



Australia & New Zealand Agribusiness Review

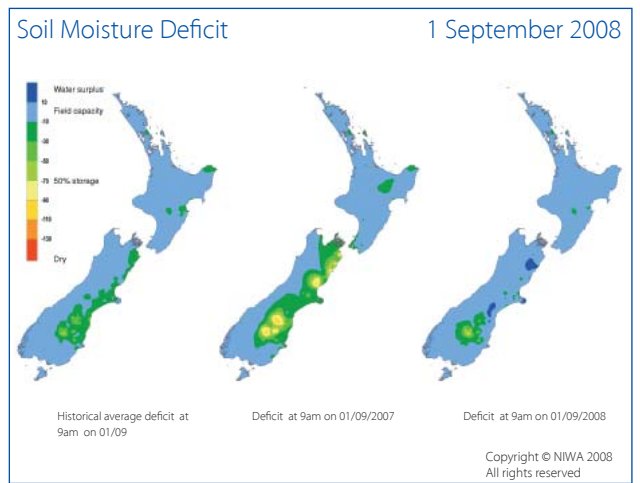
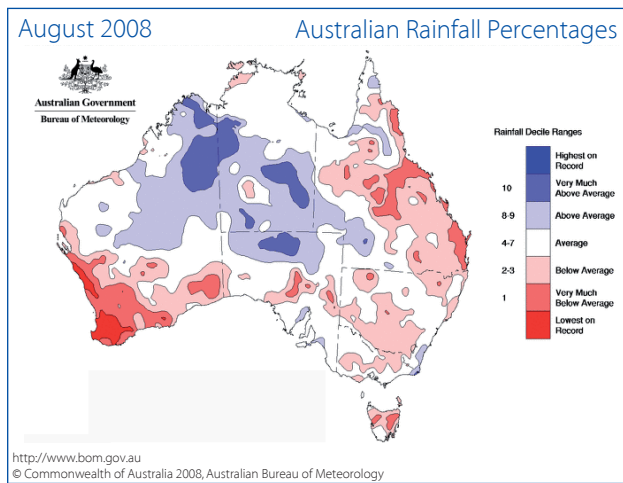
September 2008

Rabobank Group
Food & Agribusiness Research and Advisory (FAR)

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Seasonal Outlook

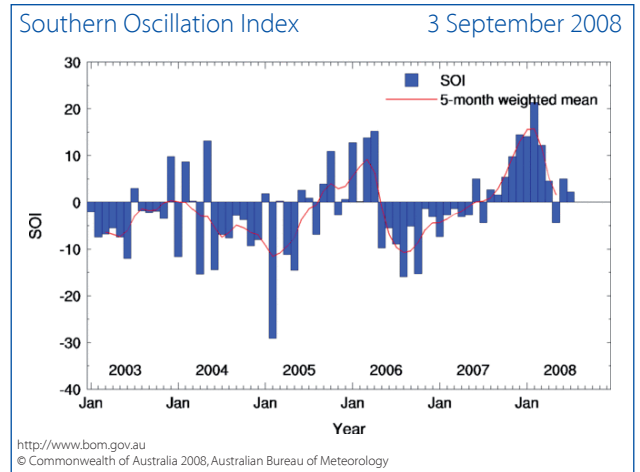


Australia

- Apart from higher temperatures and some rainfall late in the month, August was cool and dry in most areas of Australia.
- Tasmania was the only area in Australia that experienced above average maximum temperatures. Rainfall for most parts of Australia was below average for August with some areas in north WA, NT, SA and Australia's south east coast receiving above average rainfall.
- The Bureau of Meteorology national outlook for September to November suggests most parts of Australia will experience a 50-60% chance of warmer than average temperatures. Northern Australia is more likely to experience (60-75%) above average maximum temperatures.
- The rainfall outlook shows that the majority of Australia has a 40-60% chance of receiving higher than average rainfall in spring with more favourable chances of above average rainfall in south west WA and less favourable chances of average rainfall in the central parts of SA.
- Cooler temperatures in the dateline region of the central Pacific increased the SOI to +9, lessening the chances of an El Nino in 2008.

New Zealand

- New Zealand endured a very wet August with much of the North Island, the top of the South Island and Canterbury receiving more than 1.5 times the usual rainfall during the



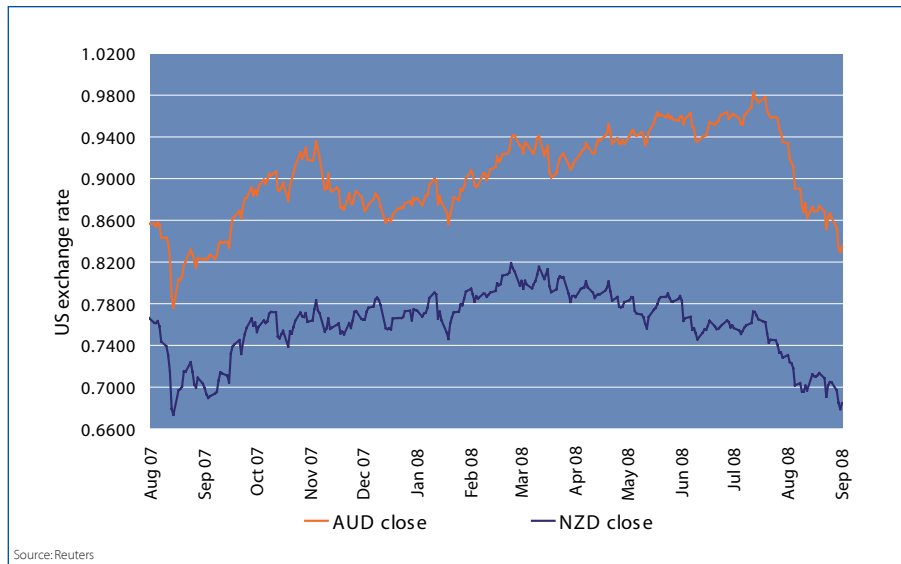
month. Temperatures were average in the North Island, but below average in the South Island.

- After what seems like a long winter for many, the additional soil moisture will provide a boost to pasture growth as spring temperatures eventually arrive. NIWA's outlook to November is for a settled and relatively dry spring with normal soil moisture levels for most of New Zealand, but below normal for the west and south of the South Island.

**Please see last page for important information*

Currency/economy

Currency USD = Close (bid)			
	Current (04/09/08)	Last week	Last year
AUD	0.8353	0.8665	0.8231
NZD	0.6847	0.7049	0.6991



Global

- Commodity currencies lost their shine as global perceptions of demand/price sustainability in an economic downturn saw continued local selling. Oil fell to around USD109 per barrel and agricultural commodities are off sharply.
- Compounding this was the unwinding of the carry trade and selling of the AUD by other speculative investors on the perception that the Reserve Bank would cut rates by 50 basis points by end 2008 (including the September cut). Renewed interest in the USD further served to confuse the market as to where a bottom for the AUD was against most crosses, near term.

Australia

- In Australia, the RBA dropped rates as expected by 0.25% to 7.00% at a meeting on 2 September. This was the first move down since May 2002. Reasons highlighted were a slowing labour market, higher average oil and other commodity prices, slowing global demand and the expectation that inflation would be back within the RBA targeted maximum level of 3.00% by 2010.
- Important data released over the month were June home loans -3.7% vs an expected -2.00%, July employment numbers 4.30% vs 4.30% flat, motor vehicle sales year on year -4.10%, second quarter current account -AUD12.774bill vs -11.658bill expected.
- In a surprise result, private capital expenditure was +5.70% vs expected +2.00%. Given stock market falls and slower growth, the number indicates businesses are still spending. The GDP numbers indicated further slowing with second quarter at

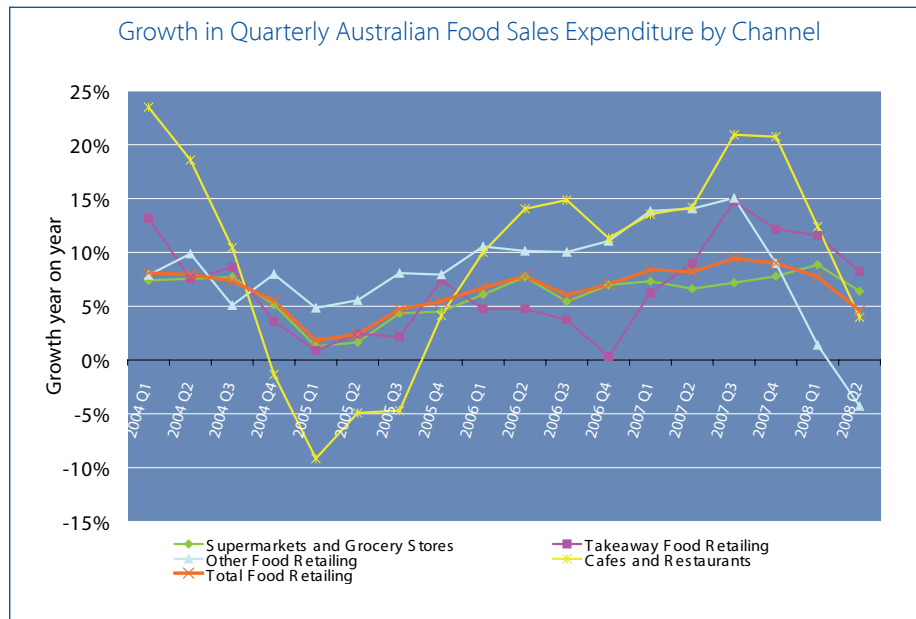
0.3% vs and expected 0.4% annualising at 2.7% vs expected 2.90%. This is the weakest growth rate in two years.

- Ranges on the AUD/USD were a high of 0.9155, low of 0.8490 and average of 0.8727. The AUD/NZD was a high of 1.2696, low of 1.2214 and average of 1.2383. The AUD/EUR experienced a high of 0.5934, low of 0.5739 and average of 0.5867. The AUD/JPY was a high of 99.71, low of 91.83 and average of 95.45.

New Zealand

- In New Zealand, the RBNZ dropped the OCR to 8.00% at their last meeting and is expected to cut by a further 0.25% at their meeting on 11th September. Reasons underpinning further cuts in the OCR include slowing growth, slowing consumer demand and worsening labour markets. Some commentators are expecting further cuts of up to 50pts as the economy is probably in "recession" and the RBNZ expects inflation to be back under the maximum benchmark of 3.00% by 2010.
- Economic data released over the month saw second quarter unemployment rising to 3.90% vs expected 3.80%, retail sales at +0.9% suggesting some activity in this sector, second quarter producer prices +5.60% indicating some implications for the consumer price numbers in October and the trade balance worsening to -780mio against an expected -538mio. The positive number was building permits for July at +4.79% against the previous months -20.1%.
- Ranges on the NZD/USD were a high of 0.7228, low of 0.6851 and average of 0.7034. The NZD/EUR was a high of 0.4843, low of 0.4640 and average of 0.4743. The NZD/JPY experienced a high of 78.60, a low of 74.25 and average of 76.92.

Food retail



Australia

- The competition debate surrounding Australian retail giants Coles and Woolworths continues to rage, with farmers, food processors and Independent Retail Groups rejecting the findings of the six month inquiry lead by the ACCC. Central to the debate is the vast difference between farm gate prices and retail prices, sometimes in excess of 500%.
- The Australian government's Grocery Choice website has come under heavy fire from consumers and independent retail groups for several reasons including, but not limited to; providing historical (one month old) rather than current prices, grouping all independent supermarkets together, and providing little clarity on the exact contents of the 'baskets'.
- Woolworths enjoyed a 26% rise in profits in 2007/08, to post a \$1.6 billion bottom line.
- Cadbury's decision to spend \$135 million to restructure plants in Australia and New Zealand will result in three specialised plants and remove duplication among existing production facilities. The company is in discussions with workers and union representatives regarding forecast job losses across the three sites in Tasmania, Victoria and Dunedin.
- National Foods, owned by Japanese Food and Beverage conglomerate Kirin Holdings will acquire Australian Co-operative Foods Limited's Dairy Farmers. In 2008, ACF posted a full year EBITDA of \$71 million, a 25% jump in earnings.
- In contrast, Goodman Fielder cited rising commodity and logistics costs and a \$145 million write down in goodwill on its New Zealand dairy operations as the main reasons behind weaker 2008 profit results.

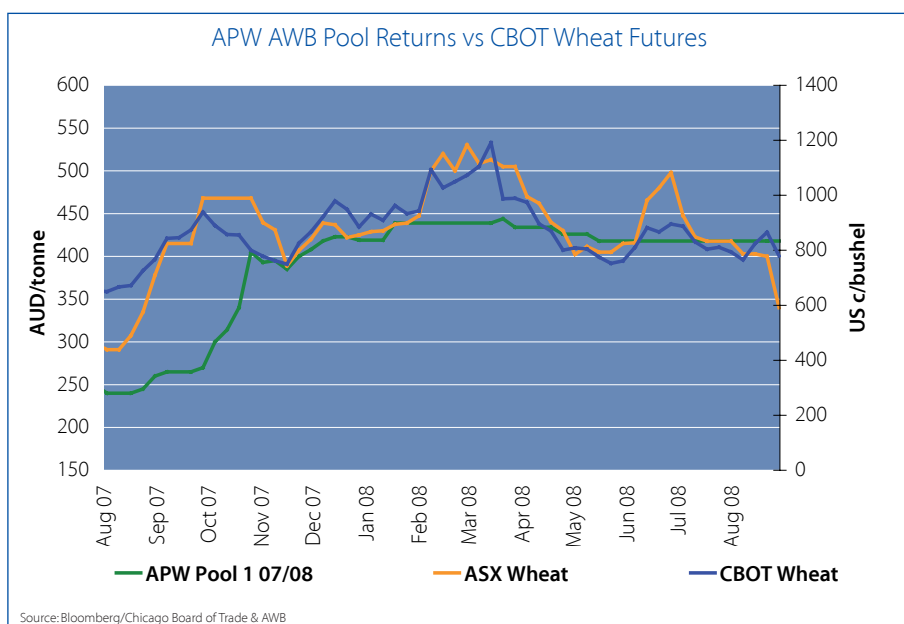
New Zealand

- New Zealand food prices continued to rise during July, up 0.6% from June. However, the annual increase fell slightly to 7.6% from 8.2%. The biggest movements in July were from the fruit and vegetable category (+3.6%) particularly lettuces and cucumbers, as weather conditions have taken their toll on local production.
- Woolworth's New Zealand supermarkets also reported earnings before interest and tax up 6.5% from the previous year. With the acquisition of New Zealand's Warehouse group bogged down in a Supreme Court Appeal, the group is expected to aggressively pursue other opportunities to maintain profit growth in what is forecast to be a slower year in retail.
- Former Warehouse suitor Foodstuffs co-operatives have released their 2008 annual reports evidencing a continued increase in sales growth and profitability. Aggregate profits before tax and distributions/rebates were up more than 7% from 2007.

Grains and oilseeds

Chicago Board of Trade Wheat Futures (nearby contract)			AWB APW 2007/08 Pool Price	
	USc/bushel		AUD/tonne	
Current (29/08/08)	Last month (25/07/08)	Last Year (31/08/07)	Current (29/08/08)	Last month (25/07/08)
779.25	811.00	767.00	418.00	418.00

Source: Bloomberg/AWB



Global

- Chicago Board of Trade (CBOT) nearby wheat futures ranged between US 765 c/bushel and US 897 c/bushel for the month of August.
- Global wheat production for 2008/09 year is projected to reach 670 million tonnes which is a record level and is 60 million tonnes higher than last year.
- It is anticipated that world supplies of feed quality wheat in 2008/09 will increase on the previous year with higher production in EU-27, Russia, and Ukraine. There are also signs of quality problems, particularly in Ukraine, where heavy rains at harvest have reportedly reduced crop quality.
- Global ending stocks for wheat are projected at 136.2 million tons for 2008/09, which will be the highest level since 2005/06.
- The world corn market continues to see price volatility throughout August with Chicago Mercantile Exchange (CME) December corn futures trading between USD 5.04 to 6.28 per bushel during the month. Weather conditions in the US throughout July and August have significantly improved production expectations and resulted in a more balanced supply and demand outlook for the 2008/09 season. In addition, weaker crude oil prices, a strengthening USD together with a liquidation of index fund long positions has also weighed on corn prices which currently stand at USD 5.58 per bushel.

Australia

- Australia's wheat production for the 2008/09 season remains very much in the balance following two successive drought affected crop years. At this stage Australian wheat production is forecast to increase by 61% on year earlier levels and by 94% on the year prior to that one.
- Although most cropping regions in Australia received some rainfall at the end of August, the rainfall received over recent months has been significantly lower than average and is threatening production, despite a near record high planted area this season. Whilst it remains too early to downgrade national production expectations below 20 million tonnes, the dry conditions in recent months have increased the dependence on an "ideal" spring for the wheat crop this season.
- Late August rains however have impacted ASX milling prices for nearby contracts with a 16% reduction in price since during the month of August.
- On the 3 September at AWB Ltd's extraordinary general meeting it was announced the delayed grower vote on commercialisation of Board and Ownership was successful with 77% of votes in favour of the move. This will remove the dual class share system clearing the required 75% majority.

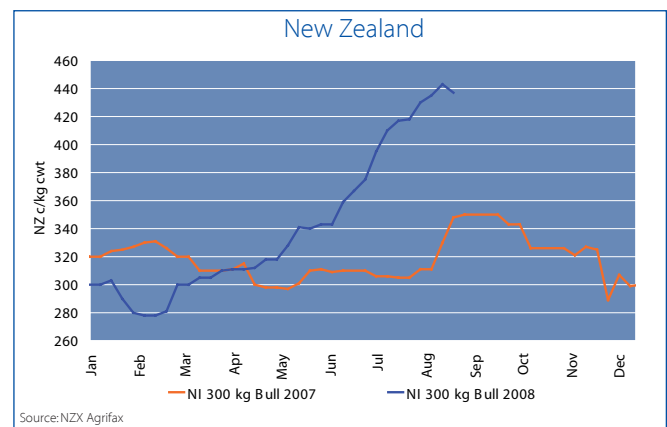
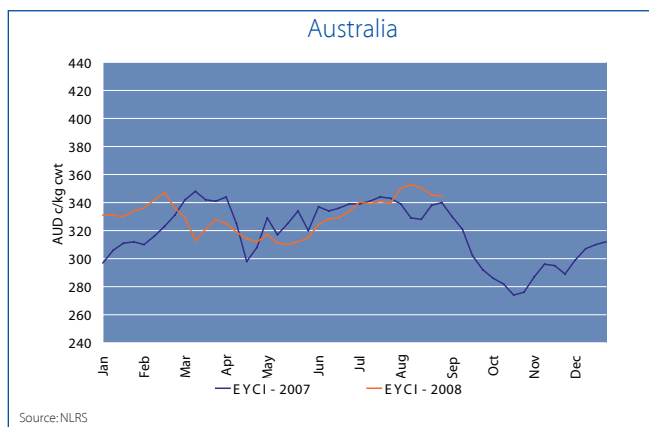
Beef

AUD prices (c/kg cwt)			
	Current (29/08/08)	Last week	Last year
Eastern Young Cattle Indicator (EYCI)	344.50	345.50	340

Source:NLRS

NZD prices (c/kg cwt)			
	Current (01/09/08)	Last week	Last year
North Island Bull 300kg	437	443	350
South Island Bull 300kg	398	391	322

Source:NZX Agrifax



Global

- Brazilian beef exports are expected to increase by one million tonnes over the next decade, reaching nearly 3 million tonnes by 2017 (Agra FNP). While still impressive, this represents a slowdown in export production growth compared to the last decade; between 1997 and 2007 Brazilian exports surged from 0.2million to 2.2 million tonnes. Agra FNP expects that the increase in production will be achieved through improvements in genetics and feeding, rather than through expanded land usage. Strong beef demand, particularly in Asia, is expected to support cattle price rises of up to 20% over the next 5-10 years in Brazil.
- The US has seen an increase in beef exports to Japan and Korea in 2008. For Korea, the re-opening of the market has resulted in the first bone-in US beef entering the market since a ban on beef imports was put in place in late 2003. In Japan, US imports have remained limited to beef from cattle under 21 months of age. Despite this continued restriction, US beef imports have jumped to 6,657 tonnes in July; this compares to around 34,000 tonnes for the whole of 2007. A significant factor behind the growth in sales has been the promotion of an increased range of cuts in the Japanese market.
- US manufacturing beef prices eased lower over the past month with imported product falling by around US 15 cents/lb or 8%. High US domestic cow slaughter has increased the availability of domestic grinding beef, while is responsible for some of the price decline. However, uncertainty around US demand levels and the influence of a stronger US dollar has added to the current cautious approach of market players.

Australia

- Young cattle prices eased during August, to end the month at AUD 3.44/kg cwt, similar to the same time in 2007. However, after a dry winter throughout much of Australia, cattle prices in spring will depend on the level of rainfall received. This will be important both in terms of pasture and water availability, and in terms of production of feedgrains for use in the feedlotting sector.

New Zealand

- Farm gate beef prices increased by around NZ 20 cents/kg cwt or 4% over the past month. This price level has been unprecedented for this stage of the season and is 25% higher (approx. NZ 80 cents/kg) above the previous year. Current prices reflect good returns available in diverse market destinations and the impact of a weakening New Zealand dollar.
- Meat & Wool New Zealand expect export cattle slaughter numbers to fall 6.5% during the 2008/09 season as the beef cattle herd rebuilds to some extent and the higher slaughter level during the previous year limits availability. Combined with a modest increase in average carcass weights export tonnage is expected to fall 5.6%.

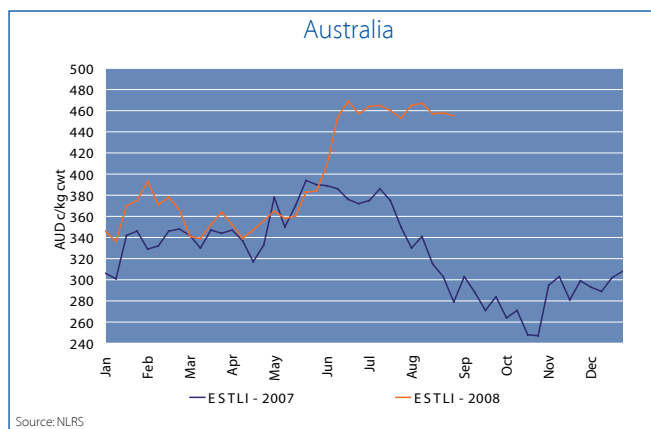
Lamb

AUD prices (c/kg cwt)			
	Current (29/08/08)	Last week	Last year
Eastern States Trade Lamb Indicator	455	458	279

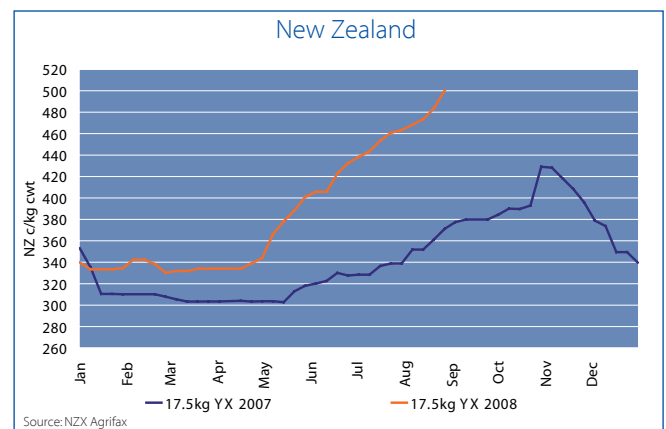
Source:NLRS

NZD prices (c/kg cwt)			
	Current (01/09/08)	Last week	Last year
NI 17.5kg YX	482	481	374
SI 17.5kg YX	500	483	377

Source:NZX Agrifax



Source:NLRS



Source:NZX Agrifax

Australia

- Lamb prices have remained steady throughout August, ending the month at AUD 4.55/kg cwt, over 63% above the same time in 2007. Lamb prices generally decline seasonally from September, as increasing numbers of new lambs enter the market. However, assuming reasonable rainfall is received in spring, relatively tight supply will hold lamb prices at well above 2007 levels.
- The Australian sheep flock is estimated to have fallen to 80 million head as of mid-2008 (Meat and Livestock Australia), driven by ongoing drought conditions and the shift towards grain production by some producers. The reduction in numbers will result in tight supply in 2009, supporting strong prices for both sheep and lambs.
- Sheep numbers in the US have also continued to decline, with the USDA estimating the flock has fallen by 3% during the past year to 7.35 million head as at mid-2008. The reduction has been across all categories, including reduced lamb numbers. This is expected to result in tighter supply in the second half of 2008, however the strong Australian dollar and a slowdown in the US economy means that Australia is unlikely to completely fill the gap with higher exports.
- While demand in the US is expected to be impacted by the economic slowdown, demand in a number of other destinations, such as the Middle East, South-East Asia and Japan continues to improve.

New Zealand

- Farm gate lamb prices continued to strengthen during August, increasing by 6-8% (around NZ 30 cents/kg cwt) to hit NZD 5.00/kg in the South Island by late August. Price levels are some 30% higher than the same period last year and are the highest seen since November 2001.
- International prices have continued to tick upwards over the past month across a range of products, and prices have been further assisted by a weakening of the NZD against most key currencies.
- Meat & Wool New Zealand expect 2008/09 export lamb slaughter to fall 23% (6 million head) from the previous year as a result of last season's drought conditions, the decline in the breeding flock and continued expansion of dairy cattle numbers.
- Falling flocks and sheepmeat production isn't only impacting Australasia, with the president of the EU Agriculture Council holding a summit during the first week of September to discuss the future of the sheep sector. Agricultural ministers and representatives from various European countries are expected to attend.

Dairy

World dairy prices									
	USD/tonne			AUD/tonne			NZD/tonne		
	29/08/08	last month	last year	29/08/08	last month	last year	29/08/08	last month	last year
Butter	3,600	4,050	3,650	4,167	4,320	4,444	5,113	5,557	5,179
SMP	3,300	3,600	5,000	3,820	3,840	6,087	4,687	4,940	7,095
WMP	3,600	4,350	4,750	4,167	4,640	5,783	5,113	5,969	6,740
Cheddar	4,600	5,000	4,700	5,325	5,334	5,722	6,533	6,860	6,669

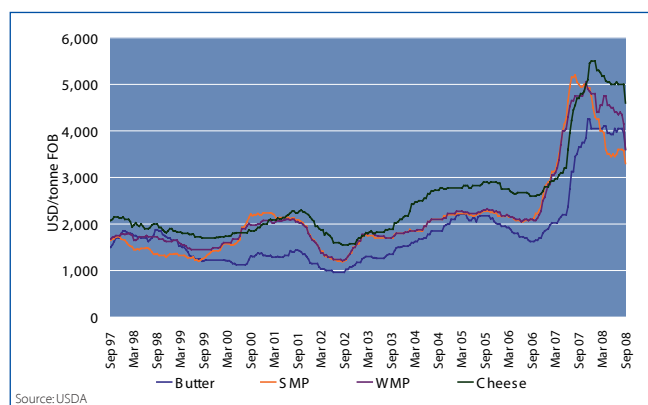
Source: USDA

Global

- After four months of relative stability, USD dairy commodity prices fell sharply in the closing weeks of August in FOB Oceania trade.
- The dramatic shift in price momentum in the closing weeks of August reflect a combination of technical and fundamental changes, and changes to sentiment.
- A rapid rise in the value of the US dollar against the currencies of other major dairy exporters (up 8% to 12% against the Australian dollar, euro and New Zealand dollar in the 6 weeks to end of August) saw all players re-evaluate traded prices—generating downward pressure on prices. Exchange rate movements thus neutralised much of the change in USD prices for most exporters during August.
- More fundamentally, US supply growth is staying stronger for longer than expected and Brazil's export surplus is growing rapidly. Weak consumption growth in the US and the EU is also forcing more product onto the international market than would otherwise have been the case. In import markets, ongoing inflation in dairy prices is colliding with slowing income growth, and a sharp fall in vegetable oil prices has increased the appeal of substitution for dairy.
- Market sentiment appears to have also been impacted by the announcement of lower-than-anticipated prices generated by Fonterra's August auction of WMP for October delivery.

Australia

- A sharp fall in the AUD/USD cross rate through August neutralised much of the impact of falling USD commodity prices over the same period, with only WMP closing the month significantly down in local currency terms.
- At the end of August, AUD export prices were 3%-5% below the 2007/08 average for butter and cheese, and around 20% down for milk powders.
- With farmers now entering the key Spring growth period, farmers in southern rain fed regions remain well placed, with adequate to good rainfall in August.
- Further north, below average rainfall and dry soil restricted inflows into key catchments of the River Murray system to well below average in August, further postponing any announcement of irrigation water allocations in Northern Victoria.
- Rabobank's latest Rural Confidence survey showed that dairy farmer confidence remained strong entering the third quarter, as exceptional milk prices, good conditions in much of the country, and the prospect of lower grain prices post harvest



Source: USDA

Production growth in key exporting regions

	Latest month	Last 3 months
EU 27	0.0% (Jun)	-0.1%
US	1.4% (Jul)	2.4%
Argentina	4.5% (Jun)	8.4%
Australia	7.0% (Jun)	3.6%
NZ	0% for 2 months to Jul 2008	

*Rabobank estimate (timely NZ production data not available).

offset concerns over rising fertiliser costs and likely irrigation water shortages.

New Zealand

- The New Zealand dollar weakened most during the early part of August, but this wasn't enough to offset the falling commodity prices in late August with NZD product prices falling 5-15% during the month.
- NZD commodity prices are now around 20% lower for powders than the 2007/08 season average. While butter and cheese prices still remain 5-10% higher in local currency terms, powders account for almost half of New Zealand's dairy exports and are therefore a key payout driver.
- The new season is off to a sluggish start as wet and cold weather has slowed pasture growth. Nevertheless, current high soil moisture levels bode well for peak season production when combined with additional cow numbers from newly converted farms, particularly in the South Island.
- In late August, international food and agricultural company Olam International invested NZD 96.9 mln (NZD 20 mln to be paid Dec 2008) to increase its shareholding in Dairy Trust to 24.75%. Concurrently Dairy Trust has submitted a formal takeover offer to Open Country Cheese.

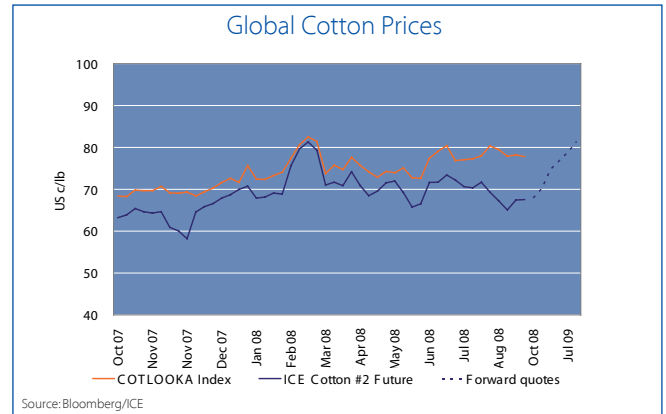
Cotton

Monthly average cotton prices (US c/lb)			
	Current (29/08/08)	Last week	Last year
Cotlook A Index	77.80	78.20	65.45
NY Futures (Oct 08)	67.53	67.42	58.87

Source: Rabobank, Bloomberg/ICE

Australia

- Cotton markets were steady over the last month with the ICE cotton no.2 nearby futures trading between 65 USc/lb to 69 USc/lb with current nearby futures price down 4% compared to the beginning of August.
- Spinning millers have been relatively quiet in August. China's supplies appear sufficient and the incentive for mill buyers to pay higher prices is being off set by the northern hemisphere harvest edging closer.
- Domestic cash prices have improved over the month of August, assisted by a weaker Australian dollar against the US dollar.
- At the recent Australian Cotton Conference the general consensus had Australia's 2008/09 production estimate at 1,000,000 bales dependent on spring rains with projected plantings to reach close to 150,000 ha.

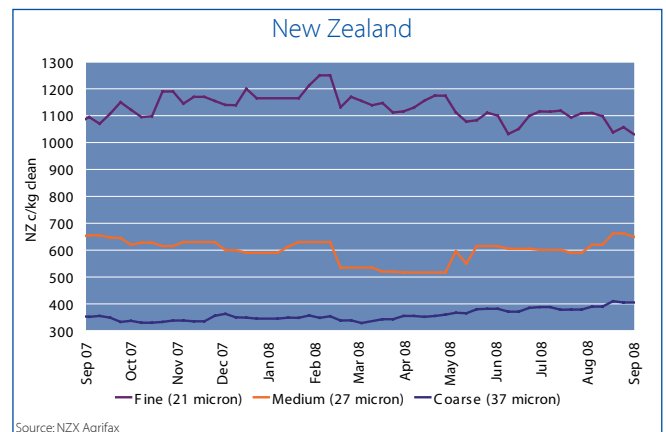
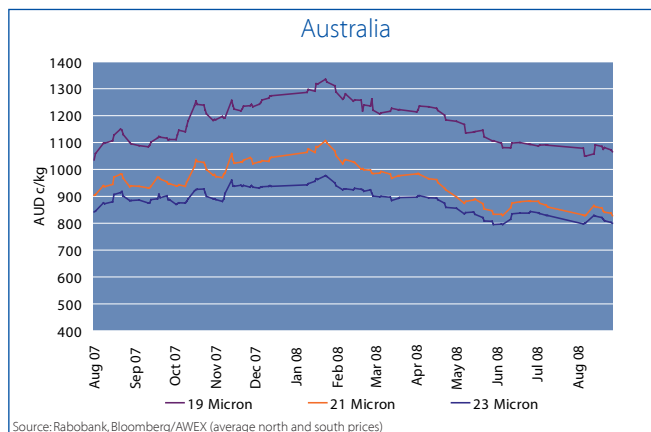


Wool

	Eastern Market Indicator (AUD c/kg clean)			New Zealand (NZD c/kg clean)			
	Current (27/08/08)	Last week	Last year	Current (01/09/08)	Last week	Last year	
Fine (19 micron)	1064	1084	1101	Fine (21 micron)	1031	1057	1095
Medium (21 micron)	828	846	936	Medium (27 micron)	650	662	655
Broad/coarse (23 micron)	800	816	884	Broad/coarse (37 micron)	405	405	352

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

Source: NZX Agrifax



- The national Eastern Market Indicator is currently at 850 c/kg and over the month of August it has ranged between 846 c/kg to 873 c/kg.
- The weaker Australian dollar saw some good gains in domestic prices in the middle of August. However, softer demand, in line with the current global economic slowdown and lack of buyer competition, saw the market fall back later in August.

- Finer wool prices are holding more firmly compared to the stronger wool prices with the 19 micron prices down 3-4% year or year, whilst the current 21 and 23 micron prices are down by 9-12% compared to the end of August 2007. The finer wools are getting additional support from Italian buyers in view of the wider global wool market that is mainly dominated by Chinese buyers.

Sugar

New York 11 Prompt (raw sugar futures price November 2008)

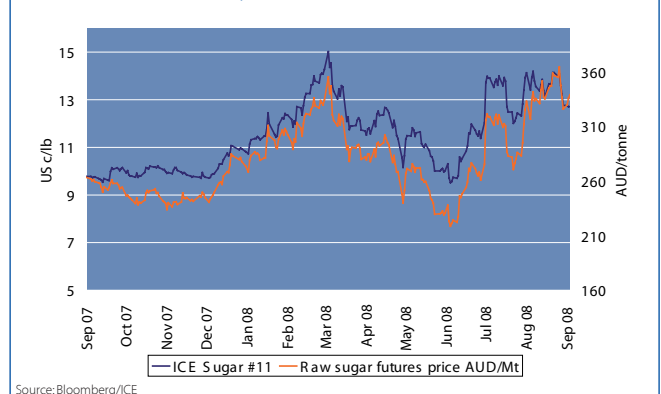
US c/lb			AUD/tonne		
Current (03/09/08)	Last week	Last year	Current (03/09/08)	Last week	Last year
12.71	13.59	9.78	339	348	262

Source: Bloomberg/ICE

Australia

- Australia's sugar harvest for the 2008/09 season (mid June –November) is currently underway with initial reports indicating that production will be similar to 2007/08, based on a planted area of approximately 395,000 hectares, down 0.5% to 2007/08 season.
- Over the past month world market raw sugar prices have oscillated between 12.7 USc/lb and 14.2 US c/lb. Movements in oil prices and the value of the US dollar continue to be cited as the principal drivers of the day-to-day variation in prices.
- In the month of August the New York ICE futures have reduced 10% whilst Australian dollar prices have stayed relatively firm due to the appreciating US dollar.
- The International Sugar Organisation released new statistics this month projecting a 3.9 million tonne global sugar deficit for the 2008/09 international crop year, putting a number to long held and widely held expectations of a tighter global supply demand balance for next year.

New York 11 Prompt (November 2008) Futures Contract



Source: Bloomberg/ICE

Venison

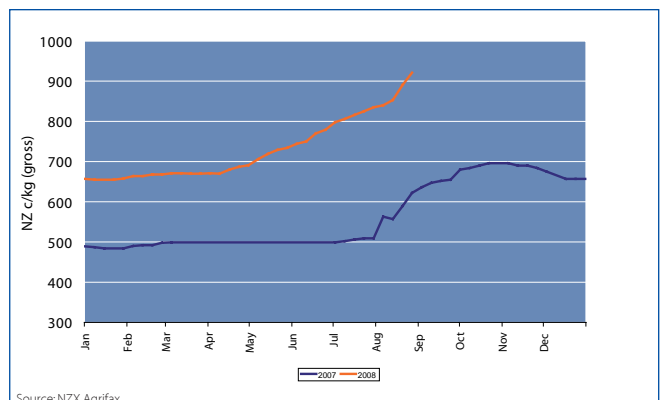
NZ c/kg gross

	Current (01/09/08)	Last week	Last year
NI Stag 60kg	915	867	618
SI Stag 60kg	921	890	636

Source: NZX Agrifax

New Zealand

- Venison prices are now in the midst of the peak chilled season uplift, with still many weeks to go. Farm gate prices moved through NZD 9.00/kg during August, making prices almost NZD 3.00/kg or 30-40% higher than the same period last year. Prices were last at this level in October/November 2001.
- Offshore prices remain supportive as other meat prices have also moved upwards, particularly in Europe. However, the diminishing size of the New Zealand herd is likely to restrict the longer term growth prospects for the industry.



Source: NZX Agrifax

Wine

Wine exports	Australia			New Zealand		
Measuring system	Comparative MAT Performances			Comparative MAT Performances		
Period	Jul-08	Jul-07	Change %	Jul-08	Jul-07	Change %
Volume (million litres)	703.5	805.9	-12.7	N/A	N/A	N/A
Value (AUD/NZD million)	2,648.8	3,008.1	-11.9	N/A	N/A	N/A
Unit value (AUD/NZD per litre)	3.77	3.73	1.1	N/A	N/A	N/A

Note: MAT - Moving Annual Total refers to the twelve months ending with the nominated month
 Source: Australian Wine and Brandy Corporation and New Zealand Winegrowers based on Statistics New Zealand
 N/A: Not available at time of printing

Global

- The long awaited turnaround in Californian grape and wine demand appears to have arrived this year, with grape prices in California forecast to be the best in seven years. Since 1998, approximately 135,000 acres of vineyards have been pulled in California's Central Valley according to data from burn permits.
- The European Commission will support uprooting approximately 18,000 hectares of vines in Bordeaux, Burgundy and the Loire Valley as production persistently exceeds consumption to the tune of 40 million hectolitres annually.

Australia

- MAT Australian export volumes fell 12.7% in the month to July, 2008, to 703.5 million litres, compared to 805.9 million last year. The UK (-5.8%), the US (-18.6%) and Canada (-10.7%) all suffered falling volumes. Strong volume growth was observed in northern European export destinations such as Denmark (56.5%), the Netherlands (14.7%) and Belgium (11.6%). Singapore (11.3%) and Hong Kong (15.7%) also grew strongly.
- In value terms on MAT basis, an 11.9% decline equated to exports valuing AUD 2,648.8 million compared to AUD 3,008.1 million in July 2007. Major destination countries such as the

UK (-9.0%), the US (-24.8%) and Canada (-7.2%) reflected the challenging time currently faced by wine exporters in the face of adverse currency pressures and rising input costs.

- The Winemakers Federation of Australia and Wine Grape Growers' Australia issued a stern warning to a Senate inquiry in response to the proposed introduction of a volumetric wine tax in an effort to curb binge drinking. The industry bodies estimated a fall in demand of 250,000 tonnes of grapes and approximately 3,500 jobs lost would likely result.
- In Australia, taxes make up 24% of the retail price of a bottle of wine, compared to 3.1% in France and 0% in Spain and Italy. Grape costs represent about 6% and winery margins on average represent just 3%.

New Zealand

- Rabobank would like to thank all attendees at the 14th Annual Romeo Bragato conference. Our Keynote presentation on marketing NZ wines to China was extremely informative and well received and the Rabobank Client Dinner was an enjoyable night for all involved.

Horticulture

Australia

- A new Pacific Island seasonal workers visa has been approved by the Australian Government in mid August with the aim to overcome the chronic nationwide shortfall of 22,000 seasonal workers in horticulture. A three-year pilot plan – involving 2,500 workers, expected for the peak harvest season before the end of the year- will deal with the most critical horticultural regions suffering labour shortages, such as Swan Hill (Victoria) and Griffith (NSW). Growers must prove there are no local workers available, then meet Australian work standards, including pay rates, pay half the cost of a return airfare, and meet other establishment costs.
- Australia and New Zealand completed negotiations for a free trade agreement (FTA) with the 10 south-east Asian ASEAN (Association of South-East Asian Nations) countries. The FTA is expected to be formally signed at an ASEAN leaders summit in Bangkok later this year, covering 16% of trade in goods and services worth AUD71 billion. Tariffs would be eliminated in all major countries in goods representing about 95% of trade.

- A dark-skinned tomato called "Kumato" - with a stronger flavour and a sweeter, crisper taste than red tomatoes - is coming into season and will be available nationally from next month. The only Australian crop is grown hydroponically in a 12,000 sqm greenhouse in Victoria. The fruit, which can be consumed at all stages, turns from a bright green skin to a dark brown colour and then to a deep red as it comes to the end of its shelf life, being suitable for salads and sandwiches when brown and mainly used for cooking once red.

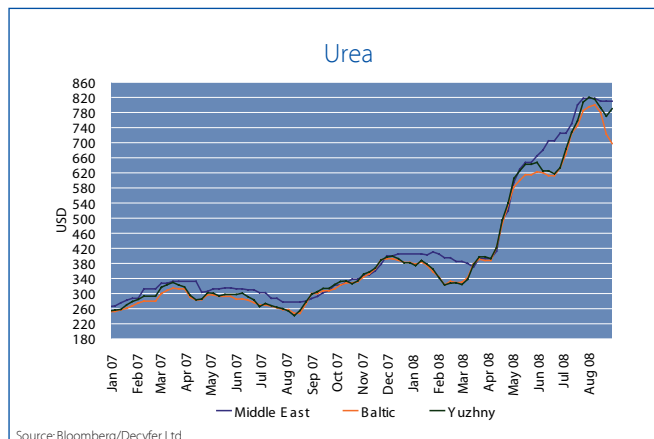
New Zealand

- Japan, New Zealand's biggest market for capsicums, after suspending imports from this country due to findings of a bacteria spread by potato psyllids. Confirmation of the recommencement of those imports, without the need for additional quarantine measures, was received on 11 August. Australia is now the only major market remaining closed and is intending to conduct a risk assessment before considering reverting the measure.

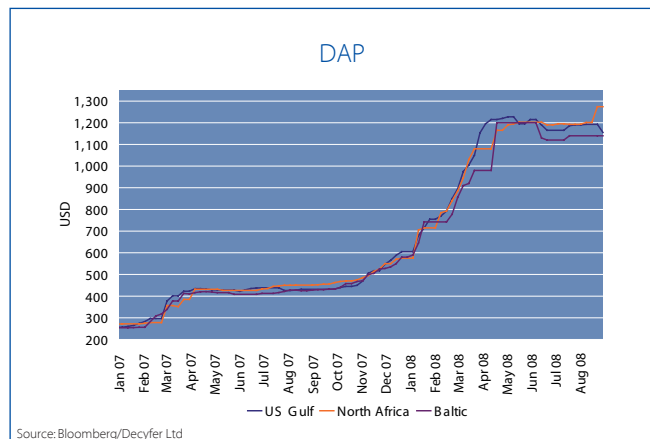
Fertiliser

All shown as USD/tonne	Current (29/08/08)	Last month	Last year
Urea (Middle East)	810.00	817.50	287.00
DAP (North Africa)	1274.00	1192.50	451.00

Source: Bloomberg/Decyfer Ltd



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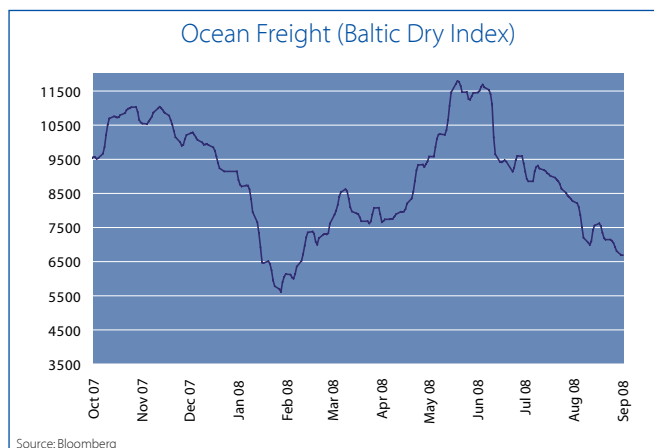
- World urea prices will be monitored closely in coming weeks to see if prices firm with reports of India securing larger import shipments and China's special tax on fertiliser increasing by 50%, impacting the level of global export competition.
- DAP world prices over the last month have been steady with only the North Africa prices rising 7% during August.
- Australia's Competition and Consumer Commission released its July report on Australia's fertiliser prices and in conclusion did not find sufficient evidence to suggest a likely breach of the Trade Practices Act by any participant in the Australian fertiliser industry.

Other costs

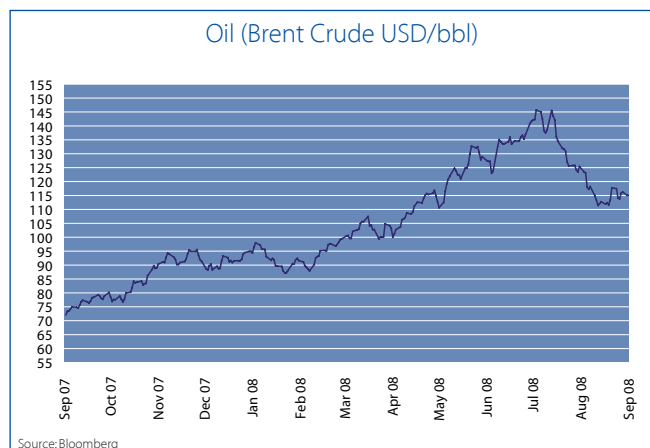
	Current (02/09/08)	Last week	Last year
Baltic Dry Index	6691	7115	7783
Brent Crude (USD/bbl)	115.02	114.12	72.10

Source: Bloomberg

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



Source: Bloomberg

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