Rabobank

Australia & New Zealand Agribusiness Review

August 2008

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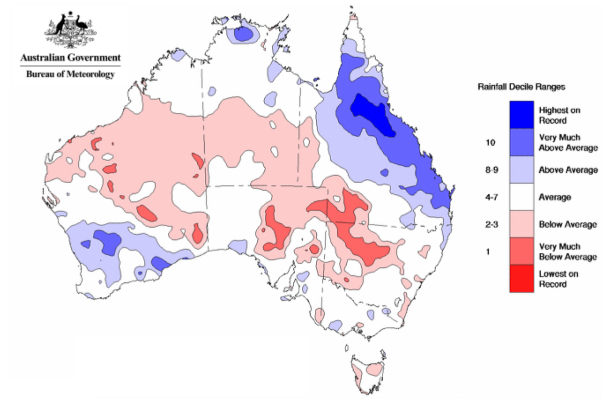
Seasonal Outlook

July 2008 Australian Rainfall Percentages



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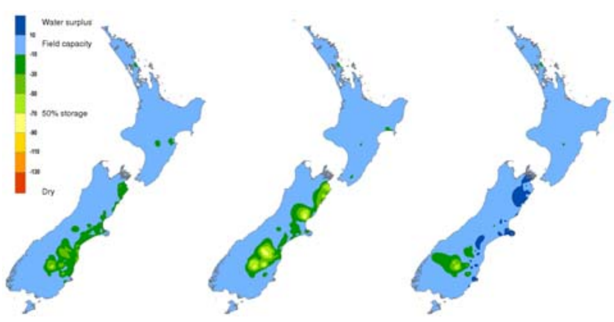
Soil Moisture Deficit 3 August 2008



Historical average deficit at 9am on 03/08

Deficit at 9am on 03/08/07

Deficit at 9am on 03/08/08

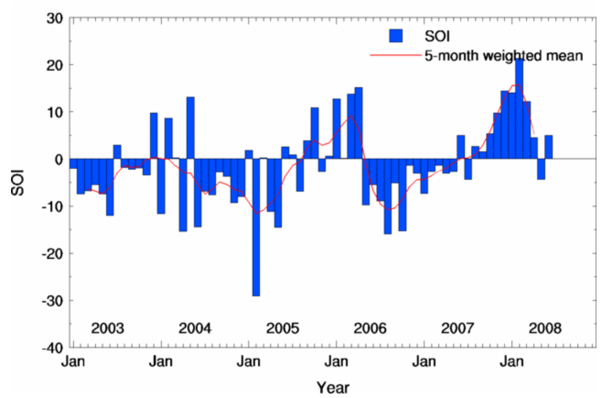
Australia

- Temperatures were above normal over most of Australia throughout July. Rainfall over the past month averaged 4% below the long-term mean over the continent. However, parts of North East QLD and the WA cropping belt received rainfall that was well above average. The majority of the remainder of the agricultural producing regions, including the major cropping regions, received average to slightly below average rainfall.
- The three month outlook by the Bureau of Meteorology bodes well for South West WA, with the region having a 60%-70% chance of exceeding average rainfall. A large section of Northern, South West and Central QLD is currently forecast to have only a 30%-40% chance of exceeding average rainfall. The cropping belt in South West NSW, Western VIC and much of SA has only 40%-45% chance of exceeding normal rainfall.
- The SOI is currently sitting at +3, with the current neutral conditions expected to remain through until the end of 2008.

New Zealand

- New Zealand was battered by frequent storms and heavy rainfall events in addition to the usual wintery weather normally expected during July. Rainfall was around 1.5 or 2 times greater than normal across most of the country, except Gisborne and Southland, with near record high July rainfall for many regions. As a result, soil moisture levels are either at capacity or above for most of New Zealand, however flooding and storm damage has also been evident in some areas.
- NIWA's outlook through to September is for average or above average temperatures to continue with normal rainfall and soil moisture levels for most of New Zealand.

Southern Oscillation Index 4 August 2008



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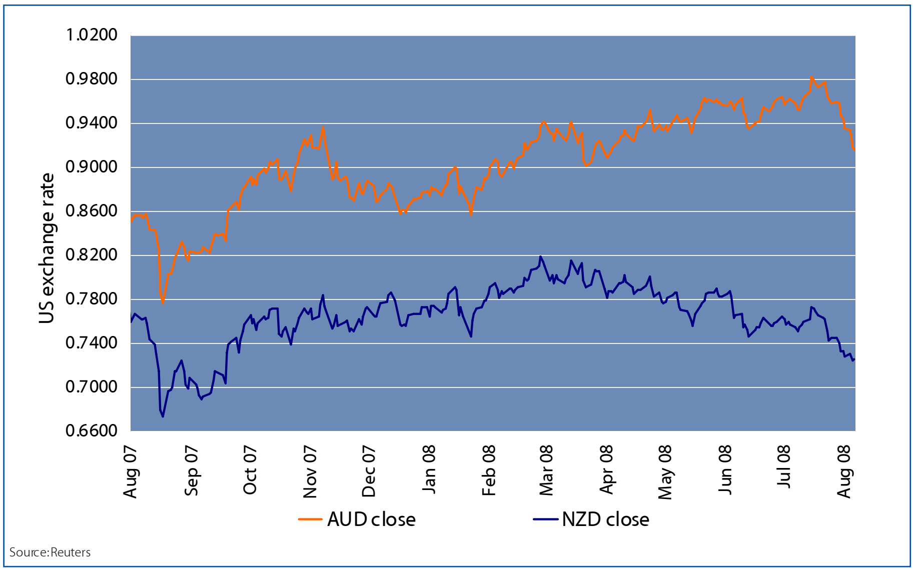
**Please see last page for important information*

Currency/economy

Currency USD = Close (bid)			
	Current (06/08/08)	Last week	Last year
AUD	0.9162	0.9471	0.8568
NZD	0.7260	0.7331	0.7617



Global

- The ongoing disruption to global financial markets continued through July with no end in sight and further downward pressure in equity markets adding to the complexity.
- The IMF spooked the market saying they saw increased danger of real economic fallout from the ongoing financial crisis. They see total losses in the order of 1 trillion and don't see the bottom of the housing crisis near. According to former Federal Reserve chairman Alan Greenspan more banks and financial institutions are likely to face insolvency and need bailouts before the global financial crisis is over.
- The Federal Reserve left the cash rate at 2% and discount rate at 2.25% this month.
- On a positive note, oil prices eased this month, falling from 145 USD/bbl in early July to 123 USD/bbl in early August.

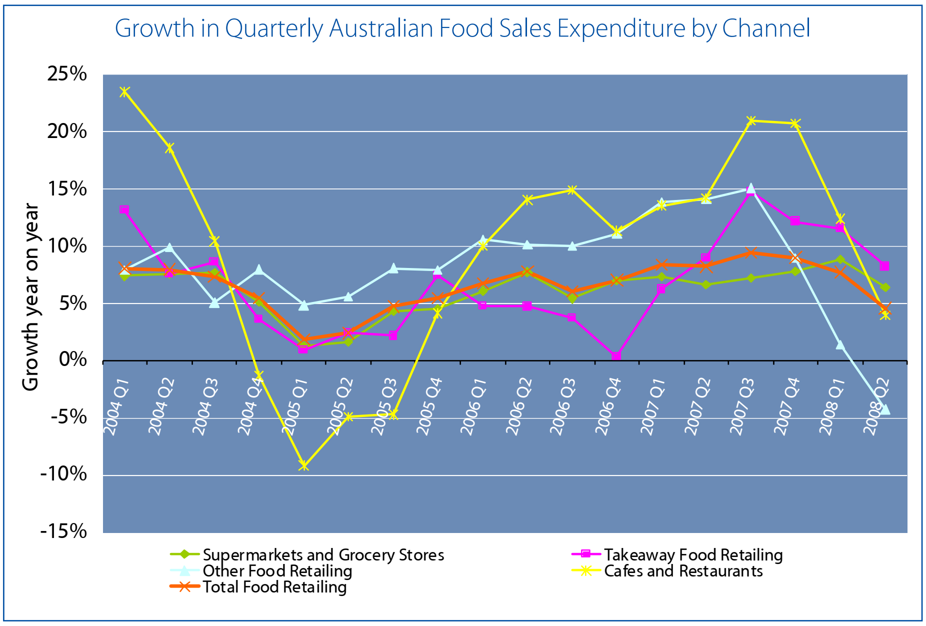
Australia

- The RBA left rates on hold at 7.25% at its board meeting on 5th August.
- There has been a significant change in market sentiment over the past month that the RBA will turn from a tightening to loosening monetary policy bias before years end with the market pricing in a full 25 point cut in rates in September.
- In its statement accompanying the decision the bank acknowledged that while uncomfortably high underlying inflation persists (+4.5% yoy) the economic outlook has deteriorated in Australia with softening consumer and business demand likely to flow through the economy. The RBA feels that demand will remain moderate, the economy will slow and whilst inflation will remain high in the short term its likely to fall closer to the banks target range as these effects come into play.
- Australian building approvals were much weaker than expected, coming in at -0.7% vs 1% expected. Retail sales were dire at -1% (mom) with department stores and clothing taking the biggest hit. A positive trade balance for the month (+411 m) was a rare occurrence.
- The AUD was sold sharply in recent weeks. After almost reaching parity mid July, touching .98.27 against the USD, it has been sold down hard to 0.9162 in early August.
- Ranges on the AUD/USD were a high of 0.9793, low of 0.9083 and average of 0.9559. The AUD/NZD was a high of 1.29, low of 1.2597 and average of 1.2736. The AUD/EUR experienced a high of 0.6159, low of 0.5895 and an average of 0.6078. The AUD/JPY was a high of 104.24, low of 99.26 and average of 102.37.

New Zealand

- The RBNZ dropped the OCR by 25 points to 8.00% on 24 July citing ongoing global financial woes, increasing cost of funds for NZ business and consumers, persistently high oil and food prices and a steep correction in the NZ housing market as all likely to result in a sharply slowing NZ economy.
- Governor Bollard indicated that the bank sees plenty of room for further easing as the economy slows and the existing inflation pressures weaken.
- Business confidence was poor this month -8.2% against the weak -4% expected. NZ building permits fell 20% to a 22 year low after last months fall of 40%.
- Ranges on the NZD/USD were a high of 0.7725, low of 0.7176 and average of 0.7504. The NZD/EUR was a high of 0.4877, low of 0.4658 and an average of 0.4772. The NZD/JPY experienced a high of 81.51, low of 78.34 and average of 80.38.

Food retail



Source: ABS Cat 8501

Australia

- In June quarter data, food retail sales suffered their second decline in three months, suggesting tighter economic conditions are starting to have an impact at the cash register. Following the modest rise of 1% in May that we suspected was an aberration, sales fell 0.2% in June in seasonally adjusted terms.
- All major food retail categories experienced softer sales in the June quarter, extending the difficult trading environment recently experienced by some channels. Cafes, restaurants and takeaway food outlets have continued to under perform as consumer discretionary spending has been clearly wound back in the face of rising interest rates and higher fuel prices.
- Fourth quarter inflation figures released in July had food prices down -0.1% for the June quarter. Year on Year food inflation of 3.9% was driven largely by rising prices in the dairy, cereals, meat, seafood and snack food categories. Surprisingly, the annual fruit and vegetable contribution to overall food price inflation was negative.
- Woolworths' full year sales results showed comparable stores sales growth of 6.3% (taking out inflation of 2.9%), comparing well to last year's result of 6.6% (inflation of 3.5%).
- Woolworths continue to outperform competitors in the food retail sector. The company opened 30 new Australian supermarkets during the year, ahead of the planned 15 to 25, with 5 new openings in Q4. Woolworths also opened 22 new Dan Murphy's stores, taking the total to 89.
- The ACCC inquiry into the competitiveness of retail prices for standard groceries was published on July 31. The report, commissioned by the new federal government, was motivated by concerns that the gap between farm gate prices and supermarket shelf prices has been widening in recent times. Food price inflation has exceeded CPI since 1997, and significantly so in the last two years.
- The ACCC has concluded that pending the results of a detailed cost-benefit analysis, the costs associated with implementing a mandatory unit pricing system are outweighed by the significant benefit to consumers. Implementation costs will vary according to the time allowed for implementation, but a 6-12 month time frame is expected.
- Major retailers have, on the whole, taken the initiative and announced they will be introducing unit pricing in stores ahead of forthcoming legislation making them mandatory. Public response to the idea of unit pricing has been very positive and most retailers are keen to capitalise on the opportunity to meet consumer expectations.
- Evidence available to the Inquiry did not support the notion that retail prices have risen while farm gate prices have stagnated or fallen. Further, it was concluded there was no evidence that retailers set farm gate prices, that these mirror supply and demand factors in the relevant market.

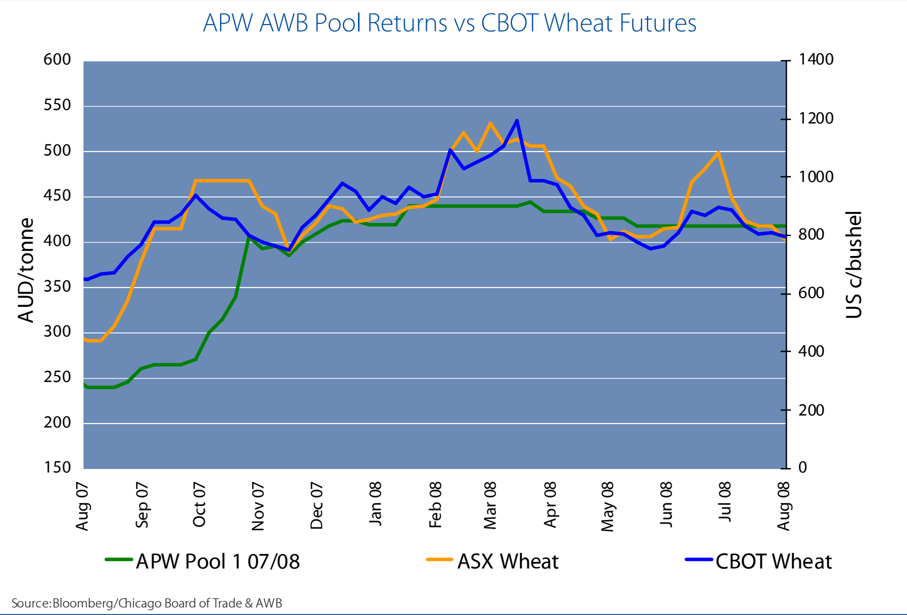
New Zealand

- New Zealand food prices rose +1.3% since May bringing the annual increase in food prices to +8.2%. June price increases were driven by a +5.2% rise in fruit and vegetable prices, particularly lettuce, oranges and peaches. The meat, poultry and fish category prices grew +1.3%.

Grains and oilseeds

Chicago Board of Trade Wheat Futures (nearby contract)			AWB APW 2007/08 Pool Price	
	USc/bushel		AUD/tonne	
Current (01/08/08)	Last month (04/07/08)	Last Year (03/08/07)	Current (01/08/08)	Last month (04/07/08)
794.00	887.50	650.00	403.00	447.80

Source: Bloomberg/AWB



Global

- Wheat prices, represented by the CBOT nearby futures contract, have fallen 8% in July. However, prices were resilient given the strong declines seen in the wider grain and oilseed markets. Corn and soybeans declined by 20 and 14% respectively in July as a combination of index fund liquidation in commodities generally and a bearish fundamental and weather outlook for the US Midwest drove prices lower.
- Wheat futures prices have failed to reflect the underlying physical market in recent months. The increased presence of index funds holding long positions in the market has limited the ability of futures prices to reflect underlying fundamentals and cash markets.
- EU prices, as reflected by the Euronext – Paris Milling wheat contract, have fallen 7% since the beginning of July. Prices were influenced by increasing new crop supplies and sluggish export demand. EU wheat continues to be uncompetitive relative to Black Sea wheat, with black sea prices continuing to decline, export demand remains strong in the region.
- Canadian canola prices have slumped 20% to CAD563/t since the highs seen in early July. Similar declines were seen in European rapeseed prices which tumbled 22% and are currently trading at EUR384/t. The oilseed complex has retraced largely due to the decline in crude oil over the last few weeks as well as an improved outlook for the US soybean crop.
- International barley prices initially moved higher in early July, supported by a reduction in Canada's expected production. However, a decline in other grain markets, particularly corn, weighed heavily on the market towards the end of the month pulling prices significantly lower. The Winnipeg ICE nearby contract is currently trading 23% down from the monthly high at CAD226.9/t.

Australia

- Rabobank currently expects an Australian wheat production range of between 20 to 24 million tonnes for the 2008/09 season. This forecast range is based on an assessment of current crop and seasonal conditions; a movement in either direction is still possible at this stage of the season.
- Significant production risks remain for Australia's wheat production this season, with poor subsoil moisture levels in a number of regions and a weakening La Niña weather pattern forecast. Early-stage crop development has also been below average in a number of regions due to a lack of follow-up rainfall, which, like last season, will threaten the development of Australia's grain crop over the coming months.
- Good July rains have left the Western Australian canola crop in good condition, with a bumper crop now looking more likely. Canola crops in the Eastern States and South Australia have also faired relatively well over the last month. However, good conditions will need to continue as we move towards harvest later in the year.

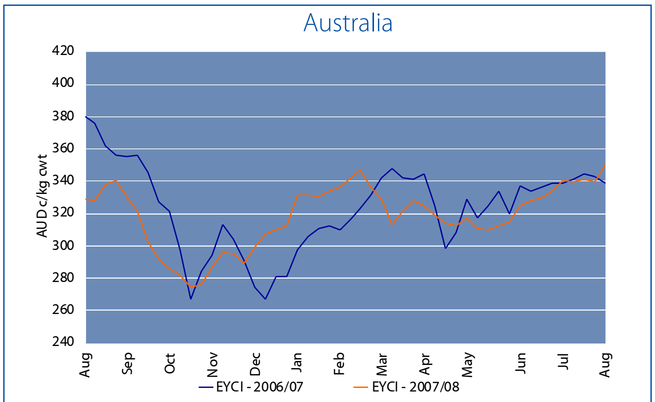
Beef

AUD prices (c/kg cwt)			
	Current (01/08/08)	**Last week**	**Last year**
Eastern Young Cattle Indicator (EYCI)	350	340	339

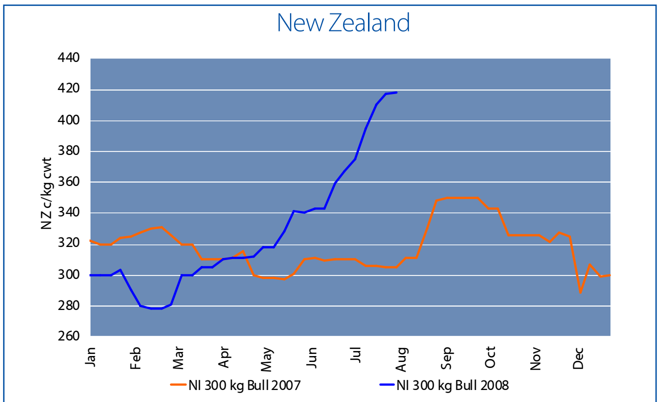
Source: NLRS

NZD prices (c/kg cwt)			
	Current (04/08/08)	**Last week**	**Last year**
North Island Bull 300kg	418	417	311
South Island Bull 300kg	383	378	305

Source: NZX Agrifax



Source: NLRS



Source: NZX Agrifax

Global

- US imported manufacturing beef prices have held up during July at record levels. Prices broke through US 180c/lb in early July and have held around these levels throughout the month. Imported lean beef prices have been under some downward pressure over recent weeks as domestic lean cow prices lowered by US 2c/lb as a result of higher US cattle slaughter. However, the combination of very low availability of imported product in the US, a declining US cattle herd and good demand for manufacturing beef globally can be expected to support lean beef prices in the near term.
- After four and a half years and countless rounds of negotiation, US bone-in beef has now reached the Korean market – the first since a ban on US imports in late 2003 due to the discovery of BSE. The US was the major supplier of beef to the Korean market prior to the ban, and re-entry has resulted in a drop-off in demand for Australian and New Zealand beef.
- Many large scale end-users are waiting to see the consumer response to US beef re-entry before they are willing to stock US beef. However, with the market approaching Thanksgiving, a period of peak beef consumption in Korea, sales of US beef are likely to rise quickly. The USDA has reported beef sales to the Korean market of 14,200 tonnes for the fortnight ending 24 July.

Australia

- A number of meat processing plants in Australia and overseas have been temporarily suspended from shipping to the Russian market due to the implementation of previously unknown import testing procedures by the Russian government. Four Australian plants have been affected; three are kangaroo processors and one beef plant. The suspensions have created uncertainty in a market which has been a major destination for Australian beef exports in 2008.
- Young cattle prices have strengthened in recent weeks, in response to tighter cattle supply. This was due to a combination of increased rainfall and colder weather in southern Australia and the impact of a trucking strike in northern NSW and Queensland.
- Grassfed Japan Ox prices remain similar to 2007 prices, with demand in key export markets of Japan and Korea and the strong Australian dollar continuing to impact over the hooks prices for this category.

New Zealand

- Farm gate bull beef prices continued to swing upwards, lifting by a further NZ 43 cents/kg (11%) during July. High US lean beef prices are being reflected in schedule prices and the 4% easing in the NZ dollar against the US dollar is also assisting. Bull beef prices are now around 34% (NZD 1.07/kg) higher than the same period in 2007.
- New Zealand's beef exports increased 4% by volume during the June 2008 quarter, compared to June 2007; however export value increased a significant 21% or NZD 110 mln for the quarter (Statistics New Zealand). The increased export value reflects good demand globally with attractive market opportunities evident in non-traditional markets for New Zealand beef.

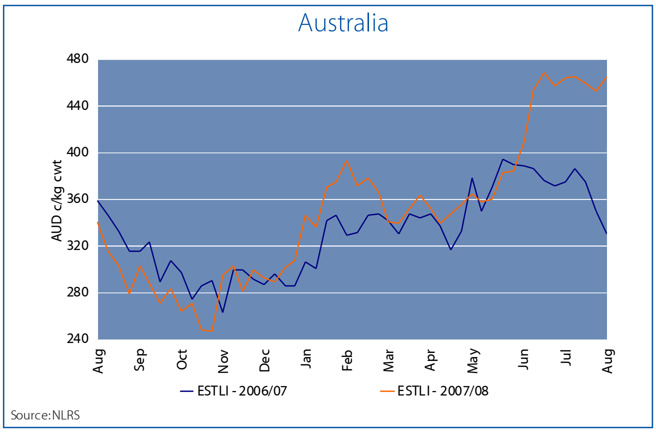
Lamb

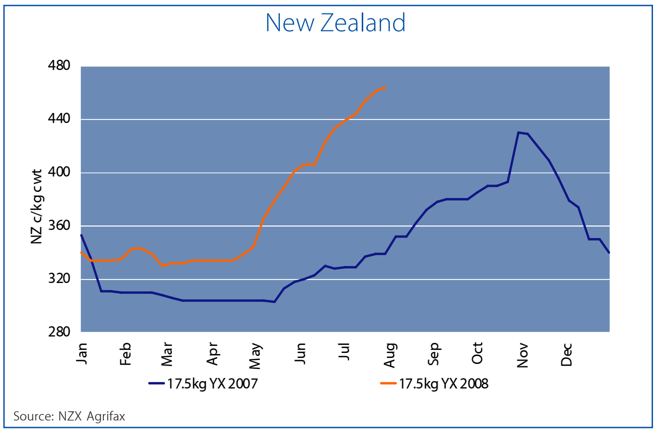
AUD prices (c/kg cwt)			
	Current (01/08/08)	Last week	Last year
Eastern States Trade Lamb Indicator	465	453	330

Source: NLRS

NZD prices (c/kg cwt)			
	Current (04/08/08)	Last week	Last year
NI 17.5kg YX	453	444	327
SI 17.5kg YX	463	461	352

Source: NZX Agrifax





Australia

- After surging to AUD 4.70/kg cwt in mid-June, Australian lamb prices have traded between AUD 4.53 and AUD 4.65/kg cwt band over the past 6 weeks, averaging 26% higher than the same period in 2007. Supply has remained very tight for trade and heavy lambs, however the closure of a number of processing plants for mid-winter maintenance has held lamb prices steady.
- Meat and Livestock Australia have forecast strong prime lamb prices over the next few years, with supply expected to tighten following a continued decline in the sheep flock. A combination of dry weather conditions, declining wool returns and the shift from sheep to crop production in some regions has seen the sheep flock fall to an estimated 80 million head as at June 2008, the lowest level since 1920.
- The dry weather and shift into crop production saw mutton exports for the January to June period reach 91,981 tonnes, a 12% rise on the same time in 2007. Most of this increase was due to higher exports from Western Australia, which have risen over 40% so far this year to 23,039 tonnes.

New Zealand

- Farm gate lamb prices rose a further NZ 25 cents/kg (6%) over the past month as international markets adjusted to lower lamb availability and an easing NZ dollar provided some relief. Prices are currently 32% (NZD 1.11/kg) ahead of the same period in 2007, with prices currently higher than the 2004 and 2005 peaks as the impact of a significantly smaller 2008/09 lambing season approaches.
- Sheepmeat exports climbed 10% by volume for the June 2008 quarter (compared to June 2007) with export value increasing by NZD 120 mln (19%). Exports to the important UK market mirrored this trend were up 13% for the June quarter by volume and 21% by value.
- Exports of frozen bone-in cuts provided most of the increase – lifting by 8,600 tonnes and NZD 69 mln compared to June 2007. The US, Japan and Taiwan led the way with more than an additional 1,000 tonnes exported to each destination in the June 2008 quarter. A mixture of existing high value and lower value developing markets also saw export volumes increase by more than 500 tonnes during the period, including Germany, France, Jordan, Russia, Mexico and the Ivory Coast.

Dairy

World dairy prices									
	USD/tonne			AUD/tonne			NZD/tonne		
	01/08/08	last month	last year	01/08/08	last month	last year	01/08/08	last month	last year
Butter	4,050	4,050	3,450	4,320	4,210	4,022	5,557	5,350	4,497
SMP	3,600	3,600	5,200	3,840	3,742	6,062	4,940	4,756	6,779
WMP	4,350	4,350	4,750	4,640	4,522	5,537	5,969	5,746	6,192
Cheddar	5,000	5,000	4,550	5,334	5,198	5,304	6,860	6,605	5,931

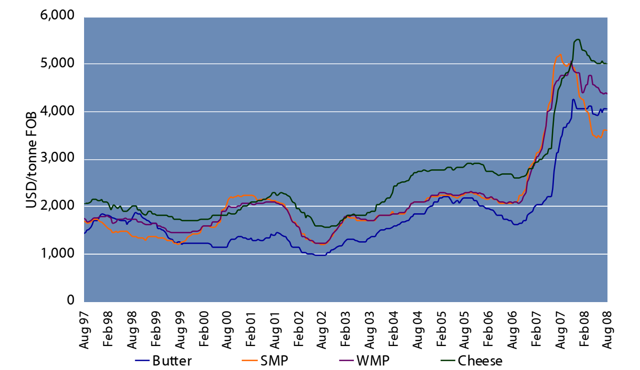
Source: USDA

Global

- The price of most dairy products remained unchanged in international trade during July, extending the run of stable pricing to three and a half months. However, the stability of USD prices during the month reflected in part the strengthening in the USD – with export prices rising 1.5%-4.0% when expressed in the local currency terms of other major export regions. This suggests the market is still signalling the need for increased supply from these regions to meet strong import demand.
- Butter prices held ground despite a sharp fall in the price of competing vegetable oils. Soybean oil prices slumped 20% during July, as fears of damage to the US crop during recent flooding proved overstated and declining crude oil prices exerted pressure on the vegetable oil complex.
- With the new Southern Hemisphere season still in its infancy, dairy supply remains dominated by developments in the USA and Europe.
- Recent data provided further evidence of a loss of momentum in the EU during the crucial peak supply months. Following a decline in April, milk supply failed to materially exceed previous levels in May, as strikes impacted German collection and UK supply continued to contract, offsetting growth from other major producers in the region.
- Loss of supply momentum appears to have impacted exports in turn. EU shipments of butter and cheese fell in April, with only a marginal increase in milk powder volumes.
- In contrast, US milk production remained strong through June. As the national surplus continued to build, a record of over 50 thousand tonnes of milk powder was shipped out during May, with cheese and butter exports also up substantially. The US dairy herd stabilised in July, after expanding for 14 consecutive months: in what may prove the first sign of on farm response to the poor milk/feed price ratio.

Australia

- A weaker AUD saw export prices rise 2.6% in local currency terms in July..
- Murray Goulburn and Fonterra both rounded off an unprecedented season by announcing a final step up for the 2007/08 season in late July/early August – bringing the farm gate milk price to around 55 - 60% above previous season levels.
- As the new season begins to build, farmers in southern rain fed regions remain extremely well placed, with good rainfall in July. However, poor runoff into catchments in Northern



Source: USDA

Production growth in key exporting regions		
	Latest month	Last 3 months
EU 27	0.1% (May)	0.3%
US	3.0% (Jun)	2.7%
Argentina	9.7% (May)	8.0%
Australia	7.0% (Jun)	3.6%
NZ	0% for 2 months to Jul 2008	

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

Victoria saw the prospects of high water allocations in this region further recede during the month – making the successful progress of the local grain crop increasingly important.

New Zealand

- The easing New Zealand dollar provided dairy commodities with a 4% lift for local exporters during July despite USD prices remaining unchanged.
- Newly established processors are passing milk though their freshly commissioned plants with Synlait commencing production over the first weekend in August and Dairy Trust's Awarua site following a few days later.
- New Zealand's dairy export data for the year to June 2008 reveals the impact of poor climatic conditions during the second half of last season. Export volumes fell 10% to 1.86 mln tonnes with an increased proportion being processed into WMP given the comparatively favourable pricing for most of 2008. However, on the back of strong dairy commodity prices export value increased 33% to NZD 9.7 bln.

Cotton

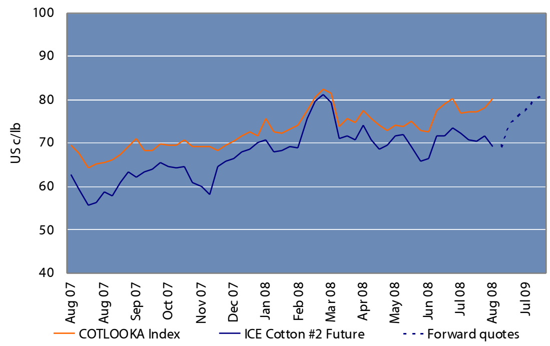
Monthly average cotton prices (US c/lb)			
	Current (01/08/08)	Last week	Last year
Cotlook A Index	80.35	78.00	69.65
NY Futures (Oct 08)	69.31	71.68	62.85

Source: Bloomberg/ICE

Australia

- Cotton markets were lacklustre for most of last month with the ICE cotton no. 2 Dec08 contract trading between 71US¢/lb and 75US¢/lb. However, the end of the month saw December prices fall 8% in only three days as liquidation of positions in the wider commodity complex pulled cotton prices lower.
- While some of the immediate crop fears in the Northern Hemisphere have been alleviated, the market will continue to keep a close eye on weather developments over the coming months.
- There are growing concerns that the global economic uncertainty is affecting the Chinese textile industry. Rising production costs, restricted access to working capital and a strong RMB have reduced China's global competitiveness. As a result, the Chinese Government has increased the textile export tax rebate to 13% for textile products and 15% for finished garments.

Global Cotton Prices



Source: Bloomberg/ICE

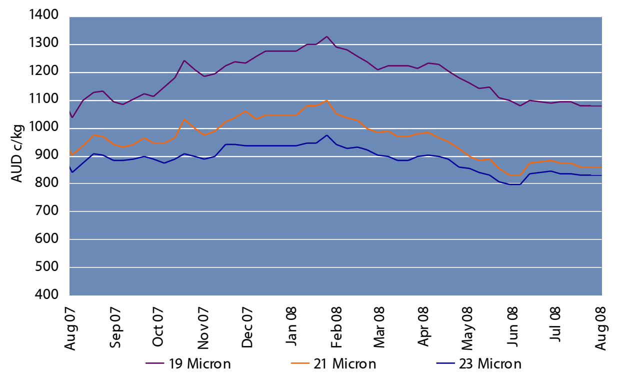
Wool

Eastern Market Indicator (AUD c/kg clean)				New Zealand (NZD c/kg clean)			
	Current (01/08/08)	Last week	Last year		Current (04/08/08)	Last week	Last year
Fine (19 micron)	1079	1079	1036	Fine (21 micron)	1110	1109	1071
Medium (21 micron)	861	861	904	Medium (27 micron)	620	590	541
Broad/coarse (23 micron)	829	829	842	Broad/coarse (37 micron)	390	379	317

Source: The Woolmark Company

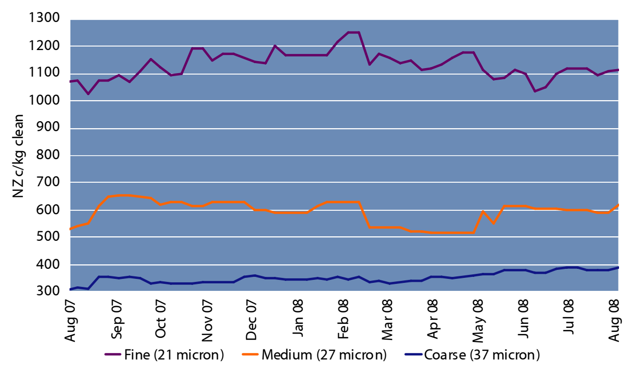
Source: NZX Agrifax

Australia



Source: The Woolmark Company

New Zealand



Source: NZX Agrifax

- The Wool market finished the 2007/08 season down 1.4% at AUD8.64/kg. Strong gains were seen during the first half of the season, supported mainly by a lower wool supply following two years of drought. The yearly high of AUD10.49/kg was reached in early January. However prices went into a significant down trend for most of 2008 due to a high AUD and a slowdown in global wool consumption.
- The most prominent factor behind the declines seen in the EMI since early January has been the rise in AUD against the USD. During January the AUD traded mostly around the 88US¢ mark. However, by mid June the AUD was consistently reaching 96US¢.
- NZ wool prices finished the month generally firmer, following a 5% depreciation of the NZD against the USD. Coarse and Medium wools were better supported, however, fine wools fell 6 cents over the month to finish at NZD11.10/kg.

Sugar

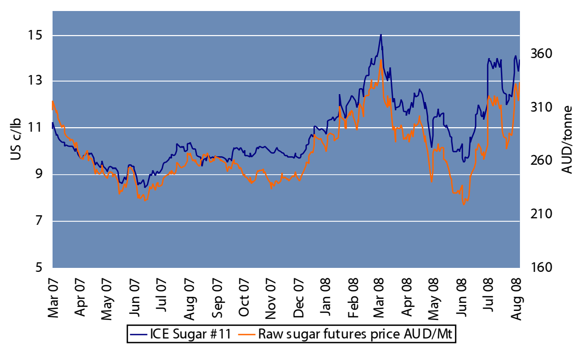
New York 11 Prompt (raw sugar futures price November 2008)					
US c/lb			AUD/tonne		
Current (06/08/08)	Last week	Last year	Current (06/08/08)	Last week	Last year
13.93	13.40	10.12	335	312	260

Source: Bloomberg/ICE

Australia

- The world sugar market experienced extreme volatility throughout July.ICE New York No.11 nearby contract prices reached as high as 13.99US¢/lb in early June before plummeting 13% in as little as 5 days to a monthly low of 12.01US¢/lb. Sugar prices are currently trading at 13.93US¢/lb, having climbed to 14.13US¢/lb only 8 days after reaching the monthly low.
- Factors beyond the sugar market have largely dictated this month's price action.The continuing possibility that the CFTC may introduce restrictions on index fund involvement in commodity markets has weighed heavily on the market. There are also fears that growth in emerging markets may not be as sustainable as first thought given the economic slowdown in the US.This saw dramatic liquidation in the wider commodity complex which spilled over to the sugar market.
- This month, the slow progress of the harvest and the relatively poor quality of cane in Brazil, plus dry weather conditions in India, have provided a backdrop of supportive fundamental news.

New York 11 Prompt (November 2008) Futures Contract



Source: Bloomberg/ICE

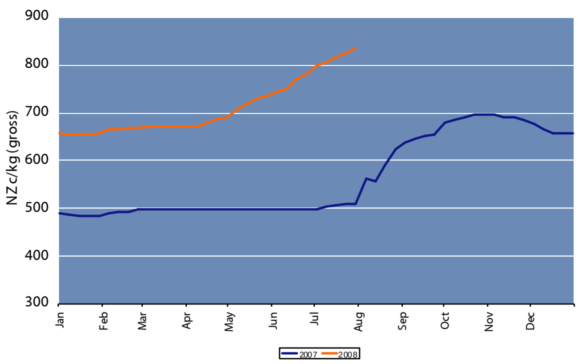
Venison

NZ c/kg gross	Current (04/08/08)	Last week	Last year
NI Stag 60kg	804	757	517
SI Stag 60kg	835	779	563

Source: NZX Agrifax

New Zealand

- Venison prices remain driven by increases seen in the European market, particularly during the peak chilled season. Farm gate prices continued their seasonal rise with a further 5% (NZ 37 cents/kg) evident over the past month, with prices now above NZD 8.00/kg (+48% from 2007) for the first time since 2001.
- Venison exports for the year to June 2008 reflected lower supply with volumes down 16% on the 2007 year. However, export value lifted by 3% as the higher prices per kilogram outstripped the lower volumes available. Frozen product prices (vs chilled) were particularly significant, up 35% in NZ dollar terms over the previous year.



Source: NZX Agrifax

Wine

Wine exports	Australia			New Zealand		
Measuring system	Comparative MAT Performances			Comparative MAT Performances		
Period	**Jun-08**	**Jun-07**	**Change %**	**Jun-08**	**Jun-07**	**Change %**
Volume (million litres)	702.1	797.7	-12.0	87.8	75.9	15.7
Value (AUD/NZD million)	2,657.0	2,992.30	-11.0	773.9	697.2	11.0
Unit value (AUD/NZD per litre)	3.78	3.75	1.0	8.95	9.21	-2.8

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

Global

- Chilean bottled wine exports rose 22.6% to USD 1.131 billion in the 12 months to May, 2008 with an average price per 12 bottle case of USD 29.41. The average price of bulk wine exports was USD 0.69 per litre, 32.7% above the equivalent period last year.
- The EC announced grants of EUR 5.4 million to help EU wine producers market their wines within Europe. The money will be matched by combined contributions from EU member states and the wine industries of the respective countries receiving the awards.
- A strong Euro and questions surrounding the quality of the 2007 Bordeaux vintage are likely to result in a more difficult sales environment for major producers this year. Prices for Bordeaux wines are expected to soften following three years of robust price growth.

Australia

- The 2008 Australian harvest was 31% larger than 2007, estimated at 1.83 million tonnes, and above the 5 year average of 1.71 million tonnes. Chardonnay and Shiraz still dominate the Australian landscape.
- The Riverina produced a record harvest in 2008, on the back of adequate water allocations. A difficult season for other warm, inland growing regions highlighted the important challenge facing growers in securing adequate water for irrigation in the coming season.
- The strong AUD and weaker US economy contributed to annual Australian Wine exports falling for the first time in 13 years. Exports fell -11% by value (to AUD 2.66 billion) and -12% by volume (to 702 million litres) according to the Australian Wine and Brandy Corporation's export report for 2007-2008.
- Exports to the US fell -23% (to AUD 741 million).

New Zealand

- New Zealand Wine Vintage Survey results report the size of the 2008 harvest at 285,000 tonnes, up 80,000 tonnes (+39%) compared to last year. Average yield was 10.5 tonnes per hectare, the highest since 1996.
- June year end 2008 exports were 87.8 million litres, an increase of +16% to set a new record.
- Excitement is building around the fourteenth annual Romeo Bragato Conference to be held in Christchurch from the 21st to 23rd August. The Rabobank keynote address will attempt to dispel some of the myths surrounding marketing New Zealand Wines to Asia.

Horticulture

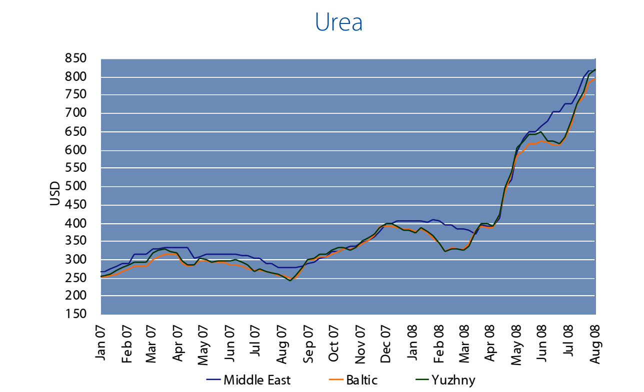
Australia

- The Horticulture Code could soon be extended to incorporate retailers. The Code, introduced last year, currently regulates trade in horticulture produce between growers and wholesale traders to encourage greater clarity and commercial transparency in transactions between parties. The Government asked The Australian Competition and Consumer Commission to consider the effectiveness of the Code and whether the inclusion of the major buyers such as retailers would improve its effectiveness.
- Biosecurity Australia (BA) will decide by September whether or not to allow banana imports from the Philippines. Australian banana growers claimed that imports represent a major disease threat and appealed against last year's suggestion by BA that chemical treatment and tighter quarantine surveillance might be enough to allow bananas from that origin into Australia.
- NSW macadamia nut farmers have been hit by adverse weather conditions, which have slashed this year's yields. However, there are no expectations of any significant improvement in kernel prices as there are large volumes of carryover stock held in factories. There are some predictions that the national AUD1.60 per kg farmgate price may lift an additional 10 cents per kg.
- The bacterium for which MAF Biosecurity New Zealand (MAFBNZ) suspended exports of tomatoes and capsicums has been identified and linked to a disease in American potato crops which was likely to have been spread by potato psyllids. On 17 July, MAFBNZ reinstated phytosanitary certification of New Zealand grown tomato and capsicum export produce. However, the restrictions are still in place for exports to countries that have prohibited imports of New Zealand products (Australia, Fiji) or MAFBNZ is still negotiating access conditions (Japan and US) or where imports are allowed but minor technical details need to be resolved (French Polynesia).

Fertiliser

All shown as USD/tonne	Current (01/08/08)	Last month	Last year
Urea (Middle East)	817.50	725.00	277.50
DAP (North Africa)	1193.00	1195.00	450.00

Source: Bloomberg



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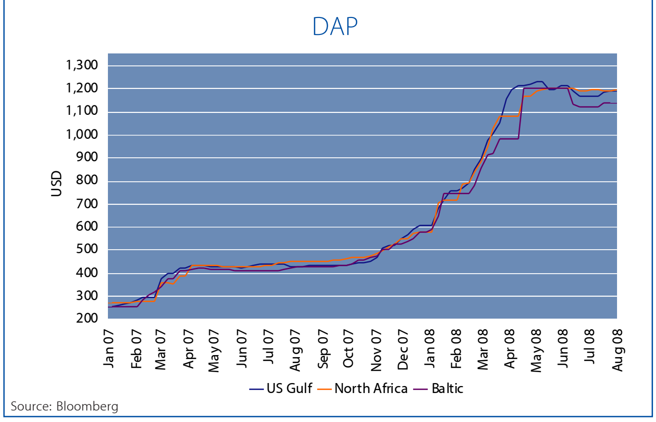


Source: Bloomberg

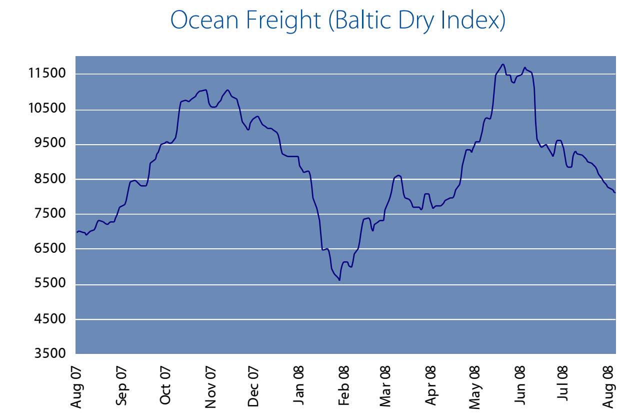
- The Chinese Government is expected to extend the 135% export tax it implemented in April 2008 at least until the end of 2008, when the decision comes up for review.
- Trade expectations are pointing to revision of the tax, with forecasts ranging between 125% and 175%. However, the most likely tax rate appears to be 125%. This 10% reduction would have little impact and would effectively still prohibit fertilizer exports.
- There have also been renewed reports that the Russian Government may look to implement its own export tax in the coming months, which could see prices explode once again.

Other costs

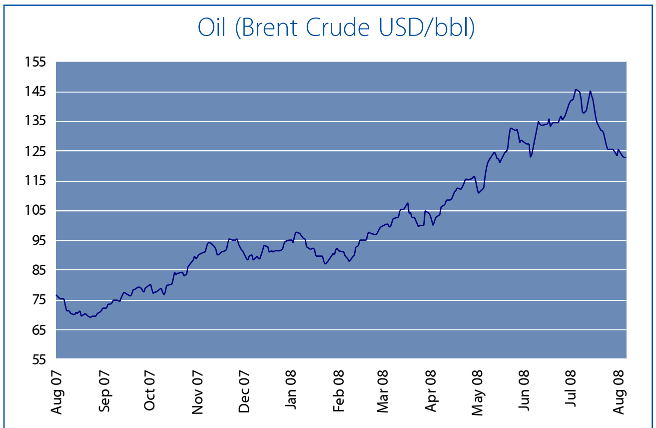
	Current (06/08/08)	Last week	Last year
Baltic Dry Index	8100	8388	6990
Brent Crude (USD/bbl)	123.10	124.16	75.43

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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For your nearest Rabobank branch call 1300 30 30 33

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Rabobank New Zealand Group

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Corporate and Business Banking

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Hamilton	(07) 834 7755
Auckland	(09) 375 3701

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For enquiries please contact your nearest branch or +61 2 8115 4000 in Australia or 0800 722 622 in New Zealand.

Bill Cordingley
Head of FAR
Bill.Cordingley@rabobank.com

Luke Chandler, Senior Analyst
Commodities
Luke.Chandler@rabobank.com

Tim Hunt, Senior Analyst
Dairy (Australia)
Tim.Hunt@rabobank.com

Andrew Millett
Head of Corporate and Rural Origination and Sales
Global Financial Markets

Adam Morris, Senior Analyst
Wine, Food Processing
Adam.Morris@rabobank.com

Hayley Moynihan, Senior Analyst
Dairy, Animal Proteins (New Zealand)
Hayley.Moynihan@rabobank.com

Wendy Voss, Senior Analyst
Animal Proteins (Australia)
Wendy.Voss@rabobank.com

Doug Whitehead, Research Analyst
Wool
Doug.Whitehead@rabobank.com

Vera Zelenay, Analyst
Horticulture
Vera.Zelenay@rabobank.com

www.rabobank.com.au
www.rabobank.co.nz

Rabobank