



**Rabobank**

**Media Release**  
**July 12, 2011**

## ***'Best kick-off in years' for Australian crops – industry report***

Australian winter crop plantings have had the best kickoff in years across most parts of the country, with good subsoil moisture levels setting farmers up with an “air of optimism” – according to the latest **Australian Crops Quarterly** report released by Rabobank.

Report co-author, Rabobank analyst Tracey Allen says for the most part, Australian crop conditions are favourable following a good start to the growing season in most regions, however regular rainfall will be important in the coming months to maximise the crop's potential.

“Now that we're in the early months of the winter crop-growing season, our attention, not surprisingly, turns to rainfall and price,” Ms Allen says.

“Welcome showers have been received across the Western Australian wheatbelt and there is a strong subsoil moisture profile across the east coast and South Australia, providing an optimum base for crop establishment.”

The general success of the winter crop planting season has given farmers an “air of optimism” for crop production in MY 2011/12 (marketing year), yet Ms Allen says there are some risks to take into consideration.

“Rainfall in WA still remains a large hurdle to production and there are also concerns in regions in the eastern states about dry topsoils, coupled with the mice plague, and the impact this may have on crop germination,” she says.

“Meanwhile, recent cool weather has helped to reduce mice numbers, yet there is still a risk of another outbreak in spring across parts of South Australia and the eastern states which could potentially downgrade the size of the crop.”

For the MY 2011/12, Rabobank estimates wheat production will reach approximately 25.25 million tonnes.

The report indicates that Australia is forecast to have produced approximately 26.1 million tonnes of wheat in MY 2010/11 – up 19 per cent on the previous year; however, around half of this was downgraded to feed or general purpose wheat as a result of the heavy rainfall across the eastern states' harvest window.

Australian export volumes have progressively increased throughout 2011 and Rabobank expects wheat export volumes to reach around 17.4 million tonnes which is well above the five-year average.

Ms Allen says this would require around 1.4 million tonnes to be exported each month to MY 2011/12 which seems “well within reach” given the large volume exported this year to date.



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“This is a promising result, considering the grain quality downgrades due to flood impacts, lower-than-average production in WA, and the high Australian dollar,” she says.

With a bumper crop expected later this year, Ms Allen says even greater export volumes are expected for the year ahead (MY 2011/12).

“Although, this will be contingent on international demand, coupled with a lift in global production following the expected resurgence of exports out of the Black Sea region,” she says.

Looking at cotton, the report says, prices remain elevated and have been supported by ongoing tight stocks and global production downgrades despite a drop-off in Chinese demand.

Australian cotton production is set to reach Rabobank’s record forecast of 3.95 million bales for 2010/11. The following year’s production is expected to break records yet again, Ms Allen says, and at this early stage Rabobank forecasts Australian production to fetch 4.7-5.0 million bales.

The report shows the outlook for global fertiliser markets is for prices to remain elevated, however prices are likely to be nearing seasonal peaks as the end of the key planting season in some regions draws to a close.

Ms Allen says for Australian and New Zealand farmers, higher global fertiliser prices will eventually be felt in local pricing and the timing of this could impact margins for top dressing winter crops or for field preparation of spring pastures and summer crops.

“However, low inbound freight costs, softer short-term energy prices and elevated currencies for both Australia and New Zealand should lessen the chances of any dramatic fertiliser price spike at the farm level,” she says.

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