg cw at the beginning of October, a decline of 12% on the same time in 2008. There are a number of factors behind the drop in prices, including subdued demand in key export markets, a strong Australian dollar and expectations of warmer-than-average weather conditions in upcoming months across Australia.

- Beef exports for September have fallen by 9% compared to the same month last year, to 75,777 tonnes. Subdued demand in export markets, combined with relatively restricted cattle supply, has resulted in processors cutting back on shifts; this has reduced production and overall exports. Sales to Korea actually increased in September due to a combination of weakness in other markets and the approach of the Thanksgiving festival in Korea, with suppliers stocking up for the high beef consumption period.

## New Zealand

- Farm gate bull beef prices eased around 10% (over NZD0.30/kg) over the past month as subdued offshore markets and the higher New Zealand dollar were reflected. Prices are currently more than 30% (NZD1.30/kg) lower than the same period last year and are the lowest spring beef prices in more than five years.
- The processing season has now finished with 5% higher cattle throughput than the previous year due almost entirely to the higher cow kill (around 30% higher). The number of cull dairy cows increased as herd expansion slowed and low milk prices forced tougher production decisions, while dry conditions on the East Coast saw the beef cow kill also rise.
- August beef export volumes fell 30% in comparison to August 2008 as the early cull cow kill was reflected at the end of the season. Export value fell even further, by 33% or NZD47 million, as the higher New Zealand dollar wasn't offset by the record US manufacturing beef prices that were evident during this period in 2008.
- Exports to North America and Japan saw the greatest falls with volumes more than 40% lower, while Korean and Indonesian exports only fell modestly.

# Lamb

## Australian lamb prices

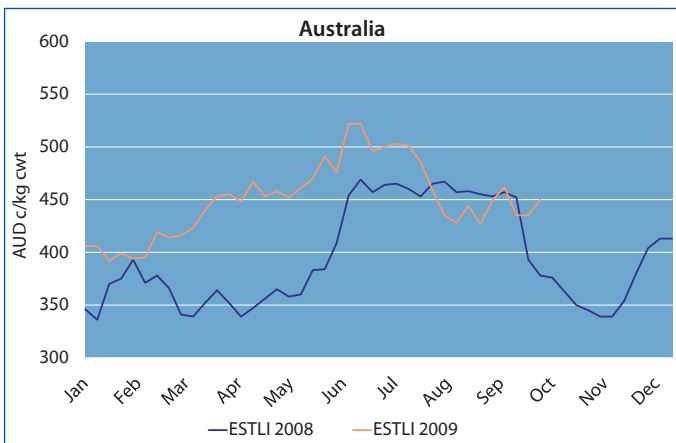
All shown as AUD c/kg cwt	Current (02/10/09)	Last month	Last year
Eastern States Trade Lamb Indicator	450	449	378

Source: NLRS/Rabobank

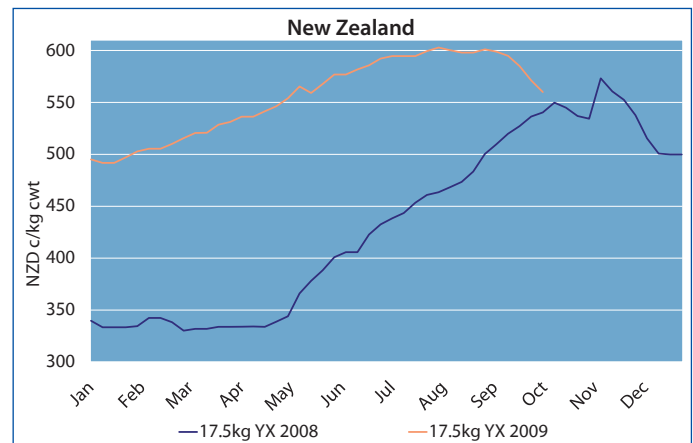
## New Zealand lamb prices

All shown as NZD c/kg cwt	Current (05/10/09)	Last month	Last year
North Island 17.5kg YX	565	588	524
South Island 17.5kg YX	560	601	540

Source: NZX Agrifax/Rabobank



Source: NLRS/Rabobank



Source: NZX Agrifax/Rabobank

## Australia

- In contrast to cattle prices, Australian trade lamb prices have experienced some improvement over recent weeks, starting October at AUD4.50/kg cw, a rise of 20% compared to the same time in 2008. One of the reasons for the rise in prices has been the improvement in seasonal conditions in southern Australia, which has seen a tightening of lamb supply to the market.
- While trade lamb prices have recovered, prices for heavier lambs for export markets have continued to ease in recent weeks, pressured by the appreciation of the Australian dollar. Despite the decline, heavy lamb prices remain 13% above the same time last year.
- Demand from the Middle East and China/Hong Kong has supported an increase in sheep offal prices in 2009. Prices for tripes increased by nearly 20% to AUD3.35/kg, with hearts, kidneys and livers also rising.

## New Zealand

- Farm gate lamb prices have started moving down towards last season's prices over the past month. Prices eased 4% (NZD0.22/kg) in the North Island and 7% (NZD0.40/kg) in the South Island during September. Prices are still 4-8% higher than the same period last year as the new season gets underway, however, the seasonal decline in prices would normally begin closer to Christmas. The difference this year is the strengthening New Zealand dollar and relatively static market pricing.
- Sheepmeat exports for the month of August were 45% lower than in August 2008, while total value fell by 30% as the higher New Zealand dollar eroded better market prices.
- Lower export volumes reflect the closing of the 2008/09 lamb processing season. Heavier carcass weights, especially towards the end of the season, were unable to disguise the more than four million head reduction in lambs processed for the year.
- Adult sheep slaughter fell by 35% (2.2 million head) for the season, which has also impacted on export volumes at the tail of the season.

# Dairy

## World dairy prices

	USD/tonne			AUD/tonne			NZD/tonne		
	01/10/09	last month	last year	01/10/09	last month	last year	01/10/09	last month	last year
Butter	2,650	2,250	3,200	3,015	2,707	4,571	3,686	3,328	5,063
SMP	2,525	2,275	2,800	2,873	2,737	4,000	3,512	3,365	4,430
WMP	2,850	2,550	3,000	3,243	3,068	4,286	3,965	3,772	4,746
Cheese	3,175	2,775	4,250	3,612	3,339	6,071	4,417	4,105	6,724

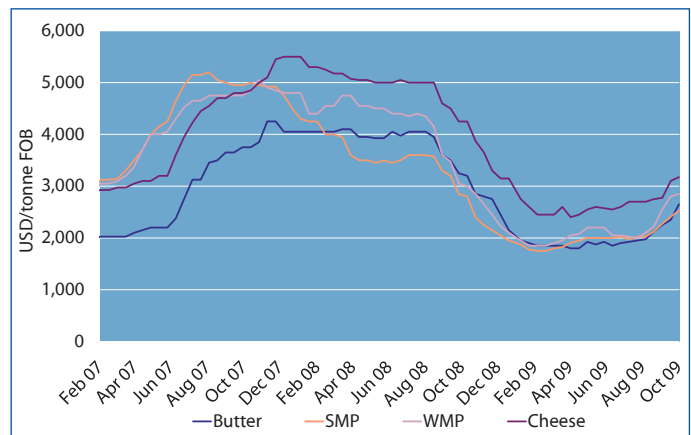
Source: NZX Agrifax/Rabobank

## Global

- Recent upward momentum in global dairy prices was sustained through September. USDA surveys suggested the price of all major commodities rose at double digit rates (four weeks to 1 October), with key commodity prices now up 20% to 40% in two months. The October global DairyTrade auction also showed prices firming, up 5.7% in the months to October 7, the third consecutive monthly increase.
- Most evidence points towards an improvement in dairy consumption, with economies returning to growth, food service demand picking up and retail prices of dairy falling. Anecdotal evidence suggests wholesale buyers are also rebuilding inventories, further boosting purchasing activity. Chinese import buying, in particular, remains vigorous.
- As buyers return to the international market to fill rising orders, they are finding that milk supply is now in decline. The most recent available data shows milk production either stagnant or falling below previous year levels in every major export region of the world bar New Zealand (where growth is modest), as farmers respond to milk prices that, in most cases, remain below production costs.
- With demand rising and supply falling, intervention stockpiles in the northern hemisphere are now stabilising and price tension is returning to the global market, with the words 'product scarcity' even creeping into market commentary in some quarters.
- However, EU warehouses are almost bursting with intervention stocks of SMP in particular, with significant government and commercial stocks also accumulated in the US.
- The timing and rate of release of government stocks will play a significant role in determining supply in international markets in coming months, with significant potential to limit further upside in pricing when it occurs. Recent reports suggest that the EU commission may not release these back into the market till after the next Northern Hemisphere peak (May 2010). If this is indeed the case, the market will most likely remain tight in coming months, with ongoing contractions in milk supply in many key regions impeding the ability of exporters to match even modest increases in product demand.

## Australia

- Strong gains in export pricing for dairy commodities in US dollar terms were more than enough to offset a strengthening AUD during September, with prices up 5%-11% in local currency terms.
- Improved pricing and strong sales volumes enabled Fonterra



Source: USDA/Rabobank

## Production growth in key exporting regions

	Latest month	Last 3 months
EU 27	0.0% (Jul)	1.1%
US	-0.3% (Aug)	-0.1%
Argentina	-4.1% (Jul)	0.3%
Australia	-1.5% (Aug)	-2.0%
NZ	2% for four months to September 2009*	

\*Rabobank estimate

to announce its first step-up for the season in late September, following Murray Goulburn's step-up a month earlier.

- Against predictions of a looming El Niño-led drought, spring rainfall has been the best in years in some regions (and is even problematic in some regions); sufficient to see a significant jump in water allocations in irrigation districts in northern Victoria. Grain prices also continue to drift down, with the coming crop being offered at prices some 50% below year ago levels.
- Nonetheless, with improvements coming from a low base, farmers in some regions remain under considerable financial pressure, and with stocking decisions already largely made, milk production will likely continue to fall below previous year levels in coming months.

## New Zealand

- While the higher New Zealand dollar took the shine off dairy export prices when expressed in local currency terms, gains of 4% -11% were evident over the past month.
- The increase in market pricing has been sufficiently robust for Fonterra to announce an upward revision of its payout for the season to NZD5.10/kgMS. While the value-added return moved lower the milk price component provided the impetus for the welcome 12% boost.

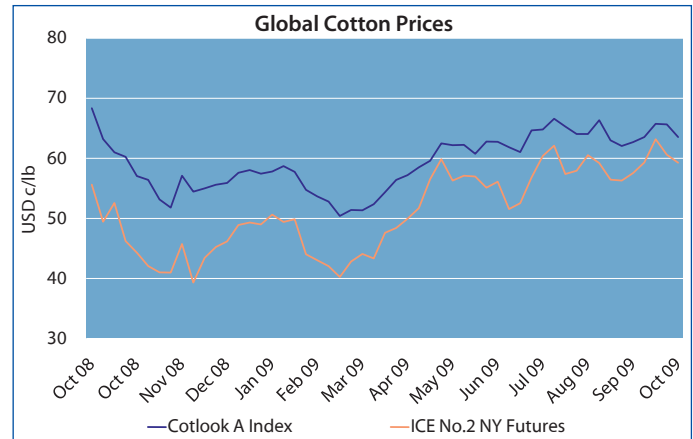
## Cotton

World cotton prices			
All shown as USD c/lb	Current (02/10/09)	Last month	Last year
Cotlook A Index	63.55	62.70	68.35
ICE No.2 NY Futures (nearby contract)	59.26	57.53	55.61

Source: Bloomberg/ICE/Rabobank

### Global

- ICE No. 2 nearby cotton futures prices worked their way up to reach 12 month highs before retreating to around the three-month average by the end of September.
- The rally in international cotton prices was pulled back by weaker equity markets, a strengthening US dollar and slow export sales.
- It is expected that support for cotton prices will be found above USD0.55/lb, underpinned at this level by trade buying and mill purchases in view of the current outlook for world supply and demand that is seasonably balanced.
- The weather in the US in coming months will also be a major price driver leading into the northern hemisphere harvest period. If growing conditions are not favourable, the later planted cotton that is battling cool conditions and may suffer yield penalties.
- In the medium-term, questions still surround the cotton



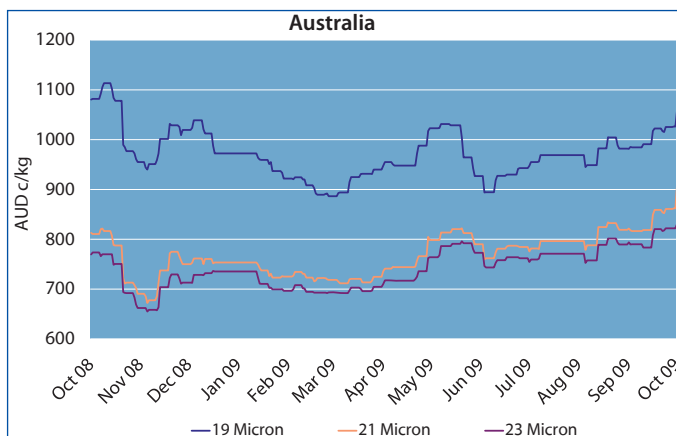
Source: Bloomberg/ICE/Rabobank

demand outlook and how demand will respond as the global economy improves. At this stage it is expected that low retail inventories will lead to a higher cotton price outlook.

## Wool

Australian wool prices (eastern)			
All shown as AUD c/kg clean	Current (01/10/09)	Last month	Last year
Fine (19 micron)	1059	1026	1081
Medium (21 micron)	909	861	813
Broad/coarse (23 micron)	831	822	770

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



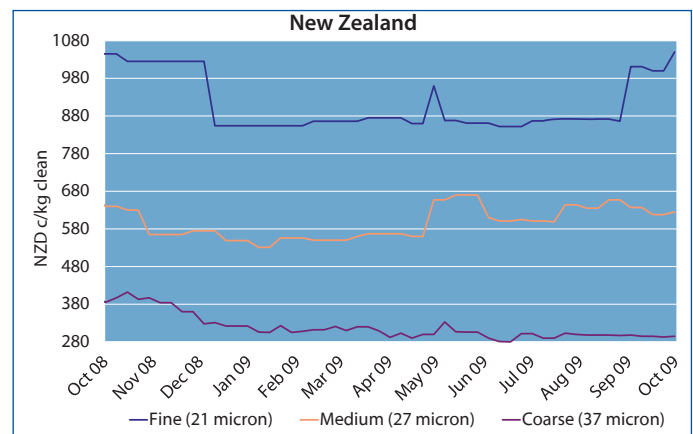
Source: Rabobank, Bloomberg/AWEX (average north and south prices)

### Australia

- Wool prices have increased by more than 10% since the start of the wool selling season in July, with increased buyer activity encouraging higher prices.
- Although the finer wool prices are yet to reach October 2008 levels, the stronger performance from the medium to broader wool prices pushed the Eastern Market Indicator to year high levels

New Zealand wool prices			
All shown as NZD c/kg clean	Current (05/10/09)	Last month	Last year
Fine (21 micron)	1050	1000	1045
Medium (27 micron)	625	618	640
Broad/coarse (37 micron)	295	293	385

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



Source: NZX Agrifax/Rabobank

of AUD8.76/kg (clean) at the beginning of the month.

- Higher wool price movements will be limited as retail demand is still recovering from very low levels.
- If wool prices fall, it is likely that the lower fibre production globally and the low retail inventories will prevent wool prices from falling to mid-year lows.

## Sugar

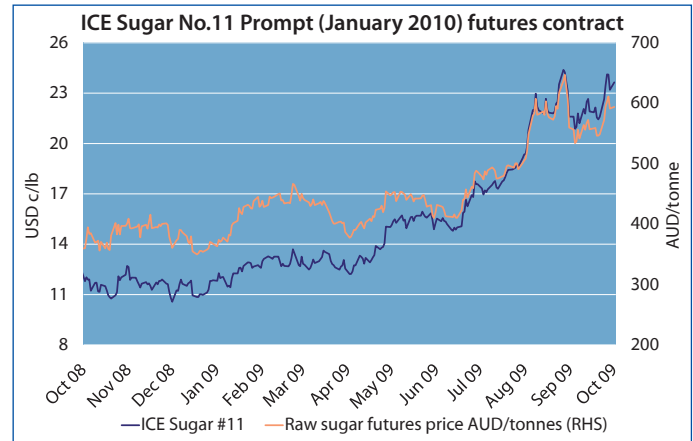
### ICE Sugar No.11 Prompt (raw sugar futures price January 2010)

	Current (05/10/09)	Last month	Last year
USD c/lb	23.65	21.60	11.79
Converted to AUD/tonne	594	560	360

Source: Bloomberg/ICE/Rabobank

### Global

- ICE No.11 nearby sugar futures prices continue to be pushed along at historically high levels by the tight global supply outlook.
- India remains the centre of attention with the major rainfall deficit between June and mid-September having impacted domestic production. Although some late monsoonal rains may have helped lift production slightly, these rains could also impact cane harvesting, especially in the flooded regions of southern India.
- The re-occurrence of adverse wet weather in Brazil and its impact on milling throughput has meant that the total cane crop in 2009/10, as stated by the Sugarcane Growers Union Unica, will be revised 4% lower to around 530 million tonnes of cane; this is still above the 2008/09 level of 505 million tonnes.
- Thailand's sugar production in 2009/10 is being impacted by dry conditions. The Office of the Cane and Sugar Board is expecting sugar production of around 7.6 million tonnes in 2009/10, up slightly from the previous year.
- Australia's sugar harvest will finish earlier this year compared to recent years with the dry conditions in the second half of



Source: Bloomberg/ICE/Rabobank

the growing season allowing harvest to continue with minimal interruption. The current forecast suggests that 4.6 million tonnes of raw sugar will be produced in the 2009/10 season, down slightly from the previous year due to dry winter and spring conditions, some flood damage earlier in the year, and a smaller harvested area.

## Venison

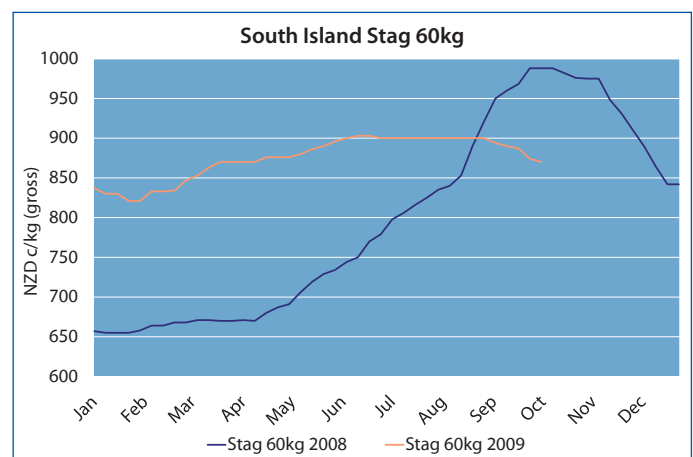
### New Zealand venison prices

All shown as NZD c/kg gross	Current (05/10/09)	Last month	Last year
North Island Stag 60kg	848	855	923
South Island Stag 60kg	870	894	988

Source: NZX Agrifax/Rabobank

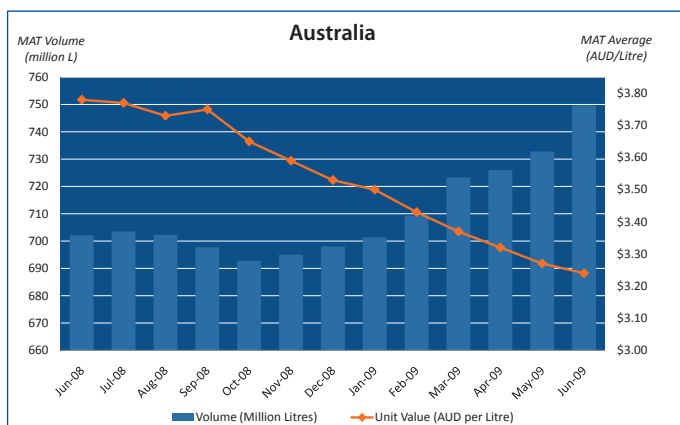
### New Zealand

- Venison prices have continued easing during September, with the higher New Zealand dollar and static market pricing removing the usual chilled season increases. Farm gate prices eased 1-3% during the month to now sit 8-12% (or NZD0.75-1.20/kg) below the same period in 2008.
- Venison export volume and value continued to fall in unison during the month of August. Volume fell 22% and value by 23% in comparison to August 2008, despite entering the period where export pricing typically starts to lift due to the higher proportion of chilled product.
- Proportionally more product was sent chilled during August at 33% of total monthly export volume, compared to 29% in August 2008. Chilled product is also driving export returns at 47% of export value during August versus 45% last year.



Source: NZX Agrifax /Rabobank

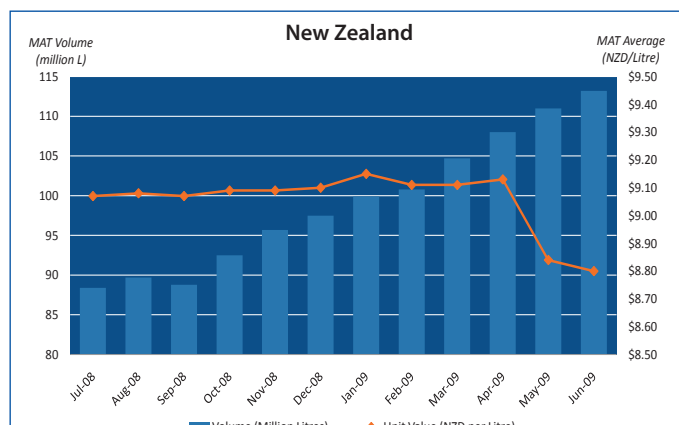
## Wine



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

### Australia

- Total Australian export shipments increased 10.4% in August, following a 15.7% decrease in July. The total value of exports decreased 9.3% in August to AUD203 million, compared to a decrease of 20.7% in July. On a MAT basis, the value of shipments fell for the nineteenth consecutive period, falling 9.9% to AUD2.36 billion.
- Bulk wine volumes experienced a significant increase in August, in both the month-on-month and year-on-year basis. The rebound in bulk volumes was the largest month-on-month increase since February 2003. This large increase in bulk volumes is likely to be the result of producers shifting excess inventory through the bulk market.
- Bottled exports fell 13.3% by volume, and 14.9% by value in August. Volume and value growth for bottled wine has averaged -13.1% and -14.7% respectively for the last 12 months to August. Since November 2007, the AUD5.00-7.49 and AUD7.50-9.99 bottled price point categories have only recorded one period of positive volume growth. The weakness in bottled wine shipments is an ongoing concern for industry participants as demand for branded wine remains weak.
- The 2009 Australian vintage was around 7% lower than the previous year. The total intake was 1.71 million tonnes, compared with 1.83 million in 2008. This was below the five-year average of 1.79 million tonnes but still higher than estimated and greater than required to meet current demand.
- The 2010 vintage is likely to contract further as wine grape prices continue to come under pressure. That said, seasonal conditions in the lead-up, in cool climate regions in particular, have been more favourable than the 2009 vintage. In warmer climate regions, water availability has improved, but will remain a constraint.



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

### New Zealand

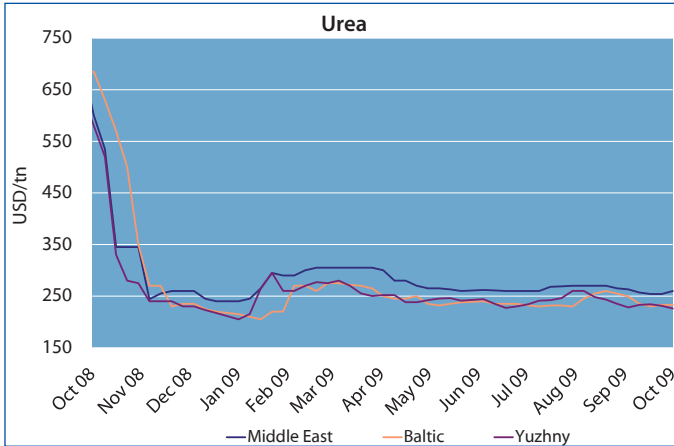
- New Zealand Winegrowers posted a milestone of NZD one billion in exports in the year to July 2009, one year ahead of schedule.
- In September, wine exports continued to expand, posting a new record at just above 13 million litres, which is around 1.5 million litres above September 2008's result. Bulk wine exports were around 2.6 million litres (20% of total sales), which is down somewhat on recent months with a recovery in bottle wine sales.
- However, the New Zealand wine industry, similar to Australia, is facing the challenges of limiting production growth to better reflect demand-side factors. The wine industry has estimated that there is demand for a harvest of around 265,000 tonnes of grapes for vintage 2010. On that basis, the industry has set this as a target. This is an average yield of 8 tonnes a hectare, which compares with yields of around 10 tonnes a hectare for the last few years.

## Fertiliser

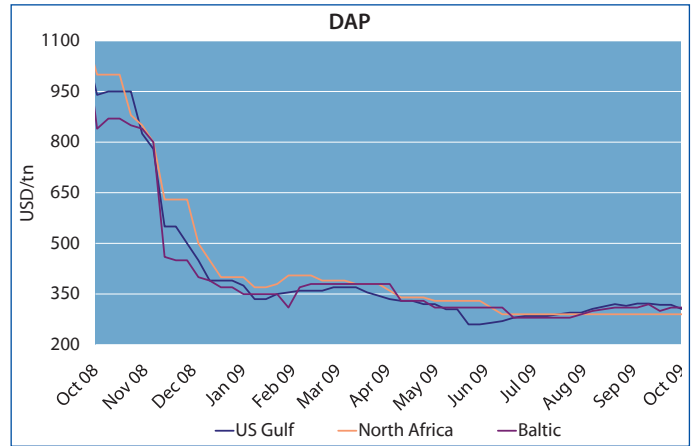
### Fertiliser prices

All shown as USD/tonne	Current (01/10/09)	Last month	Last year
Urea (Middle East)	260	263	600
DAP (North Africa)	290	290	1000

Source: Bloomberg/ICIS/Rabobank



Source: Bloomberg/ICIS/Rabobank



Source: Bloomberg/ICIS/Rabobank

### Global

- Urea prices are being supported at current levels by demand from India and to a minor extent Brazil.
- Although increased urea demand is expected from India, Pakistan, Brazil, North America and Europe later in the year, the general increase of grain stocks has dampened the short-term grain price outlook, which will most likely limit the extent of urea price rises in the short-term.
- Currently DAP prices remain supported by Indian and Pakistani

buyers, however, with subdued demand from South America it is expected that export demand in the final quarter of 2009 will be quieter and weaker international DAP prices are projected if producers continue at current supply volumes.

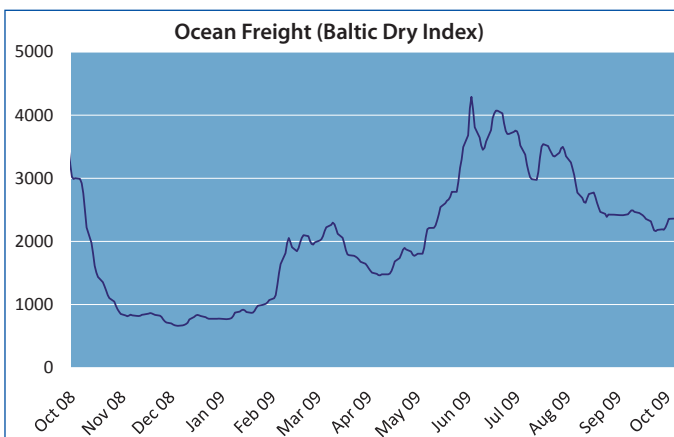
- The international potash market continues to show limited activity as farmers delay potash purchases at the current price levels. It is most likely that potash prices will continue to be under pressure in the final quarter of 2009 until a balance is reached between end-users and potash producers.

### Other costs

#### Ocean freight index and oil prices

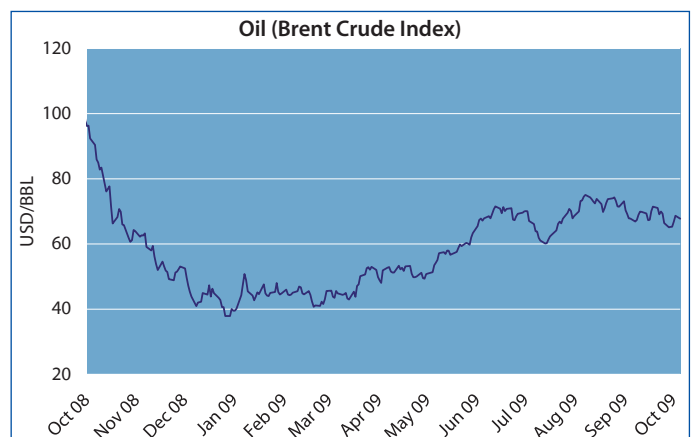
	Current (05/10/09)	Last month	Last year
Baltic Dry Index* (ocean freight)	2362	2415	2992
Brent Crude Oil (USD/bbl)	67.77	67.80	90.39

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.



Source: Bloomberg/Rabobank

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Rabobank Australia and Rabobank New Zealand are a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 110 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and has a AAA credit rating from Moody's and Standard & Poor's.

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